MOSS BROS GROUP PLC

THE UKs NO. 1 BRANDED SUIT SPECIALIST

Half Yearly Financial Report for the six months to 26 July 2008

HEADLINES

Financial

- Pre-tax loss before one-off items of £1.6m (2007: Pre tax loss of £0.7m) in line with current full year expectations
- Group like for like sales down 2.6%
- Gross margin up 40 basis points
- Total stock in line with last year at £19.3m
- 28% reduction in "terminal" (older than 6 months) inventory
- Average daily cash balance in line with last year at £8.6m
- Cash balance on 26 July of £8.0m (2007: £10.8m)
- Strong performance from Hire with like for sales up 2.5%
- No interim dividend is being proposed
- Current trading: like for like retail sales in the first eight weeks of the second half have improved and are level against the comparative period last year; gross margin growth has been maintained

Business Overview

- 3 new stores opened in the first half and trading in line with expectations; 3 further stores to be opened in the second six months
- 4 stores resited or re-branded and trading in line with expectations; 2 further re-brandings to take effect in the second six months
- 5 stores refurbished in the first half
- Customer shift to higher priced contemporary and fashionable formal wear
- Changes to the Board structure to facilitate change and increase shareholder value

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

"The UKs No. 1 branded suit specialist has the right brands and a strong management team to lead the business through what are challenging times. The Board has been strengthened and the Company is in a good position to take full advantage of a shift in customers' desire towards higher priced contemporary and fashionable formal wear.

Recent trading has shown the branded strength and customer appeal of the fascias we operate and for that we have no reason to alter the markets full year expectations."

For further information please contact:

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This half yearly report has been prepared for the sole purpose of providing information to allow the shareholders to assess and form a view as to the Company's strategies and their potential for success. Any other party should not rely upon the half yearly report for any purpose.

As well as making reference to the first six months trading and business operations, the half yearly report includes statements regarding the future. These statements are made in good faith based on the information available up to the date of this report and should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, which underlie such forward looking information.

Operations

Moss Bros Group Plc retails and hires formalwear and fashion product for men, predominantly in the UK. As well as retailing menswear through the Moss fascia, the group also trades through the Savoy Taylors Guild and Cecil Gee fascias. The Group hires formal wear under the Moss Bros Hire brand through all these fascia. In addition the Group currently operates 15 Hugo Boss retail franchises, one Canali retail franchise and two Simon Carter retail franchises.

Strategy

Following the appointment of David Adams as the new Chairman on 23 July 2008, the Board is confirming the strategy for the business. Other previously mentioned strategic initiatives include:

Far East sourcing - sourcing more products from the Far East has contributed net 40 basis points of margin gains to date (net after promotional re-investment) and the business is continuing to investigate further opportunities.

IT investment - the increased depth and transparency of data is enabling faster response times to sales trends, inventory turn and inventory levels. This has also improved gross margins and significantly reduced terminal inventory.

Moss Store refurbishments – the business has adopted a store refit strategy to make the Moss stores more contemporary; the trading improvement after store refits is meeting the payback criteria and the stores are well placed to take advantage of the customers' preference for contemporary and fashionable products at a higher price point.

New stores - management still have a considerable list of sites within the UK and Ireland identified as ideal locations for the Group's fascias and, should opportunities present themselves, they will be considered.

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Results for the six months ended 26 July 2008

A summary of the key financial results is set out in the table below.

Key financials	**Revenue**		**Operating Profit (i)**	
	2008	**2007**	**2008**	**2007**
	£'000	**£'000**	**£'000**	**£'000**
Mainstream	**38,323**	39,237	**3,160**	4,918
Fashion	**22,810**	23,699	**857**	577
Total	**61,133**	62,936	**4,017**	5,495

(i) Underlying operating profit before unallocated shops' selling and marketing costs and administrative expenses

