MOSS BROS GROUP PLC

ANNUAL REPORT & ACCOUNTS 2006/07

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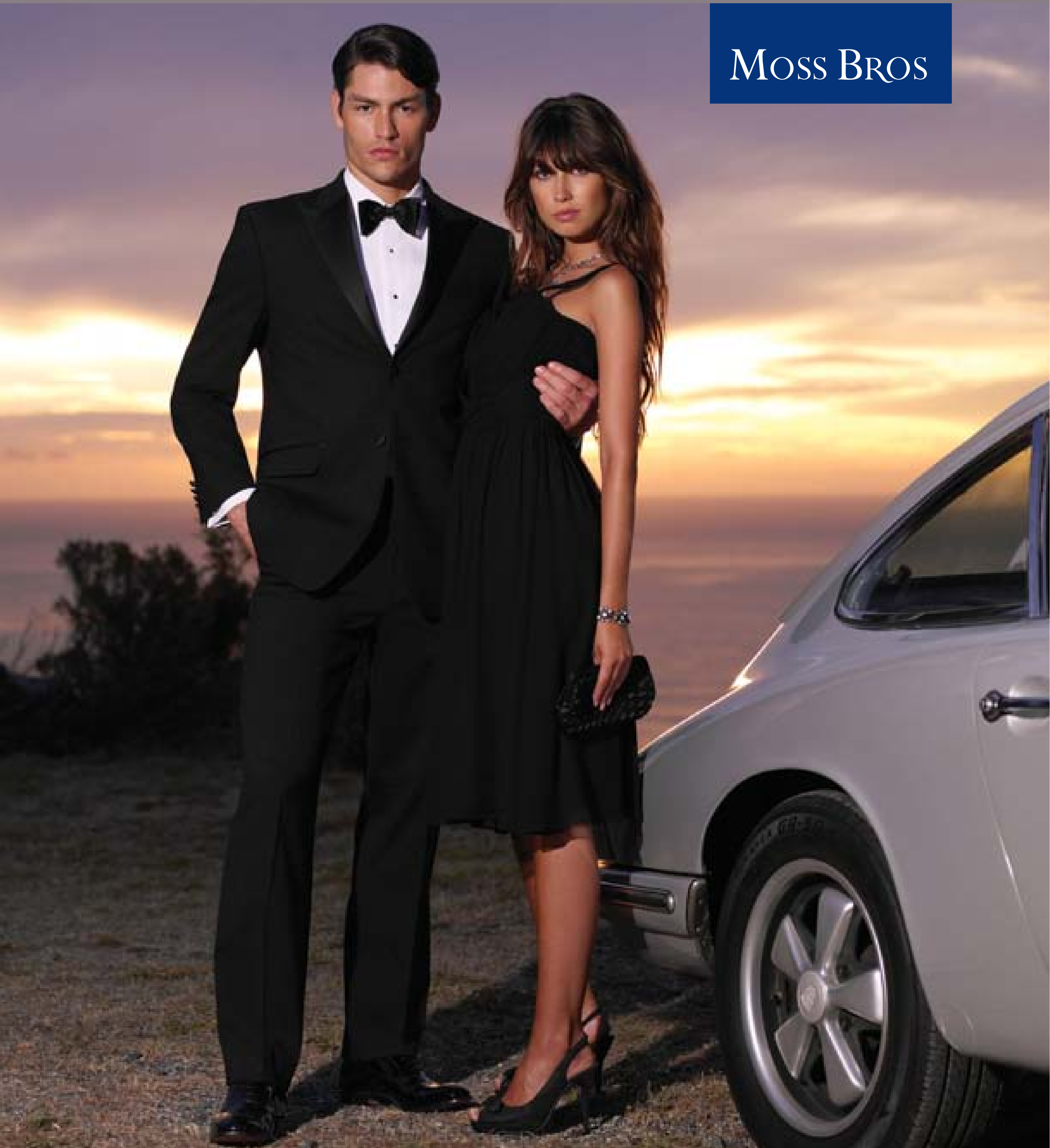

Moss Bros

CHAIRMAN'S STATEMENT

After five years of improving performance, the year to 27 January 2007 was a difficult period for the Company – reflecting the increasingly challenging competitive environment in the UK menswear retail market, as well as a number of one-off trading issues which are set out in the Business Review. In order to recover momentum in its performance and to realise its potential, the Company needs to accelerate the rate at which it adapts and changes and work has commenced on initiatives to achieve this objective.

Total revenues at £133.9m were marginally ahead of last year; although, after allowing for new stores the comparable sales trend was actually down by approximately one percent. Profit before tax was £5.1m, which was down from £6.2m in the previous year. The profit figure for the year included £1.7m of net gains from property disposals.

Earnings per share at 3.92 pence per share compares with 4.62 pence in the previous year.

The Company has resources to invest in the initiatives it needs to undertake. The closing cash balance was £16.6m, compared with £17.7m at the end of the previous year. The average cash balance for the year was approximately £7.5m.

During the year the Company invested £9.2m in capital expenditure. This reflected the strengthening of the business through the opening of ten new stores and the acceleration of the refurbishment programmes together with investment in a new distribution centre and the implementation of a new IT system.

Trading since the start of the new financial year has been disappointing, although a large number of Moss stores have been disrupted due to the re-fit programme. Underlying retail sales trends adjusting for new stores were down by 1.0%.

The Board is proposing a final dividend of 1.30 pence which it is expected will be paid on 14 June 2007 to Shareholders on the register on 11 May 2007. This will make total dividends for the year of 1.80 pence, the same as the previous year.

In October Michael Hitchcock joined the Company as Finance Director, having previously held that role at Ottakars. Robert Marsh, who has held a number of senior positions in retailing, also joined the Board in May as an Independent Non-Executive Director. Two long serving Directors retired in January 2007: Michael Gee who served on the Board and on the Board of Cecil Gee for 45 years and Peter Moss who served on the Board of the Company for 31 years. Both Michael and Peter played leading roles in the uniting of the two family businesses and made major contributions to the development of the merged Company. They have been consistent and loyal supporters of the Company through good times and more difficult times. Their colleagues would like to thank them for their services and wish them well for the future.

Following a period of speculation with regard to its intentions Unity Investments ehf, which is the beneficial owner of 28.5% of the issued share capital, has reconfirmed its position as a long term Shareholder supporting the Company's development. The Board has welcomed this statement as ending a period of uncertainty and has decided to appoint two Non-Executive Directors associated with Unity Investments ehf. This development will help us accelerate the long-term growth of the business both organically and through strategic development and thereby increase value for all Shareholders.

KEITH HAMILL CHAIRMAN

DIRECTORS AND ADVISORS

PRESIDENT
Monty Moss

CHAIRMAN
Keith Hamill

EXECUTIVE DIRECTORS
Philip Mountford Chief Executive
Michael Hitchcock Finance Director

NON-EXECUTIVE DIRECTORS
Mark Bernstein
Robert Marsh Independent Non-Executive Director
Rowland Gee
Bernie Myers Senior Independent Non-Executive Director

SECRETARY
Julia Stephens

REGISTERED NUMBER
134995

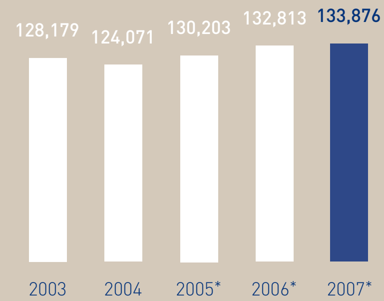
REGISTERED OFFICE
8 St John's Hill
London SW11 1SA

REGISTRARS
Capita IRG plc
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

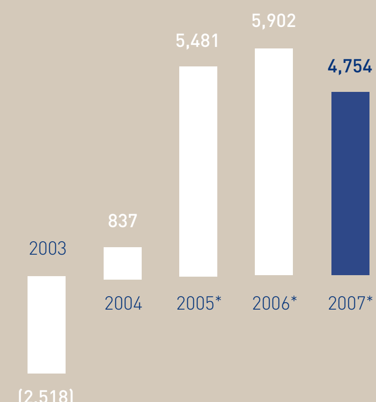
AUDITORS
KPMG Audit Plc
8 Salisbury Square
London EC4Y 8BB

