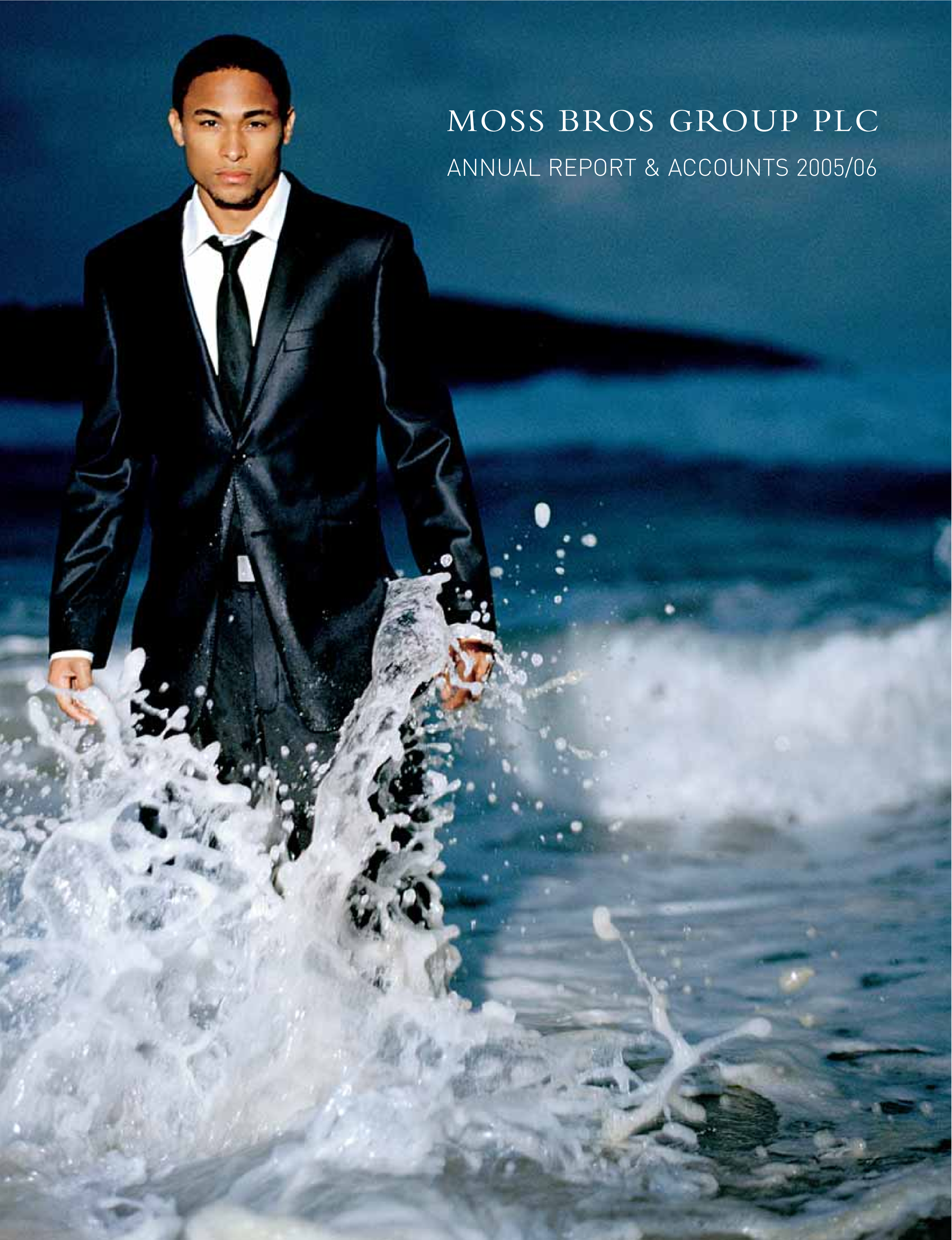


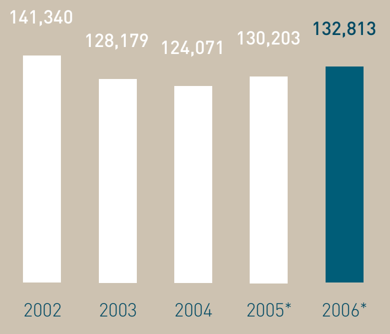
MOSS BROS GROUP PLC

ANNUAL REPORT & ACCOUNTS 2005/06

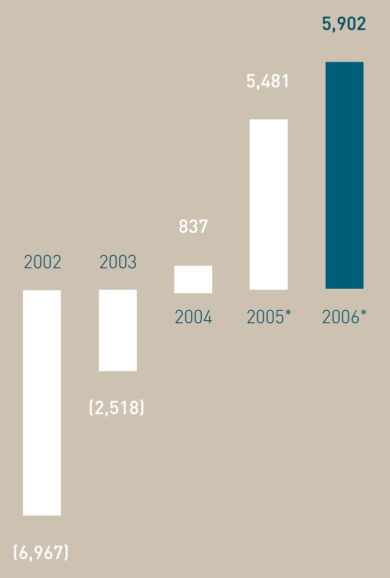
CONTENTS

FIVE YEAR RECORD

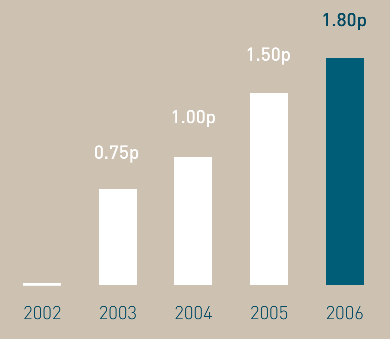
TURNOVER



OPERATING (LOSS)/PROFIT



DIVIDENDS PER SHARE



* 2005 and 2006 are stated under IFRSs

CECIL GEE

CHAIRMAN'S STATEMENT

The year to the end of January reflected continuing progress in building profitability, although in a more demanding market than in the previous year and after having to overcome disproportionate increases in property costs.

Sales of £133m were achieved with a comparable sales growth of 2.5%. The total sales figure also reflected the opening of ten new Moss stores during the year. Profit before tax at £6.2m was after £0.5m of one-off restructuring costs. Excluding these the underlying profit before tax of £6.7m was up 16% on the comparable £5.7m achieved in the previous year. Earnings per share were 4.62 pence, an increase of 16%.

The closing cash balance was £17.7m compared with £16.8m at the previous year-end. Capital expenditure for the year amounted to £5.2m.

Current trading has continued broadly in line with last year's trends, with sales for the first ten weeks of the year up 2.0% (which is estimated to be approximately 2.5% adjusting for the change in the timing of Easter). The rate of profit growth in the new year will continue to be affected by the need to offset excessive cost inflation in utility costs, property taxes and non-performance related labour costs. The management recognises that it will need to continue to outperform to overcome these issues.

Encouragingly, since the start of the new year five new Moss stores have been opened and a new Hugo Boss store has been opened at Trafford Park.

The Board is proposing a final dividend of 1.30 pence, giving total dividends for the year of 1.80 pence an increase of 20%.