	2008	**2007**
	£'000	**£'000**
Underlying operating profit before unallocated costs & expenses	**4,017**	5,495
Unallocated shops' selling & marketing costs	**(3,300)**	(3,943)
Unallocated administrative expenses	**(2,490)**	(2,505)
Underlying operating loss	**(1,773)**	(953)
Financial income	**197**	222
Underlying loss before tax *	**(1,576)**	(731)

* Underlying loss is stated before tax and one-off items and is reconciled to the financial information as follows:

	2008	**2007**
	£'000	**£'000**
Underlying loss before tax	**(1,576)**	(731)
One-off items (third party bid and property related)	**(623)**	(65)
Loss before tax per financial information	**(2,199)**	(796)

Revenue

Total revenue has decreased 2.9% for the six months to 26 July 2008 compared with the comparative period in 2007. This is attributable to two closed stores and like for like sales decline, which is partially offset by the opening of three new stores. The closed stores were strategic decisions that fit with the overall strategy of the business.

Like for like retail sales in mainstream fascias were behind 6.1%; this is largely due to the performance of the outlet stores, which slowed down as the first half progressed. Performance has shown some improvement at the start of the second half and the addition of a non-executive director with considerable outlet experience will help to improve the performance further.

Like for like retail sales were ahead 0.4% in the fashion fascias, with gains registered in the branded franchises. The continued introduction of new product has seen the entire fashion fascia improve at the start of the second half.

Moss Bros Hire is the leading brand name in formal hire; no other brand has such recognition. A restructured management team with dedicated hire focus and a new brochure at the start of the year has produced like for like hire sales ahead 2.5%. There is clear evidence of increased market share for the Moss Bros Hire business and the ongoing investment started late last year to upgrade the fulfilment of the Moss Bros Hire product will ensure the Group takes full advantage of its superior offer.

Gross margin and underlying operating loss

Gross margin has improved 40 basis points. This is due to better and smarter commercial sourcing of all products, but in particular formal suiting. An exercise to consolidate volume into a smaller number of suppliers has helped to attain a better unit purchase price. The inevitable reinvestment of some of this gain to protect market share in a very challenging market, has restricted the extent of the gross margin improvement. Terminal inventory levels have greatly improved, which is helping to reduce the level of promotional markdown needed to sell-through the product.

Total operating costs (excluding one-off items) are in line with the same period last year with total like for like operating costs up 1.7%.

Underlying loss before the impact of one-offs is £1.6m, £0.9m lower than the comparative period in 2007, largely as a result of a deteriorating trading position as the first half progressed. Since the end of the first half, trading has seen an improvement and the full year forecast is in line with market expectations.

Dividend

The Board is recommending that no interim dividend is paid. The management believe it is prudent to conserve cash in the current uncertain economic environment.

Cash

The tight management of cash has maintained the average daily cash balance at £8.6m, in line with the comparative period in 2007. The underlying cash position remains healthy with a cash balance of £8.0m at 26 July 2008, £2.8m lower than at the same time in 2007. Cash will continue to be managed in a prudent manner.

The Group did not have any bank debt at the end of the six months ended 26 July 2008

Cash flow

Net cash outflow for the six months ended 26 July 2008 was £7.5m, £1.8m worse than the comparative period in 2007. There has been a cash reduction arising from lower revenues, together with a larger working capital position.

Related party transactions

The Group has no material related party transactions that might reasonably be expected to influence decisions made by users of these financial statements.

Risks and uncertainties

The challenging world macro economic environment remains the single biggest risk and uncertainty that could have a material impact on the Group's performance over the remaining six months of the financial year and could cause actual results to differ materially from expected and historical results. Management are continually looking at opportunities to both increase sales and manage costs.

Competitor risk

The market place for specialist menswear in both formal and smart casual wear is increasingly competitive. This competition takes the form of price, product offer and customer service. Management have taken a number of key business decisions to ensure that Moss Bros Group Plc maintains its position as the "UK's No.1 branded suit specialist" offering an unparalleled branded product offer with exemplary customer service.

Commercial relationships

The business has a constructive and productive relationship with all suppliers concentrating not only on the present but also working with them strategically looking at the future.

Foreign exchange

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.