FIVE YEAR RECORD

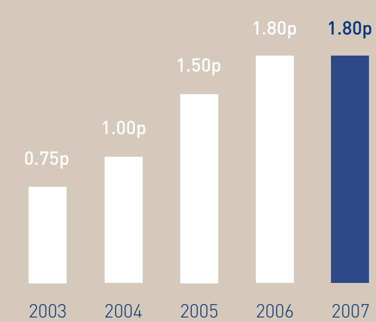
TURNOVER



OPERATING (LOSS)/PROFIT



DIVIDENDS PER SHARE



*2005 – 2007 are stated under IFRSs

CHIEF EXECUTIVE'S BUSINESS REVIEW

OVERVIEW

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

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

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

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

BUSINESS REVIEW

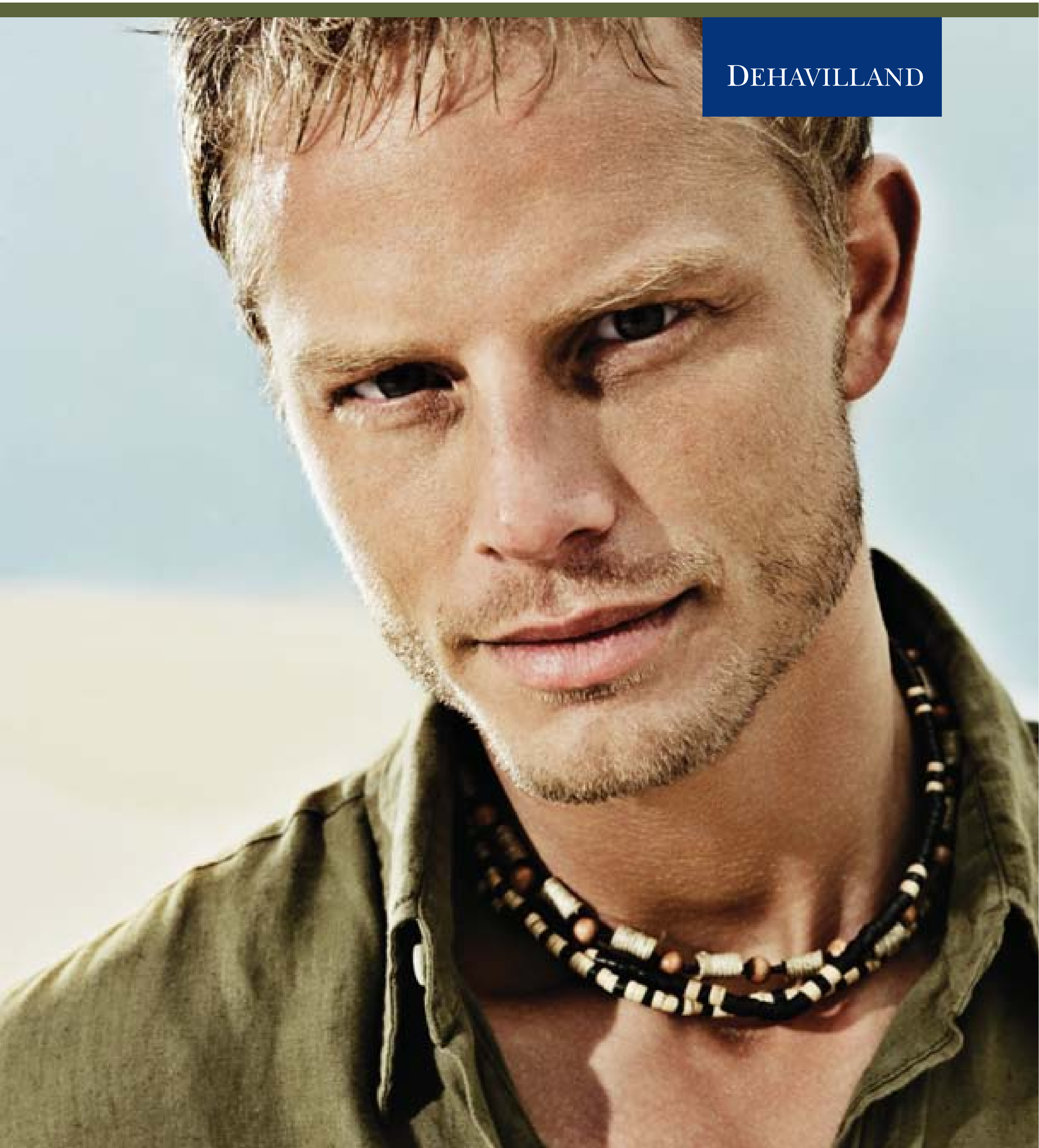
STORES

BUSINESS KEY PERFORMANCE DRIVERS

Extensive customer research into the Moss fascia has provided the data from which the 'business key performance drivers' have been created. These are divided into Stores, Product and Suppliers. The measure to which management has been successful with these performance drivers will be measured through the standard key performance indicators of like for like sales, UPT (units per transaction), ATV (average transaction value), sales per square foot and gross margin percentages (at a fascia level this margin is measured before allocated warehouse costs which are included in the gross margin in statutory accounts format).

MAINSTREAM

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


DEHAVILLAND

CHIEF EXECUTIVE'S BUSINESS REVIEW
CONTINUED

Expansion Plans

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

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

Concept Stores and Refits

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

The key priority is to attract new customers without alienating core consumers. The early indications from the performance of the seven refit stores which were undertaken in 2006 are promising with, on average, a +10% uplift in sales against the average like for like sales movement over the same period.

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

Factory Outlets

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

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

FASHION

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

Cecil Gee

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

Hugo Boss

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

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

Canali

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

HIRE

As the market leader in the UK hire market, with an approximate market share of 20%, Moss Bros Hire facilitated hire garments last year for in excess of 25,000 weddings and fitted in excess of 130,000 customers for black-tie events. The wedding market continues to be stable; although there has been a reported decrease in the number of weddings, there has been an increase in the number of people wearing morning suits and in the size of wedding parties. There has also been an increase in the number of university-related events, and in student events styled on the US school prom model.

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

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

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

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

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

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

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

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


DEHAVILLAND

CHIEF EXECUTIVE'S BUSINESS REVIEW
CONTINUED

RISKS AND UNCERTAINTIES

CASH
The cash balance is monitored daily and this has succeeded in increasing the monthly average cash balance by £1.0m to £7.5m. The year-end cash balance is a healthy £16.6m.

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

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

PROPERTY
The business operates from a portfolio of high street, shopping centre and factory outlet stores held under operating leases. This portfolio needs to be carefully and proactively managed to minimise any long-term risk to the business.

FINANCIAL REVIEW

TRADING RESULTS	2006/07 1st half	2006/07 2nd half	2006/07 Full year
Sales v last year (like for like)*	-0.7%	-1.9%	-1.3%
% gross profit	53.5%	52.7%	53.1%
% gross profit v last year	+0.4%	-0.1%	+0.2%
Profit before taxation	£0.8m	£4.3m	£5.1m

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

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

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

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

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

SALES

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

Whilst sales from Moss were generally disappointing the business did see growth in the demand for higher end product, which is encouraging for the future. Despite the increasingly competitive market place in which Moss trades there remain opportunities to increase the higher–end product ranges which will not only give sales growth but increased margin. Sales within Factory Outlets continued to grow during the year reinforcing the continued importance of this route to market.

OPERATING COSTS

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

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

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

EARNINGS PER SHARE AND DIVIDEND
Earnings per share: 3.92 pence per share compared to 4.62 pence per share last year.

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

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

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

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

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

P F MOUNTFORD CHIEF EXECUTIVE
10 April 2007

STORE LOCATIONS

BOARD OF DIRECTORS

DIRECTORS

Keith Hamill (54) 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 Collin 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.

