MOSS BROS GROUP PLC

Preliminary results for the year ended 26 January 2008

For Release 3 April 2008 at 7.00 am

HEADLINES

Financial

- Adjusted profit before tax and non-recurring items £0.2m (Ly: £3.4m). Adjusted EBITDA before non-recurring items of £6.5m (Ly: £9.2m)
- Loss before tax of £1.4m (Ly: profit before tax of £5.1m)
- Results are after non-cash impairment of retail assets £0.7m, non-recurring costs for exiting leases £0.6m and business restructuring £0.3m
- Like for like retail sales flat
- Gross profit up 20 basis points at 54.3%
- Year-end cash balance of £15.5m (Ly: £16.6m). Average cash balance of £7.6m (Ly: £7.5m)
- Closing inventory £19.2m (Ly: (restated) £20.0m)
- Current trading: total like for like sales in the first nine weeks of the new financial year 0.9% up on same period last year

Further to the announcement made by the Company on 25 February 2008, the Company confirms that talks are continuing with Baugur Group hf ("Baugur"), following receipt of an indicative offer in cash at 42p per share from a new company to be formed by Baugur and certain investment partners ("Newco"). As announced on 25 February 2008, the Company has granted Newco due diligence access, which is continuing. Mr Mark Bernstein dissented from the Board of Director's decision to grant due diligence access to Newco.

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 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per Share if Newco does not announce a firm intention to make a takeover offer for the Company or any such offer is withdrawn or lapses without becoming or being declared unconditional in all respects.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.

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 both 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.

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.

RISK 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 talents 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.

FINANCIAL REVIEW

TRADING RESULTS

	2007/2008		
	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 (Ly: 1.80 pence 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 (Ly: £9.3m); this included £1.4m (Ly: £1.9m) for new hire inventory. Capital expenditure also included the purchase of intangible assets (IT software) for £0.5m (Ly: £1.9m); this included £0.2m for a new transactional website www.moss.co.uk. Depreciation of property, plant and equipment is £7.0m (Ly: 6.0m), of which £1.7m (Ly: £1.3m) relates to hire inventory. Amortisation of intangible assets is £0.3m (Ly: £0.2m). Reclassifications are discussed as per the Notes to the Preliminary Results.

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.

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MOSS BROS GROUP PLC

Consolidated Income Statement
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
Revenue	**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	**387**	354
(Loss)/Profit before Taxation	**(1,380)**	5,108
Taxation	**28**	(1,912)
(Loss)/Profit Attributable to Equity Holders of the Parent	**(1,352)**	3,196
Basic (loss)/earnings per share	**(1.44)p**	3.44p
Diluted (loss)/earnings per share	**(1.44)p**	3.40p

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 Attributable to Equity Holders of the Parent	**(1,352)**	3,196

MOSS BROS GROUP PLC

Consolidated Balance Sheet
As at 26 January 2008

	26 January 2008 Audited £'000	27 January 2007 (restated) Audited £'000
Assets		
Intangible assets	**1,904**	1,707
Property, plant and equipment	**28,192**	26,699
Lease prepayments	**2,787**	2,812
Total Non-Current Assets	**32,883**	31,218
Inventories	**19,179**	19,964
Trade and other receivables	**7,752**	7,491
Cash and cash equivalents	**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	**4,724**	4,678
Share premium account	**8,666**	8,400
Retained earnings	**36,177**	39,219
Equity Attributable to Equity Holders of Parent	**49,567**	52,297
Liabilities		
Other payables	**1,290**	1,337
Deferred tax liabilities	**3,897**	4,001
Total Non-Current Liabilities	**5,187**	5,338
Trade and other payables	**20,374**	17,777
Provisions	**300**	-
Total Current Liabilities	**20,674**	17,777
Total Liabilities	**25,861**	23,115
Total Equity and Liabilities	**75,428**	75,412

MOSS BROS GROUP PLC

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 Preliminary Results
For the 52 weeks ended 26 January 2008

1. 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 year for an adjustment to additions eligible for capital allowances. The deferred tax liability has been increased by £0.5m.

2. Statement of Changes in Equity

	52 weeks to 26 January 2008 £'000	52 weeks to 27 January 2007 (restated) £'000
Total Equity at beginning of year	**52,297**	51,185
(Loss)/profit for the year	**(1,352)**	3,196
Dividends paid	**(1,690)**	(1,675)
Issue of shares	**312**	20
Purchase of own shares	**-**	(218)
Share based payments	**-**	(211)
Net movement in equity during the year	**(2,730)**	1,112
Total equity at end of year	**49,567**	52,297

3. Basic (loss)/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) and are calculated by reference to the loss attributable to shareholders of £1,352,000 (2007: 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 profit attributable to shareholders as stated above.

4. The financial information set out above does not constitute the Company's statutory accounts for the 52 weeks ended 26 January 2008 or the 52 weeks ended 27 January 2007 but, to the extent that amounts are not denoted as 'Restated', are derived from those accounts. Statutory accounts for the 52 weeks ended 27 January 2007 have been delivered to the Registrar of Companies, and those for the 52 weeks ended 26 January 2008 will be delivered in due course. The auditors have reported on those accounts; their report was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

5. 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.

6. Like for like comparatives remove the impact of new store openings.

7. Net property related gains/(losses) comprise:

	52 weeks to 26 January 2008 £'000	52 weeks to 27 January 2007 (restated) £'000
Profit on disposal of property, plant & equipment	**-**	2,189
Costs to exit leasehold property	**(580)**	-
Accelerated depreciation - former Distribution Centre	-	(290)
Write-off of receivable in respect of store move costs	-	(135)
Impairment charge (included within depreciation)	**(670)**	(61)
Net property related gains/(losses)	**(1,250)**	1,703