Board changes

Further to Company's announcement on 27 August 2008, Mr Rowland Gee is stepping down from the Board as a non-executive director with immediate effect. The Board, on behalf of the Company, thanks him for his service to the business.

Outlook

Trading in the first eight weeks of the second half has improved, with all fascias showing gains in like for like sales, compared with the first 26 weeks. Like for like Group sales were level with the comparative period last year. All fascias are working hard to make consumers aware of the business proposition as the "UK's No.1 branded suit specialist". The use of direct e-mail marketing and strategic radio adverts to highlight promotions is helping to drive footfall.

These management initiatives coupled with other operational changes across the business lead management to leave their outlook for the rest of the year in line with expectations. This is predicated on the fiscal state of the economy remaining broadly in line with the current situation and not materially worsening.

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CONDENSED CONSOLIDATED INCOME STATEMENT
for the 6 months to 26 July 2008

	6 months to 26 July 08 £'000	6 months to 28 July 07 £'000	Year to 26 January 08 £'000
Revenue	**61,133**	62,936	**130,171**
Cost of sales	**(26,901)**	(27,928)	(59,467)
Gross profit	**34,232**	**35,008**	**70,704**
Administrative expenses	**(2,937)**	(2,570)	(4,853)
Shops' selling and marketing costs	**(33,691)**	(33,456)	(67,618)
Operating loss	**(2,396)**	**(1,018)**	**(1,767)**
Financial income	**197**	222	387
Loss before taxation	**(2,199)**	**(796)**	**(1,380)**
Taxation	357	239	28
Loss attributable to equity holders of the parent	**(1,842)**	**(557)**	**(1,352)**
Basic loss per share	**1.95p**	0.59p	1.44p
Diluted loss per share	**1.95p**	0.59p	1.44p

MOSS BROS GROUP PLC

CONDENSED CONSOLIDATED BALANCE SHEET
as at 26 July 2008

	As at 26 July 2008 £'000	As at 28 July 2007 £'000	As at 26 January 2008 £'000
Assets			
Intangible assets	**1,940**	-	1,904
Property, plant and equipment	**29,253**	31,267	28,192
Lease prepayments	**2,778**	2,835	2,787
Total non-current assets	**33,971**	34,102	32,883
Inventories	**19,335**	19,092	19,179
Trade and other receivables	**5,885**	5,486	7,752
Cash and cash equivalents	**8,002**	10,840	15,541
Current tax asset	**73**	213	73
Total current assets	**33,295**	35,631	42,545
Total assets	**67,266**	69,733	75,428
Equity			
Issued capital	**4,727**	4,724	4,724
Share premium account	**8,674**	8,666	8,666
Retained earnings	**33,107**	38,006	36,177
Equity attributable to equity holders of the parent	**46,508**	51,396	49,567
Liabilities			
Other payables	**1,823**	1,283	1,290
Deferred tax liabilities	**3,540**	3,454	3,897
Total non-current liabilities	**5,363**	4,737	5,187
Trade and other payables	**15,327**	13,600	20,374
Provisions	**68**	-	300
Total current liabilities	**15,395**	13,600	20,674
Total liabilities	**20,758**	18,337	25,861
Total equity and liabilities	**67,266**	69,733	75,428

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CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS
for the 6 months to 26 July 2008

	6 months to 26 July 2008 £'000	6 months to 28 July 2007 £'000	Year to 26 January 2008 £'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation	**(2,198)**	(796)	(1,380)
Adjustments for:			
Finance income	**(197)**	(222)	(387)
Depreciation of property, plant and equipment	**3,128**	3,445	7,032
Amortisation of intangible assets	**235**	-	350
(Increase)/decrease in inventories	**(156)**	873	785
Decrease/(increase) in trade and other receivables	**1,867**	2,005	(261)
(Decrease)/increase in trade and other payables	**(4,746)**	(4,039)	2,850
Net cash from operating activities	**(2,067)**	1,266	8,989
CASH FLOWS FROM INVESTING ACTIVITIES			
Finance income	**197**	222	387
Purchase of property, plant and equipment	**(4,179)**	(6,331)	(8,500)
Purchase of intangible assets	**(273)**	-	(547)
Net cash from investing activities	**(4,255)**	(6,109)	(8,660)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	**(1,228)**	(1,219)	(1,690)
Proceeds from the issue of shares	**11**	312	312
Net cash from financing activities	**(1,217)**	(907)	(1,378)
Cash and cash equivalents at beginning of period	**15,541**	16,590	16,590
Net decrease in cash and cash equivalents	**(7,539)**	(5,750)	(1,049)
Cash and cash equivalents at end of period	**8,002**	10,840	15,541