Philip Mountford (42) 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 (42) 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 (47) 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 (61) 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 (54) Independent Non-Executive Director. Joined the Board as a Non-Executive Director on 25 May 2006. He is Managing Director of SB Capital Europe and previously held senior executive positions with Mothercare, Sears and Jaeger.

Bernard Myers (63) Senior Independent Non-Executive Director. Joined the Board as a Non-Executive Director on 13 August 2001. He is Chairman of the Industrial Dwellings Society (1885) Limited and a Director of Rothschild Bank AG, Rothschilds Continuation Limited and Rothschild Trust Limited. He was formerly a Managing Director of NM Rothschild & Sons Limited.

AUDIT COMMITTEE OF THE BOARD

B I Myers (Chairman)
K Hamill
R K Marsh (Appointed 25 May 2006)

REMUNERATION COMMITTEE OF THE BOARD

B I Myers (Chairman)
K Hamill
R K Marsh (Appointed 25 May 2006)

NOMINATION COMMITTEE OF THE BOARD

K Hamill (Chairman)
M J Bernstein
R J Gee
R K Marsh (Appointed 25 May 2006)
B I Myers

DIRECTORS' REPORT

The Directors of Moss Bros Group Plc present their Annual Report and audited financial statements for the year ended 27 January 2007.

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 27 January 2007 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.

	2007 £'000	2006 £'000
Revenue	**133,876**	132,813
Operating profit	**4,754**	5,902
Financial income	**354**	305
Profit before taxation	**5,108**	6,207
Taxation	**(1,468)**	(1,958)
Profit after taxation	**3,640**	4,249

DIVIDENDS

The Directors propose a final dividend of 1.30 pence per share, 1.80 pence for the year. An interim dividend of 0.50 pence per share was paid on 22 November 2006. Subject to Shareholders' approval, the final dividend will be paid on 14 June 2007.

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 16 to the accounts.

MAJOR SHAREHOLDINGS

At 10 April 2007, 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	28.65%
G S Pitt and P J Moss	6,737,965	7.18%
Man Financial Limited	4,451,111	4.74%
Schroder Investment Management Limited	3,335,379	3.55%
M J Gee	3,201,130	3.41%

* The Company has been advised that Unity Investment ehf and Kaupthing Bank Luxembourg SA have an interest in these shares.

DIRECTORS' REPORT
CONTINUED

ANNUAL GENERAL MEETING
The Resolutions to be proposed at the Annual General Meeting to be held on 25 May 2007, 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 2,973,650 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 10 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 £1,306,968 representing 21.8% 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 25 August 2008. As at 10 April 2007, 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 11, 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 £234,651 which represents less than 5% of the Company's issued ordinary share capital as at 10 April 2007. The renewed authority will remain in force until the date of the next Annual General Meeting or 25 August 2008, 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 11 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 12. The maximum number of shares which may be acquired

pursuant to this authority is 9,386,063 which is 10% of the issued share capital of the Company as at 10 April 2007. This authority will expire at the conclusion of the Annual General Meeting in 2008 or 25 August 2008, 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 4,181,544 representing approximately 4.45% of the issued share capital of the Company) will represent an increased percentage of the issued share capital being approximately 4.95% 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 12 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.

DIRECTORS

The names of the current Directors together with brief biographical details are shown on page 14 of this Annual Report. Particulars of the Directors' remuneration and interests in shares of the Company are given in the Directors' Remuneration Report on pages 24 to 27. On 25 May 2006 R K Marsh was appointed a Non-Executive Director of the Company and on 11 October 2006 M P Hitchcock was appointed an Executive Director of the Company.

On 14 August 2006 J M Cook resigned as a Director of the Company and on 26 January 2007 Messrs P J Moss and M J Gee retired as Non-Executive Directors of the Company. Mr D Pidgeon was appointed a Director of the Company on 20 April 2006 and ceased to be a Director of the Company on 5 October 2006.

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

Throughout the year, the Company held a directors' and officers' insurance policy.

Mr M J Bernstein retires by rotation and, being eligible, offers himself for re-election at the Annual General Meeting. Mr R J Gee retires 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 M J Bernstein 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 R K Marsh and M P Hitchcock have been appointed Directors and offer themselves for election at the Annual General Meeting.

DIRECTORS' INTERESTS

The beneficial interests and share options of the Directors, who held office at 27 January 2007, 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 26.

	At 27 January 2007		At 28 January 2006*	
	Ordinary shares	Options over ordinary shares	Ordinary shares	Options over ordinary shares
EXECUTIVE DIRECTORS				
P F Mountford	125,623	2,202,428	125,623	1,265,492
M P Hitchcock	–	686,274	–	–
NON-EXECUTIVE DIRECTORS				
K Hamill	193,363	–	193,363	–
M J Bernstein	–	–	–	–
R J Gee	2,455,264	–	2,730,264	–
B I Myers	200,000	–	200,000	–
R K Marsh	–	–	–	–

* Or date of appointment, if later.

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 27 January 2007, held 483,556 shares in the Company.

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 regular 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 27 January 2007 was 45 days.

CHARITABLE DONATIONS

During the year £2,500 (2006 – £2,500) was donated to charities. No political donations were made during the year (2006 – 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 July 2003. Set out below is a statement of how the Company has applied the principles laid down by the Combined Code.

THE BOARD

The Board of Directors supervises the management of the business of the Group. Details of the Directors are given on page 14. 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.

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

- The Board includes four 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 Board and 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.
- 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 eight 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. 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 R K Marsh and M P Hitchcock will be subject to election by Shareholders at the AGM on 25 May 2007.

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.

CORPORATE GOVERNANCE STATEMENT CONTINUED

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, the Chief Executive and other Directors are invited to attend. Messrs R K Marsh and K Hamill are also members of the Audit Committee. 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 eight 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. As stated above as the Combined Code states Chairman should not be a member of the Remuneration Committee, the Group recognises this is currently an area of non-compliance with the Code. 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 24 to 27.

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 twice. The Nomination Committee is responsible for reviewing the structure, size and composition of the Board and making recommendations with regard to any changes, giving full consideration to succession planning, evaluating the balance of skills, knowledge and experience of the Board. The Nomination Committee assesses and recommends for approval by the Board candidates to fill Board vacancies as they arise.

The Combined Code recommends that Chairmen do not serve as members of a Board's Audit or, for companies with a year-end prior to 1 November 2006, Remuneration Committee, although they are generally invited to attend the meetings of those Committees. 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 both of these Committees. 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. R K Marsh joined the Company in May 2006, prior to this date the Company recognises the membership of the Audit Committee and the Remuneration Committee was an area of non-compliance with the Code, which has now been resolved.

The following table shows the number of Board and Committee Meetings held during the year ended 27 January 2007 and the attendance record of individual Directors:

	BOARD MEETINGS	COMMITTEE MEETINGS		
		Audit	Nomination	Remuneration
NUMBER OF MEETINGS	**8**	**2**	**2**	**8**
K Hamill	8	2	2	8
P F Mountford	8			
M P Hitchcock*	2			
M J Bernstein	7			
M J Gee	7		1	
R J Gee	8		1	
P J Moss	8		1	
B I Myers	7	2	2	8
R K Marsh*	7	1	1	3
D Pidgeon**	3			
J M Cook**	1			

* Messrs M P Hitchcock and R K Marsh became Directors during the year.

** Mr D Pidgeon and Mrs J Cook ceased to be Directors during the year.

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 half yearly and yearly 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

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND ACCOUNTS

The Directors are responsible for preparing the Annual Report 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).

CORPORATE GOVERNANCE STATEMENT CONTINUED

ACCOUNTABILITY AND AUDIT CONTINUED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND ACCOUNTS CONTINUED

The Group financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position and 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 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 the Companies Act 1985. 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 publication and dissemination of financial statements may differ from legislation in other jurisdictions.