The accounts this year have been produced in accordance with International Financial Reporting Standards. This has involved a good deal of extra work for the finance team with, in my opinion no benefit to the Company and its shareholders.

In November 2005, Roddy Murray resigned as our Finance Director. He joined the Company in 2002 and played a major part in the turnaround of the business from a difficult period; he has the good wishes of the Company. We hope to make an announcement about his successor in the near future.

Andrew Allner also left the Board in June 2005, having chaired the Audit Committee and been an independent Non-Executive Director. Andrew agreed to join in 2001 before the extent of our then difficulties was realised. However, he stuck with us in spite of other demands on his time and only left the Board once the Company's position was secure.

We have been looking for a suitable replacement as an independent Non-Executive Director who could add value to the Company. There is a shortage of suitable candidates for this role which has delayed the appointment but we are continuing to work to complete this objective. Technically this has temporarily left the Company with one fewer independent Non-Executive Director than

Moss Bros
HIRE

CHAIRMAN'S STATEMENT

CONTINUED

we should have under the Combined Code. However, I am sure we are correct not to make an appointment until we have found somebody who can add value to what is already a large Board.

The progress being made in the business is set out in the reviews on pages 6 to 22. As you will see, the Company is continuing to realise the potential of its brands and assets. It is also starting the work of developing and growing the business from the secure and efficient base which has been created. This development covers improved product, new product brands, investment in existing stores, the expansion of the Moss chain and investment in people and systems.

The Company has a youthful and talented management team – which gets results through ability and hard work. The results they are achieving are a credit to them.