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CONDENSED STATEMENT OF RECOGNISED INCOME AND EXPENDITURE
for the 6 months to 26 July 2008

	6 months to 26 July 2008 £'000	6 months to 28 July 2007 £'000	Year to 26 January 2008 £'000
Loss for the period attributable to equity holders of the parent	**1,842**	557	1,352

NOTES TO THE CONDENSED INTERIM RESULTS FOR THE SIX MONTHS TO 26 JULY 2008

1. Basis of preparation

These condensed consolidated interim financial statements have been prepared in accordance with the requirements of IAS 34 "Interim Financial Reporting" as adopted by the EU. The condensed consolidated interim financial statements do not include all of the information required for full financial statements.

The comparative figures for the financial year ended 26 January 2008 are not the company's statutory accounts for that financial year. Those accounts have been reported on by the company's auditors and delivered to the registrar of companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 237 (2) or (3) of the Companies Act 1985.

The interim information for the six months ended 26 July 2008 and 28 July 2007 has not been audited or reviewed by the auditors.

2. Significant accounting policies

Accounting policies adopted have been applied consistently and are consistent with those set out in the accounts for the year ended 26 January 2008.

3. Property transactions

Shops' selling and marketing costs include £24,000 of losses on disposal of non-current assets during the period (2007: £nil).

4. Seasonality

The Group's operations have historically experienced higher revenue during the second half of the financial year. This is primarily due to the Christmas period and post Christmas sale. Accordingly, the results of operations for the interim period are not indicative of the results, which may be expected for the entire financial year.

5. Earnings per share

Basic loss per ordinary share are based on the weighted average of 94,512,537 (July 2007: 93,761,583; January 2008: 94,254,586) ordinary shares in issue during the period and are calculated by reference to the loss attributable to shareholders of £1,842,000 (loss in

July 2007: £557,000; loss in January 2008: £1,352,000). Diluted loss per ordinary share are based upon the weighted average of 94,512,537 (July 2007 :94,761,583; January 2008: 94,254,586) ordinary shares, which takes into account share options outstanding and are calculated by reference to the loss or profit attributable to shareholders as stated above.

During the period to 26 July 2008, 51,001 ordinary shares were issued resulting from the exercise of options (nominal value: £2,550).

6. Dividends

The following dividends were paid in the period:

	6 months to 26 July 2008 £'000	6 months to 28 July 2007 £'000	Year to 26 January 2008 £'000
Final dividend nil pence per share (2007: 1.30 pence per share)	**-**	1,219	1,218
Special dividend 1.30 pence per share (2007: nil pence per share)	**1,228**	-	-
Interim dividend nil pence per share (2007: 0.50 pence per share)	**-**	-	472
	1,228	1,219	1,690

The Directors have not declared an interim dividend.

7. Interim Report

This interim report is available on application from the Company Secretary, Moss Bros Group Plc, 8 St Johns Hill, London SW11 1SA.

Responsibility Statement of the Directors in respect of the half yearly report

We confirm that to the best of our knowledge:

a. The condensed set of financial statements has been prepared in accordance with IAS 34 as adopted by the EU;

b. This half yearly financial report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and

c. This half yearly financial report includes a fair review of the information required by DTR 4.2.8R (disclosure of related party transactions and changes therein).

By order of the Board

Philip Mountford	Michael Hitchcock
Chief Executive Officer	Finance Director