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 27 January 2007 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 reports 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 the management to address and manage the risks identified. During the year, the Board has reviewed the need for an internal audit department in accordance with the Combined Code. In view of the size and scale of the Group, the Board decided it was not appropriate to expand the current scope of the internal audit function, which focuses on stock movement and the procedures for moving stock 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 and Remuneration Committees and the Company had only one Independent Non-Executive Director during the period while the appointment of a second Independent Non-Executive Director was being arranged.

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
10 April 2007

DIRECTORS' REMUNERATION REPORT

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

The Remuneration policy is set by the Board. However the Remuneration Committee determines the remuneration of the Executive Directors. The terms of reference of the Committee, as set by the Board, are to review and agree the terms and conditions of employment of the Executive Directors including the level of remuneration and other benefits. The remuneration policy aims to align the interests of the Executive Directors and Shareholders. This is achieved by providing a remuneration package comprising of salary and benefits, an annual performance bonus, incentives and pension provision. Salary, benefits and pension provisions are not subject to performance criteria. Any payments made to Executive Directors other than salary are not pensionable.

In determining the level of remuneration for Executive Directors, the Remuneration Committee takes into consideration the need to encourage the enhancement of the 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 2007 £'000**	Total 2006 £'000	Pension Contributions **2007 £'000**	Pension Contributions 2006 £'000
EXECUTIVE DIRECTORS						
P F Mountford	307	2	**309**	243	**59**	92
M P Hitchcock*	90	2	**92**	–	**9**	–
D Pidgeon**	125	1	**126**	–	**12**	–
J M Cook***	166	3	**169**	108	**42**	44
R J Murray	–	–	**–**	379	**–**	93
NON-EXECUTIVE DIRECTORS						
K Hamill (Chairman)	65	2	**67**	79	**–**	–
M J Bernstein	23	–	**23**	20	**–**	–
M J Gee	25	3	**28**	23	**–**	–
R J Gee	25	2	**27**	22	**–**	–
R K Marsh	19	–	**19**	–	**–**	–
P J Moss	25	–	**25**	20	**–**	–
B I Myers	33	–	**33**	24	**–**	–
A J Allner	–	–	**–**	10	**–**	–
	903	15	**918**	928	**122**	229

* M P Hitchcock will receive a bonus of £25,000 which was guaranteed upon him joining the Company. This is included within the £90,000.

** 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.

*** Included within J M Cook's salary is £100,000 in respect of the termination of her employment.

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. However, M P Hitchcock will receive a bonus of £25,000 to be paid at the end of April 2007 which was guaranteed upon him joining the Company on 11 October 2006. This bonus is included within the above table.

SHARE OPTIONS AND RETENTION PLAN

Information on the share options held by each Director is shown on page 26. 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 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. Conditions apply equally to all participating Directors. The Scheme is not approved by the Inland Revenue. Under the terms of the Scheme, options will vest on a change of control.

During 2006 the Group has put in place the 2006 Approved and Unapproved Executive Share Option Schemes. These were approved by Shareholders at an Extraordinary General Meeting on 29 March 2006. All future Executive Share Option Scheme grants will be made under the 2006 Approved and Unapproved Executive Share Option Schemes. Under the rules of these two schemes, challenging performance conditions will be applied based on annual growth in earnings per share. Options will vest in full upon a change of control. Details of the options granted to Directors during the year are shown on page 26.

All options were granted during the year under the 2006 Unapproved Executive Share Option Scheme. No options were granted during the year under the 2006 Approved Executive Share Option Scheme or 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.

During the year a retention plan, which was approved by Shareholders at an Extraordinary General Meeting on 29 March 2006, was put 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 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 Trust, to meet its commitment to P F Mountford.

SHARE OPTIONS AND RETENTION PLAN CONTINUED

The **audited** table below details movements in the options granted to Directors who held office at 27 January 2007.

	At 28 January 2006	Grant	At 27 January 2007	Exercise price (pence)	Earliest date of exercise	Expiry date
UNAPPROVED EXECUTIVE SHARE OPTION SCHEME						
P F Mountford	915,492	–	915,492	35.50	22.05.2005	21.05.2012
	350,000	–	350,000	61.75	11.05.2007	10.05.2014
	–	936,936	936,936	83.25	01.06.2009	31.05.2016
	1,265,492	936,936	2,202,428			
M P Hitchcock	–	686,274	686,274	76.50	16.10.2009	15.10.2016
	–	686,274	686,274			

The market price of the Company's shares during the year ranged from 60.75 pence to 90.50 pence; at 27 January 2007, the mid market price was 69.75 pence. During the year, 558,558 options over Ordinary Shares of 5 pence each in favour of D Pidgeon granted to him on 1 June 2006 lapsed.

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%.

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 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 Hitchcock	03.10.2006	6 months	
D Pidgeon	02.05.2006	Nil	
J M Cook	15.10.2002	Nil	

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 appointments of Messrs K Hamill, B I Myers and R K Marsh may be terminated on six months' notice from either side. The other Non-Executive Directors' appointments can be terminated on three months' notice from either side.

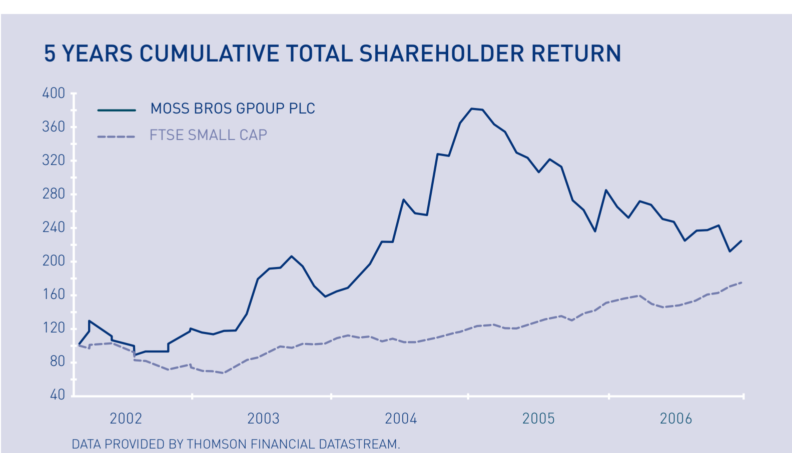
	Date of letter of appointment
K Hamill	11.05.2004
B I Myers	15.11.2004
R J Gee	01.03.2005
M J Bernstein	01.12.2005
R K Marsh	22.05.2006

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 2002. 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

10 April 2007

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 27 January 2007 which comprise the Consolidated Income Statement, the Consolidated and Company Balance Sheets, the Consolidated Statement of Cash Flows, 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 the Group financial statements in accordance with applicable 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 pages 21 and 22.

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 Business Review section of 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 2003 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 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.

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 27 January 2007 and of its profit 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 27 January 2007;
- 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

10 April 2007

CONSOLIDATED INCOME STATEMENT

FOR THE 52 WEEKS ENDED 27 JANUARY 2007

	Note	**52 weeks to 27 January 2007 £'000**	52 weeks to 28 January 2006 £'000
REVENUE	3	**133,876**	132,813
Cost of sales		**(62,800)**	(62,552)
GROSS PROFIT		**71,076**	70,261
Administrative expenses		**(4,518)**	(5,189)
Shops selling and marketing costs		**(61,804)**	(59,170)
OPERATING PROFIT		**4,754**	5,902
Financial income	4	**354**	305
PROFIT BEFORE TAXATION	5	**5,108**	6,207
Taxation	8	**(1,468)**	(1,958)
PROFIT FOR THE YEAR	18	**3,640**	4,249
Basic earnings per share	10	**3.92p**	4.62p
Diluted earnings per share	10	**3.87p**	4.54p

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

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

FOR THE 52 WEEKS ENDED 27 JANUARY 2007

	52 weeks to 27 January 2007 £'000	52 weeks to 28 January 2006 £'000
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**3,640**	4,249