I would like to thank all those who have worked to enable the progress made to date to be achieved in what is a highly competitive retail environment.

The Company is starting to move towards the next phase of its programme for growth and the Board acknowledges the challenges it faces but views the future of the business with confidence.

KEITH HAMILL CHAIRMAN

DIRECTORS AND ADVISORS

PRESIDENT
Monty Moss

CHAIRMAN
Keith Hamill

EXECUTIVE DIRECTORS
Philip Mountford Chief Executive
Julie Cook Business Development Director

NON-EXECUTIVE DIRECTORS
Mark Bernstein
Michael Gee
Rowland Gee
Peter Moss
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

STG

SAVOY TAYLORS GUILD

EST 1906

CHIEF EXECUTIVE'S REPORT

RESULTS OVERVIEW

Pre-tax profit for the year for Moss Bros Group Plc was £6.7m before one-off restructuring costs of £0.5m, against £5.7m last year.

The trading performance of the Company continued to improve with sales and gross profit up 2.5% like for like and gross margin percentage up 0.5 percentage points from 52.4% to 52.9%

		2005/06	
TRADING RESULTS (LIKE FOR LIKE)*	1st half	2nd half	full year
Sales v last year	+2.8%	+2.3%	+2.5%
% gross profit	53.1%	52.8%	52.9%
% gross profit v last year	+1.0%	+0.4%	+0.5%
Profit before taxation	£1.7m	£4.5m	£6.2m

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

BUSINESS OVERVIEW

FINANCIAL PERFORMANCE

The results have improved significantly during the last four years, moving from a £7m operating loss in 2002 (under UK GAAP) to an operating profit of £5.9m this year.

QUALITY AND SERVICE

The Company aims to deliver its customers value for money and understands there must be no compromise on quality or service. The ability to build on an understanding of customer requirements in terms of the buying environment has been a major contributor to improving the results, together with ongoing investment in the selection, training and motivation of quality staff.

MEETING ASPIRATIONS

The trading strategy for each of the Company's two trading streams – Mainstream, which includes Moss, Moss Hire and Factory Outlets, and the Fashion comprising Cecil Gee, Hugo Boss and Canali – is designed to meet the specific needs and aspirations of the customer.

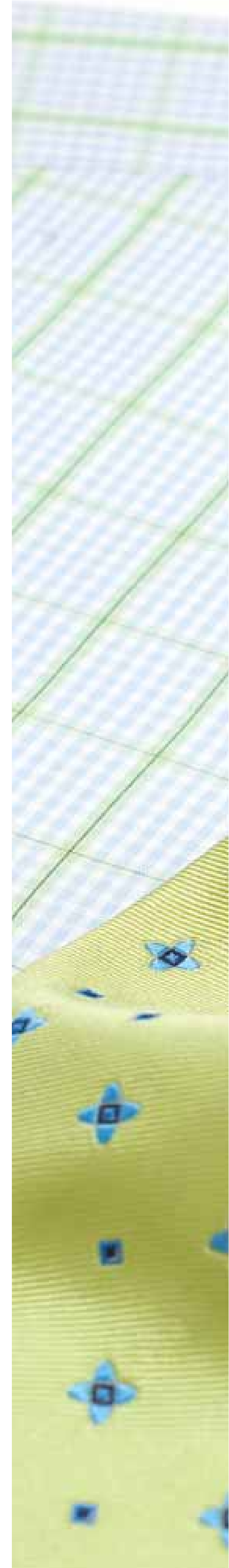
FINDING THE SOURCE

Sourcing cost-effective quality materials, and identifying a quality workforce, are key parts of the Company's strategy. But finding the right product at the right price is only part of the challenge; bringing it to the market place in time to achieve business deadlines is also an essential part of the strategy and critical to its success.

ventuno 21

CHIEF EXECUTIVE'S REPORT

CONTINUED



NEW SOURCES

In the past twelve months, the Company has continued to work on sourcing products from areas which can offer the right mix of 'Just-in-Time' delivery and competitive pricing, without compromising on quality. There has been a significant move towards sourcing from the expanding European Union, and specifically from Eastern Europe, while Asia remains a major part of the Company's sourcing strategy where appropriate.

SOURCING AND PRICING

More efficient sourcing has an effect on pricing; ultimately benefiting the customer. In the past twelve months, unit volumes across have grown by 10.1%, whilst the average price has reduced by 6.8%.