CONSOLIDATED BALANCE SHEET

AS AT 27 JANUARY 2007

	Note	**27 January 2007 £'000**	28 January 2006 £'000
ASSETS			
Property, plant and equipment	11	**23,989**	21,059
Lease prepayments	11	**2,812**	2,919
TOTAL NON-CURRENT ASSETS		**26,801**	23,978
Inventories	12	**24,381**	21,704
Trade and other receivables	13	**7,491**	7,310
Corporation tax recoverable		**213**	–
Cash and cash equivalents	20	**16,590**	17,655
TOTAL CURRENT ASSETS		**48,675**	46,669
TOTAL ASSETS		**75,476**	70,647
EQUITY			
Issued capital	16	**4,678**	4,652
Share premium account	18	**8,400**	8,316
Retained earnings	18	**39,766**	38,320
TOTAL EQUITY		**52,844**	51,288
LIABILITIES			
Other payables	15	**1,337**	1,249
Deferred tax liabilities	8	**3,454**	2,385
TOTAL NON-CURRENT LIABILITIES		**4,791**	3,634
Trade and other payables	14	**17,841**	15,725
TOTAL CURRENT LIABILITIES		**17,841**	15,725
TOTAL LIABILITIES		**22,632**	19,359
TOTAL EQUITY AND LIABILITIES		**75,476**	70,647

The financial statements on pages 30 to 46 were approved by the Board of Directors on 10 April 2007 and were signed on its behalf by:

P F MOUNTFORD CHIEF EXECUTIVE

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE 52 WEEKS ENDED 27 JANUARY 2007

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 27 JANUARY 2007

Moss Bros Group Plc ('the Company') is a company domiciled in the United Kingdom. The consolidated financial statements of the Company for the 52 weeks ended 27 January 2007 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 27 January 2007, 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 47 to 56.

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 financial statements have been prepared on the historical cost basis expect 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 below.

The Group's significant accounting policies are set out in note 1 below, 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 below. 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.

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 27 January 2007. 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.

GOODWILL

All goodwill was written off to reserves under UK GAAP and is therefore not recognised as an asset, in accordance with the transitional arrangements of IFRS 1. No goodwill has arisen since the date of transition to IFRS.

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.

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.

Leasehold prepayments are written off over the period of the lease 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 below.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

1. PRINCIPAL ACCOUNTING POLICIES CONTINUED

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 year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

INVENTORIES

Retail stock 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 below. Hire stock is written down to nil over its estimated useful economic life. 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 27 January 2007, the Group had no finance leases.

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

TRADE RECEIVABLES

Trade receivables (which are valued at amortised cost) represent amounts due from retailers in respect of concessions from which the Group trades less commissions due.

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.

DIVIDENDS

Dividends are not accrued until approved by Shareholders.

TAXATION

Tax on the 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. In the two years ended 27 January 2007, no tax has been recognised in equity.

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

Deferred tax is provided using the balance sheet liability method, providing for temporary differences 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.

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.

ADOPTED IFRSs NOT YET APPLIED
During 2005 and 2006, the IASB published an amendment to IAS 1 on capital instruments and IFRS 7 Financial Instruments: Disclosures, IFRS 8 Operating Segments (as yet unendorsed) and IFRIC 8 Scope of IFRS 2. These are effective for annual periods beginning no earlier than 1 January 2007. These have not been adopted early, but the adoption of the above will have no impact upon the results or net assets of the Group.

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 27 January 2007 – £23,989,000) exceeds its recoverable amount. Impairment losses (the excess of the recoverable amount over the pre-impairment carrying 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 debited to the income statement at 27 January 2007 in respect of share-based payment transactions is Nil.

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 £663,000 at 27 January 2007.

3. REVENUE AND SEGMENTAL REPORTING
All of the Group's revenue arose in the United Kingdom.

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

4. FINANCIAL INCOME

	2007 **£'000**	2006 £'000
Interest receivable on bank deposits	**354**	305

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

5. PROFIT BEFORE TAXATION

Profit before taxation is stated after charging/(crediting) the following:		2007 £'000	2006 £'000
Current directors' emoluments including pension contributions (page 24)		**691**	675
Former directors' emoluments (page 24)	– pre resignation	**166**	296
	– upon resignation	**183**	186
Restructuring costs		**–**	207
Auditor's remunerations for Group		**84**	75
Other fees paid to the auditor and its associates		**16**	15
Depreciation of property, plant and equipment		**4,604**	4,051
Depreciation of leasehold prepayments		**225**	182
Operating lease charges	– land and buildings	**24,712**	22,604
	– other	**79**	55
Profit on disposal of property, plant and equipment		**(2,189)**	(31)
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)	**61**	70
Net property related (gains)/losses		**(1,703)**	39

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 the implementation of International Financial Reporting Standards (Nil; 2006 – £10,000), audit-related services (£5,000 in both periods) and overruns from the prior year audit of £11,000 (2006 – Nil).

6. STAFF NUMBERS AND COSTS

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

	2007 Number	2006 Number
Distribution	**115**	109
Selling and marketing	**1,014**	949
Administration	**53**	52
	1,182	1,110

The aggregate staff costs recognised in the income statement were as follows:	2007 £'000	2006 £'000
Wages and salaries	**22,823**	21,655
Social security costs	**1,981**	1,914
Contributions to defined contribution plans	**394**	424
Equity-settled transactions (note 7)	**(211)**	125
	24,987	24,118

Directors' emoluments are disclosed within the Directors' Remuneration Report on pages 24 to 27.

7. SHARE BASED PAYMENTS

Five 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 16.

On 11 May 2004, share options were granted to key management personnel and senior employees to purchase shares in Moss Bros Group Plc under the Executive Share Option Scheme. These options have now lapsed as the performance criterion (earnings per share target) was not met. On 26 May 2005 and on 16 November 2005, two further grants on similar terms were made to these employee groups. Two further grants were made in June 2006 and October 2006 to Directors. 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 above. Based on the performance conditions attached to the grants, all these grants have either lapsed or are now expected to lapse. As a result, prior year expenses in respect of grants outstanding at 29 January 2006 have been written back during the year.

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 senior employees on 19 May 2005	520,000	Three years of service. Earnings per Share must reach at least 6.1 pence per Ordinary share by the vesting date	10 years (7 years after end of vesting period)
Option grant to senior employees on 16 November 2005	385,000	Three years of service. Earnings per Share must reach at least 6.1 pence per Ordinary share by the vesting date	10 years (7 years after end of vesting period)
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	10 years (7 years after end of vesting period)

*CAGR is compound annual growth rate.

7. SHARE BASED PAYMENTS 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	May 2005 grant	Nov 2005 grant	June 2006 grant	Oct 2006 grant
Fair value at grant date (pence per share)	31.30	22.56	14.72	13.89
Share price (pence per share)	104.00	74.00	83.25	76.50
Exercise price (pence per share)	104.00	74.00	83.25	76.50
Expected volatility (expressed as weighted average volatility used in the modelling under the Black-Scholes model)	29.69%	30.30%	13.08%	13.08%
Option life (years)	4	4	4	4
Expected dividend yield	1.70%	1.70%	1.70%	1.70%
Risk-free interest rate (based on national government bonds)	4.00%	4.00%	4.50%	4.75%

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:	**2007 £'000**	2006 £'000
CURRENT TAX EXPENSE		
Current year	**1,667**	1,887
Adjustment for prior years	**(212)**	116
TOTAL CURRENT TAX EXPENSE	**1,455**	2,003
Deferred tax charge/(credit)	**13**	(45)
Total taxation expense in the income statement	**1,468**	1,958

(B) FACTORS AFFECTING THE TAX CHARGE FOR THE YEAR

The tax charge for the year is lower (2006 – higher) than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2007 £'000	2006 £'000
Profit before taxation	**5,108**	6,207
Profit before taxation multiplied by standard rate of corporation tax in the UK of 30% (2006 – 30%)	**1,532**	1,862
Items not deductible for tax purposes	**10**	30
Accounting loss on disposal less than taxable gain	**150**	–
Share-based payment taxation	**82**	18
Prior year provision adjustment	**(212)**	116
Other	**(94)**	(68)
Tax charge for the year	**1,468**	1,958

(C) ANALYSIS OF DEFERRED TAX LIABILITY	2007 £'000	2006 £'000
The deferred tax liability comprises:		
Deferred capital gains	**(2,846)**	(2,144)
Accelerated capital allowances	**(637)**	(740)
Group tax losses	**–**	354
Other short-term timing differences	**29**	63
Share-based payment deferred tax asset	**–**	82
Deferred tax liability	**(3,454)**	(2,385)

There are no unrecognised deferred tax assets or liabilities on investments in subsidiaries.

Following the announcement in the 2007 Budget of a reduction in the rate of Corporation tax to 28% from 1 April 2008, were this to be enacted, the deferred tax liability would be reduced by up to £230,000.

(D) MOVEMENT IN DEFERRED TAX LIABILITY	£'000
At 29 January 2005	(427)
Credit for the year	45
Utilisation of deferred tax asset in respect of Group tax losses	(2,003)
Liability at 28 January 2006	(2,385)
Charge for the year	(13)
Liability for capital gains tax rolled over	(702)
Utilisation of deferred tax asset in respect of Group tax losses	(354)
Liability at 27 January 2007	(3,454)

9. DIVIDEND

	2007 £'000	2006 £'000
Half year dividend at 0.5 pence per share for the current year (2006 – 0.5 pence per share)	**466**	460
Final dividend for the prior year at 1.3 pence per share (2006 – 1.0 pence per share)	**1,209**	920
Write-back of waived dividends on shares held by QUEST from prior years	**–**	(7)
	1,675	1,373

10. EARNINGS PER SHARE

Basic earnings per ordinary share are based on the weighted average of 92,895,454 (2006 – 91,894,428) ordinary shares in issue during the year (which excludes the shares held by the QUEST and the shares held by a third party on behalf of the Company, as disclosed in note 17) and are calculated by reference to the profit attributable to Shareholders of £3,640,000 (2006 – £4,249,000). Diluted earnings per ordinary share are based upon the weighted average of 93,939,019 (2006 – 93,555,869) ordinary shares which takes into account share options outstanding and are calculated by reference to the profit attributable to Shareholders as stated above.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

11. NON-CURRENT ASSETS

(A) MOVEMENTS IN YEAR

	Freehold land and buildings £'000	Fixtures, vehicles and equipment £'000	**Property, plant and equipment total £'000**	**Leasehold prepayments £'000**
COST:				
At 30 January 2005	859	56,683	**57,542**	**6,130**
Additions	–	4,903	**4,903**	**257**
Disposals	–	(110)	**(110)**	**(156)**
At 28 January 2006	859	61,476	**62,335**	**6,231**
Additions	–	8,881	**8,881**	**367**
Compensation for acquisition of non-current assets	–	(1,027)	**(1,027)**	**–**
Disposals	–	(4,131)	**(4,131)**	**(479)**
At 27 January 2007	859	65,199	**66,058**	**6,119**
DEPRECIATION:				
At 30 January 2005	–	37,335	**37,335**	**3,217**
Charged in year	–	4,051	**4,051**	**182**
Disposals	–	(110)	**(110)**	**(87)**
At 28 January 2006	–	41,276	**41,276**	**3,312**
Charged in year	–	4,604	**4,604**	**225**
Disposals	–	(3,811)	**(3,811)**	**(230)**
At 27 January 2007	–	42,069	**42,069**	**3,307**
NET BOOK VALUE:				
AT 27 JANUARY 2007	859	23,130	**23,989**	**2,812**
At 28 January 2006	859	20,200	**21,059**	**2,919**
At 29 January 2005	859	19,348	**20,207**	**2,913**

Leasehold prepayments relate to leasehold buildings as the element of land contained in these leases is minimal. Depreciation in the year ended at 27 January 2007 includes £61,000 (2006 – £70,000) in respect of impairments of individual stores, which is included within shops selling and marketing costs and relates to fixtures and fittings (£39,000: 2006 – Nil) and leasehold prepayments (£22,000: 2006 – £70,000).

The compensation for acquisition of non-current assets relates to the compulsory purchase order in respect of the Group's former distribution centre following the successful London Olympics bid. Of the £1,627,000 received, £1,027,000 relates to capital expenditure and £600,000 to expenses recognised in the income statement.

(B) COMMITMENTS

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

	2007 £'000	2006 £'000
Contracted	**3,321**	2,365

(C) OPERATING LEASES

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

	2007		2006	
	Land and buildings	**Other**	Land and buildings	Other
	£'000	**£'000**	£'000	£'000
Annual commitments in respect of operating leases which expire:				
– within one year	**459**	**3**	155	2
– in the second to fifth year	**14,702**	**106**	16,279	124
– over five years	**148,037**	**–**	174,280	–
	163,198	**109**	190,714	126

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.

12. INVENTORIES

	2007	2006
	£'000	£'000
Retail inventory	**20,602**	18,641
Retail inventory provisions	**(663)**	(831)
Hire inventory	**4,417**	3,868
Cloth	**25**	26
	24,381	21,704

During the year, £58,458,000 (2006 – £58,764,000) of cost of sales related to inventory, including £2,063,000 (2006 – £2,410,000) of inventory write-downs.

13. TRADE AND OTHER RECEIVABLES

	2007	2006
	£'000	£'000
Trade receivables (sterling denominated)	**101**	41
Other receivables	**263**	482
Prepayments and accrued income	**7,127**	6,787
	7,491	7,310

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

14. TRADE AND OTHER PAYABLES DUE WITHIN ONE YEAR

	2007 £'000	2006 £'000
Trade payables (principally sterling denominated)	**10,479**	7,048
Other payables including taxation and social security	**5,413**	5,856
Accruals and deferred income	**1,949**	2,821
	17,841	15,725
Other payables including taxation and social security comprise:		
Other taxes	**3,125**	3,617
Social security	**608**	566
	3,733	4,183
Other payables	**1,680**	1,673
	5,413	5,856

15. OTHER PAYABLES DUE AFTER ONE YEAR

	2007 £'000	2006 £'000
Accruals and deferred income	**1,337**	1,249

16. SHARE CAPITAL

AUTHORISED:
120,000,000 ordinary shares of 5 pence each (2006 – 120,000,000).

ALLOTTED, CALLED UP AND FULLY PAID	2007 £'000	2006 £'000
Balance at beginning of the year: 93,048,816 ordinary shares of 5 pence each (2006 – 92,056,171)	**4,652**	4,603
511,820 ordinary shares of 5 pence each issued during the year pursuant to exercise of share options (2006 – 992,645)	**26**	49
Balance at end of the year: 93,560,636 ordinary shares of 5 pence each (2006 – 93,048,816)	**4,678**	4,652

The average share price of the ordinary shares as at the date of exercise of the above options was 83.0 pence (2006 – 81.5 pence).

	2007 Number	2007 Weighted average exercise price (pence)	2006 Number	2006 Weighted average exercise price (pence)
Options outstanding at the beginning of the year	**5,409,283**	**59.59**	6,027,322	50.91
Granted in the year	**2,181,768**	**81.13**	905,000	90.65
Exercised in the year	**(511,820)**	**21.52**	(992,645)	34.00
Forfeited in the year	**(953,558)**	**78.59**	(408,500)	62.43
Lapsed in the year	**(1,657,500)**	**72.54**	(121,894)	55.91
Options outstanding at the end of the year	**4,468,173**	**67.94**	5,409,283	59.59
Fully exercisable at the end of the year	**2,089,963**	**38.06**	2,242,463	45.84

The weighted average contractual life of options outstanding is 6.7 years (2006 – 6.9 years).