AVAILABILITY

Availability of product is a major factor in profitability and customer satisfaction. In the past three years, availability of stock has improved from 73% to 92%. The next objective is to increase this to 95% in core product lines. This will be achieved by better merchandising placement, the introduction of new systems, and the ongoing analysis of the lifespan of products.

IMPROVING MARGINS

Driving down the cost price of garments, using the resources and talents of an incentivised and targeted buying team, has seen net retail margins improve from 44% in 2002 to a level of nearly 53% this year. The objective is to achieve a further one point margin increase in each of the next two years.

CUSTOMER CONFIDENCE

The Company's philosophy is focused around consumers who are confident, and aware of what 'Good' means whilst providing them with the right product at the right price: quality will not be compromised. We will maintain our insistence on the very highest standards of product, workmanship and service, while continuing to source new products and services. Customers are getting better product than ever before, and can buy with confidence secure in the knowledge that they are more likely to be able to buy what they want where they want.

PRODUCT AND RANGE DEVELOPMENT

There was an aggressive push throughout the year on range development in three key brands – Blazer, Dehavilland and Ventuno 21. Each brand has its own identity, targeted at a specific market sector. Customers believe in the brand credibility, and the brands provide each part of the Company with a different style, or identity.

BLAZER

Blazer is a brand synonymous with traditional European styling, and is targeted at the sophisticated, cosmopolitan European consumer.

MOSS
DIRECT

CHIEF EXECUTIVE'S REPORT

CONTINUED

DEHAVILLAND

Dehavilland is an entry price point brand, offering quality casual and formal wear at a mid range price. It offers consumers a great deal for their money.

VENTUNO 21

Of the three brands, Ventuno 21 represents the largest area of potential growth. It is aimed at fashion-conscious 21-to-25 year-olds, and offers fashion products at high street prices. Its identity is best summed up by a great fashion suit which has all the elements of the latest catwalk fashion but is available at a commercial price.

MAIL ORDER AND INTERNET SHOPPING

Mail Order and Internet Shopping are significant areas of growth. The website has had over 53,000 hits since it was launched in September 2005. The website has recently been revamped, and the second edition of the Mail Order brochure is due to be published in April 2006. Both will now be updated biannually.

WAREHOUSE

To support this growth and to minimise any potential disruption to the business, the Company has signed a new lease on a new purpose built warehouse, ahead of the Compulsory Purchase Order which will be served on the Company's existing warehouse facility as part of the London 2012 Olympic bid. The Company will transfer its warehouse operation into the new facilities over the coming year during a period which will cause least disruption to the business. Negotiations with the London Development Agency have been ongoing for sometime to facilitate a smooth move.

OUTLOOK

The management team has traded the business through a tough, competitive and challenging period, and is well positioned to take the Company further forward by means of a targeted expansion strategy.

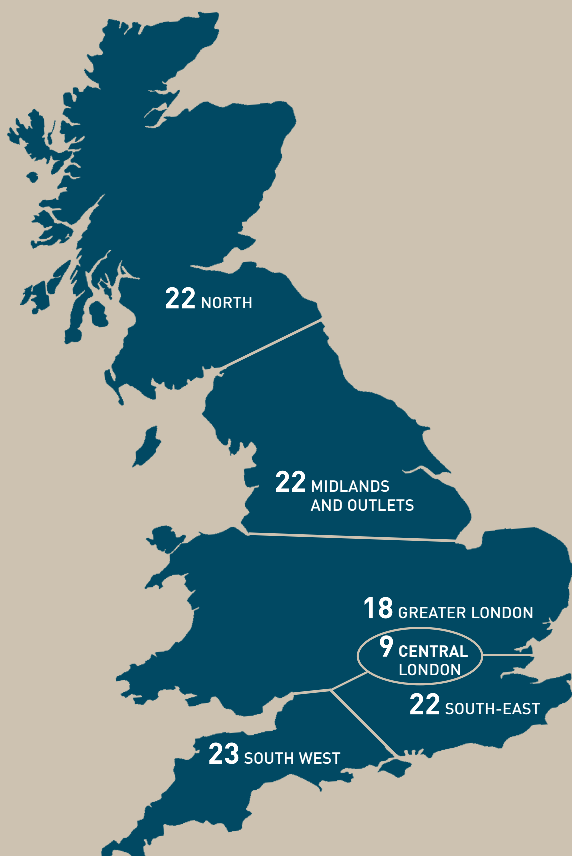
Mainstream currently has 116 stores, and it is believed, based on market research, that there is an opportunity to achieve a significant level of further growth, perhaps to a level of 200 stores within the next three-to-five years.