Savings related share option scheme:
Options are outstanding in respect of the following ordinary shares at 27 January 2007:

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

Executive share option scheme:
Options are outstanding in respect of the following ordinary shares at 27 January 2007:

Number of ordinary shares	Exercisable option price per share (pence)	Exercisable option dates (calendar year)
63,000	110.50	2005/2008
20,000	111.50	2005/2009
915,492	35.50	2005/2012
919,115	34.00	2005/2012
390,000	104.00	2008/2015
365,000	74.00	2008/2015
936,936	83.25	2009/2016
686,274	76.50	2009/2016

The Directors' Remuneration Report gives details of options granted to Directors over ordinary shares of 5 pence each during the year ended 27 January 2007.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

17. STATEMENT OF CHANGES IN EQUITY

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

During the year, a trustee company bought 300,000 of the Company's own shares (nominal value: £15,000, representing 0.3% of the Company's share capital) for £218,000 at the behest of the Company to fulfil an option entitlement.

As at 27 January 2007, 483,556 (2006 – 483,556) of the Company's Ordinary shares were held by the Company's Employee Share Trust ('QUEST').

18. RESERVES

	Share capital	Share premium	Retained earnings	Total
AT 30 JANUARY 2005	**4,603**	**8,028**	**35,229**	**47,860**
Shares issued	49	288		337
Proceeds from QUEST			90	90
Employee share based payments			125	125
Profit after taxation			4,249	4,249
Dividends paid			(1,373)	(1,373)
AT 28 JANUARY 2006	**4,652**	**8,316**	**38,320**	**51,288**
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
Dividends paid			(1,675)	(1,675)
AT 27 JANUARY 2007	**4,678**	**8,400**	**39,766**	**52,844**

19. PENSIONS

During the year ended 27 January 2007, 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 27 January 2007 (2006 – Nil).

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

LIQUIDITY RISK

The Group finances its operations primarily through retained profits and has an overdraft facility to finance its seasonal working capital requirement, 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 27 January 2007 (2006 – 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 (2006 – three weeks).

(B) FINANCIAL ASSETS

	Floating rate financial assets	
	2007	2006
	£'000	£'000
Currency:		
Sterling	**16,583**	17,655
Other	**7**	–
Total	**16,590**	17,655

Financial assets comprise cash and generate interest income related to Base Rate plus 10 basis points (2006 – Base Rate only). The Group has no fixed rate financial instruments. Based on the average daily cash balance, the effective interest rate on financial assets is 4.7% (2006 – 4.6%).

(C) FINANCIAL LIABILITIES

There were no financial liabilities after excluding current trade payables as at 27 January 2007 (2006 – Nil).

(D) FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

As at 27 January 2007, there was no material difference between the fair values and book values of the Group's financial instruments (2006 – Nil).

21. 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 24 to 27. 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:

	2007 **£'000**	2006 £'000
Short-term employee benefits	**1,135**	952
Contributions to defined contribution plans	**27**	26
Equity compensation benefits	**(110)**	60
	1,052	1,038

Total remuneration is included in administrative expenses and relates to 13 employees in the year ended 27 January 2007 (2006 – 13).

In addition, a major Shareholder was paid £12,000 in respect of consultancy advice during the year (2006 – £6,000). During the year, the Group traded with entities in which another major Shareholder has a significant financial interest. This major Shareholder obtained its financial interest in the Group during the year. Rents payable to these parties for the 52 weeks ended 27 January 2007 totalled £69,000. The balance owed by these parties as at 27 January 2007 totalled £84,000.

COMPANY BALANCE SHEET

AS AT 27 JANUARY 2007

	Note	**27 January 2007 £'000**	28 January 2006 £'000
FIXED ASSETS			
Tangible assets	24	**27,777**	23,978
Investments	25	**9,502**	9,510
		37,279	33,488
CURRENT ASSETS			
Stocks	26	**24,381**	21,704
Debtors	27	**9,843**	9,449
Cash and liquid resources		**16,590**	17,655
		50,814	48,808
CREDITORS			
Amounts falling due within one year	28	**(29,100)**	(28,111)
NET CURRENT ASSETS		**21,714**	20,697
TOTAL ASSETS LESS CURRENT LIABILITIES		**58,993**	54,185
CREDITORS			
Amounts falling due after one year	28	**(1,209)**	–
PROVISIONS	28	**(532)**	(163)
NET ASSETS		**57,252**	54,022
CAPITAL AND RESERVES			
Called up share capital	29	**4,678**	4,652
Share premium account	30	**8,400**	8,316
Acquisition reserve	30	**4,370**	4,370
Profit and loss account	30	**39,804**	36,684
SHAREHOLDERS' FUNDS	31	**57,252**	54,022

The financial statements on pages 47 to 56 were approved by the Board of Directors on 10 April 2007 and were signed on its behalf by:

P F MOUNTFORD CHIEF EXECUTIVE

22. PRINCIPAL COMPANY ACCOUNTING POLICIES

The following accounting policies, which are in accordance with applicable accounting standards, have been applied consistently in dealing with items which are considered material in relation to the 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 Reportship Standard Number 1. The Company has no related party transactions to disclose as it is exempt 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 (2006 – £6,000). In addition, during the year, the Group traded with entities in which another major Shareholder has a significant financial interest. This major Shareholder obtained its financial interest in the Group during the year. Rents payable to these parties for the 52 weeks ended 27 January 2007 totalled £69,000. The balance owed by these parties as at 27 January 2007 totalled £84,000.

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.

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.

The Directors undertake an annual impairment review and any impairment in the value of fixed assets is charged to the profit and loss account.

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 year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

STOCKS

Retail stock is valued at the lower of cost (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.

DEFERRED TAX

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.

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.

LEASES

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. As at 27 January 2007, 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.

23. 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 year was as follows:

	2007 Number	2006 Number
Distribution	**115**	109
Selling and marketing	**1,014**	949
Administration	**53**	52
	1,182	1,110

(B) DIVIDENDS

	2007 £'000	2006 £'000
Half year dividend at 0.5 pence per share for the current year (2006 – 0.5 pence per share)	**466**	460
Final dividend for the prior year at 1.3 pence per share (2006 – 1.0 pence per share)	**1,209**	920
Write-back of waived dividends on shares held by QUEST from prior years	**–**	(7)
	1,675	1,373

(C) AUDIT FEE

The Company's audit fee is £84,000 (2006 – £75,000).

24. TANGIBLE FIXED ASSETS

(A) MOVEMENTS IN YEAR	Freehold land and buildings £'000	Equipment, short leaseholds £'000	Fixtures and vehicles £'000	Total £'000
COST:				
At 29 January 2006	859	6,231	61,476	68,566
Additions	–	367	8,881	9,248
Disposals	–	(479)	(4,131)	(4,610)
At 27 January 2007	859	6,119	66,226	73,204
DEPRECIATION:				
At 29 January 2006	–	3,312	41,276	44,588
Charged in year	–	225	4,655	4,880
Disposals	–	(230)	(3,811)	(4,041)
At 27 January 2007	–	3,307	42,120	45,427
NET BOOK VALUE:				
AT 27 JANUARY 2007	**859**	**2,812**	**24,106**	**27,777**
At 28 January 2006	859	2,919	20,200	23,978

Depreciation in the year ended at 27 January 2007 includes £61,000 (2006 – £70,000) in respect of impairments of individual stores, relating to fixtures and vehicles (£39,000: 2006 – Nil) and equipment and short leaseholds (£22,000: 2006 – £70,000).

(B) COMMITMENTS

Capital commitments for which no provision has been made in the financial statements were as follows:	**2007 £'000**	2006 £'000
Contracted	**3,321**	2,365

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

	2007		2006	
	Land and buildings £'000	**Other £'000**	Land and buildings £'000	Other £'000
Annual commitments in respect of operating leases which expire:				
– within one year	**459**	**3**	155	2
– in the second to fifth year	**4,402**	**75**	5,232	50
– over five years	**15,421**	**–**	16,513	–
	20,282	**78**	21,900	52

25. FIXED ASSET INVESTMENTS

	2007 £'000	2006 £'000
Subsidiary undertakings cost at the beginning of the year	**15,351**	15,351
Provision at the beginning of the year	**(5,841)**	(2,262)
Write-down during the year	**(8)**	(3,579)
Carrying value at the end of the year	**9,502**	9,510

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

26. STOCK

	2007 £'000	2006 £'000
Retail stock	**19,939**	17,810
Hire stock	**4,417**	3,868
Cloth	**25**	26
	24,381	21,704

27. DEBTORS

	2007 £'000	2006 £'000
Trade debtors	**101**	41
Amounts owed by Group undertakings	**2,151**	2,151
Other debtors	**251**	470
Tax recoverable	**213**	–
Prepayments and accrued income	**7,127**	6,787
	9,843	9,449

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

28. CREDITORS AND PROVISIONS

(A) CREDITORS

Amounts falling due within one year	**2007 £'000**	2006 £'000
Trade creditors	**10,479**	7,048
Amounts owed to Group undertakings	**12,182**	12,182
Other creditors including taxation and social security	**5,413**	5,856
Accruals and deferred income	**1,026**	3,025
	29,100	28,111

Other creditors including taxation and social security comprise:		
Other taxes	**3,125**	3,617
Social security	**608**	566
	3,733	4,183
Other creditors	**1,680**	1,673
	5,413	5,856

Amounts falling due after one year		
Accruals and deferred income	**1,209**	–

Accruals and deferred income includes the compensation for acquisition of fixed assets relating to the compulsory purchase order in respect of the Company's former distribution centre following the successful London Olympics bid. Of the £1,627,000 received, £1,027,000 relates to capital expenditure and £600,000 to expenses recognised in the profit and loss account. Of the £1,027,000, £976,000 remains within accruals as at 27 January 2007.

(B) PROVISIONS

ANALYSIS OF DEFERRED TAX LIABILITY

The deferred tax liability comprises	**2007 £'000**	2006 £'000
Company tax losses	**–**	(354)
Other short-term timing differences	**(105)**	(141)
Share-based payment deferred tax asset	**–**	(82)
Accelerated capital allowances	**637**	740
Deferred tax liability	**532**	163

Following the announcement in the 2007 Budget of a reduction in the rate of Corporation tax to 28% from 1 April 2008, were this to be enacted, the deferred tax liability would reduce by up to £230,000.

MOVEMENT IN DEFERRED TAX LIABILITY	£'000
Liability at 29 January 2006	163
Charge for the year	15
Utilisation of deferred tax asset in respect of Company tax losses	354
Liability at 27 January 2007	532

29. SHARE CAPITAL

(A) AUTHORISED AND ALLOTTED SHARE CAPITAL

Authorised: 120,000,000 ordinary shares of 5 pence each (2006 – 120,000,000) Allotted, called up and fully paid	**2007** **£'000**	2006 £'000
Balance at beginning of the year		
93,048,816 ordinary shares of 5 pence each (2006 – 92,056,171)	**4,652**	4,603
511,820 ordinary shares of 5 pence each issued during the year pursuant to exercise of share options (2006 – 992,645)	**26**	49
Balance at end of the year		
93,560,636 ordinary shares of 5 pence each (2006 – 93,048,816)	**4,678**	4,652

(B) SHARE OPTIONS

	2007 **Number**	**Weighted average exercise price (pence)**	2006 Number	Weighted average exercise price (pence)
Options outstanding at the beginning of the year	**5,409,283**	**59.59**	6,027,322	50.91
Granted in the year	**2,181,768**	**81.13**	905,000	90.65
Exercised in the year	**(511,820)**	**21.52**	(992,645)	34.00
Forfeited in the year	**(953,558)**	**78.59**	(408,500)	62.43
Lapsed in the year	**(1,657,500)**	**72.54**	(121,894)	55.91
Options outstanding at the end of the year	**4,468,173**	**67.94**	5,409,283	59.59
Fully exercisable at the end of the year	**2,089,963**	**38.06**	2,242,463	45.84

The weighted average contractual life of options outstanding is 6.7 years (2006 – 6.9 years).

Savings related share option scheme:
Options are outstanding in respect of the following ordinary shares at 27 January 2007:

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

29. SHARE CAPITAL CONTINUED

Executive share option scheme:
Options are outstanding in respect of the following ordinary shares at 27 January 2007:

Number of ordinary shares	Exercisable option price per share (pence)	Exercisable option dates (calendar year)
63,000	110.50	2005/2008
20,000	111.50	2005/2009
915,492	35.50	2005/2012
919,115	34.00	2005/2012
390,000	104.00	2008/2015
365,000	74.00	2008/2015
936,936	83.25	2009/2016
686,274	76.50	2009/2016

The Directors' Remuneration Report gives details of options granted to Directors over ordinary shares of 5 pence each during the year ended 27 January 2007.

(C) SHARE BASED PAYMENTS

Five equity settled share option grants made prior to 7 November 2002 are outstanding. In accordance with the transitional provisions in FRS 25, the recognition and measurement principles in FRS 25 have not been applied to these grants. Details about these share options are given in note (B) above.

On 11 May 2004, share options were granted to key management personnel and senior employees to purchase shares in Moss Bros Group Plc under the Executive Share Option Scheme. These options have now lapsed as the performance criterion (earnings per share target) was not met. On 26 May 2005 and on 16 November 2005, two further grants on similar terms were made to these employee groups. Two further grants were made in June 2006 and October 2006 to Directors. 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 FRS 25 as set out in note 22 above. Based on the performance conditions attached to the grants, all these grants have either lapsed or are now expected to lapse. As a result, prior year expenses in respect of grants outstanding at 29 January 2006 have been written back during the year.

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 senior employees on 19 May 2005	520,000	Three years of service. Earnings per Share must reach at least 6.1 pence per Ordinary share by the vesting date	10 years (7 years after end of vesting period)
Option grant to senior employees on 16 November 2005	385,000	Three years of service. Earnings per Share must reach at least 6.1 pence per Ordinary share by the vesting date	10 years (7 years after end of vesting period)
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	10 years (7 years after end of vesting period)

*CAGR is compound annual growth rate.

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	May 2005 grant	Nov 2005 grant	June 2006 grant	Oct 2006 grant
Fair value at grant date (pence per share)	31.30	22.56	14.72	13.89
Share price (pence per share)	104.00	74.00	83.25	76.50
Exercise price (pence per share)	104.00	74.00	83.25	76.50
Expected volatility (expressed as weighted average volatility used in the modelling under the Black-Scholes model)	29.69%	30.30%	13.08%	13.08%
Option life (years)	4	4	4	4
Expected dividend yield	1.70%	1.70%	1.70%	1.70%
Risk-free interest rate (based on national government bonds)	4.00%	4.00%	4.50%	4.75%

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

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

30. RESERVES

	Share capital £'000	Share premium £'000	Acquisition reserve £'000	Retained earnings £'000	Total £'000
At 28 January 2006	4,652	8,316	4,370	36,684	54,022
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				5,314	5,314
Dividends paid				(1,675)	(1,675)
At 27 January 2007	**4,678**	**8,400**	**4,370**	**39,804**	**57,252**

During the year, a trustee company bought 300,000 of the Company's own shares (nominal value: £15,000, representing 0.3% of the Company's share capital) for £218,000 at the behest of the Company to fulfil an option entitlement.

As at 27 January 2007, 483,556 (2006 – 483,556) of the Company's Ordinary shares were held by the Company's Employee Share Trust ('QUEST').

31. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2007 £'000	2006 £'000
Profit for the year	**5,314**	4,568
Dividends paid	**(1,675)**	(1,373)
Retained profit for the year	**3,639**	3,195
Ordinary shares issued	**20**	337
Proceeds from QUEST	**–**	90
Purchase of own shares	**(218)**	–
Employee share based payments	**(211)**	125
Net movement to Shareholders' funds	**3,230**	3,747
Opening Shareholders' funds	**54,022**	50,275
Closing Shareholders' funds	**57,252**	54,022

The newly refitted Savoy Taylors Guild in the Strand, London