P F MOUNTFORD CHIEF EXECUTIVE

12 April 2006

STORE LOCATIONS

MAINSTREAM



FASHION

BUSINESS DEVELOPMENT

DEVELOPING PEOPLE

It has been a key part of our strategy for the past two years to develop people within the business. To this end, an in-house selling academy has been created to develop both the technical understanding of product and the selling skills of sales consultants and managers.

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 customer services, resulting in improved customer satisfaction and optimum capitalisation 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. In this way, staff are made aware of the importance of knowing their product, which also has clear benefits for the discerning consumer.

The Company does not encourage a hard-sell approach, but recognises that customers like to be served by staff who 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 Group strategies.

SCHOLARSHIPS

Staff are also encouraged to enrol for special scholarship schemes, which involve attending an external management course at an Oxford-based summer school over a five-day period. This is a scheme which provides clear benefits for both the Company and staff, who are able to assess their progress and measure it against that of their peers.

IMPROVING OPERATIONAL EFFICIENCY

The Company strives to improve operational efficiencies. It continues to review the flow of customers into its stores, and to analyse store-specific staff requirements, as a means of effectively serving customers during key trading periods. Business models are developed, and internal procedures, ranging from payroll structures to full-to-part-time ratios, are analysed. The overall objective is to provide customer satisfaction while improving profits through increased sales and higher levels of units-per-transaction.

MOSS

BUSINESS DEVELOPMENT
CONTINUED

FLEET REVIEW

The Company is currently reviewing the use of its own fleet of vehicles for deliveries to its stores. This year, significant efficiency savings have been achieved by reorganising deliveries to areas such as the North-East of England and Scotland, in some cases replacing courier services with more efficient, overnight transportation alternatives.

MAINSTREAM
MOSS

This year, Moss has recorded a like for like sales growth of 4.7% with 1.1% point margin increase on last year. This has been achieved through better sourcing as well as through better full-price sell-throughs, providing the customer with the right branded goods at the right price.

EXPANSION PLANS

Management believes that there are a further 80 locations within the UK where Moss can trade profitably. Ten new Moss stores have been opened this year, and the strategy for 2006 envisages up to 15 further new store openings, of which five have already opened.



MOSS

MossBros
HIRE

BUSINESS DEVELOPMENT
CONTINUED

EXPANSION PLANS CONTINUED

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 data. This includes continuing analysis of what drives customer-spending patterns, and takes into account regional variations and preferences.

CONCEPT STORES

During 2006, the new concept store will be rolled out and used to open stores in major cities and during the ongoing refurbishment programmes. 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 key priority is to attract new customers without alienating core consumers.

FACTORY OUTLETS

The factory outlets enjoyed an extremely successful year, with a like for like growth of 5.1%, and a 10.2% increase in gross profit. This has been achieved through a clear in situ 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.

As part of the factory outlet strategy a new outlet at Castleford was opened in the fourth quarter, with Street opening in the first quarter of the new financial year. The new factory outlet concept produces 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. We plan further openings in 2006.

HIRE

As the market leader in the UK hire market, with an approximate market share 25%, Moss Hire facilitated hire garments last year for in excess of 28,000 weddings and fitted in excess of 180,000 customers for black-tie events. The growth in the junior hire market continues to represent a significant opportunity.

The wedding market continues to be stable. Although there has been a 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 the growth of 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 on the recruitment of larger teams of experienced managers.

INVESTING IN STOCK

To ensure that supply meets demand, there has been a substantial investment in stock. Last year alone, investment reached £1.5m, and is expected to exceed £7m over four years. There is now a wide range of accoutrements, including white suits, Nehru collars, velvet tailoring, and highland dress. Moss 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 Hire to provide the ultimate one-stop shop for hire wear.

INSTANT HIRE

In addition, Moss Hire remains the only national chain which can offer instant dress wear hire.

FASHION

CECIL GEE

The new concept store roll-out programme has now reached five stores. These stores have achieved a like for like sales growth of 10%. This concept will now be rolled out in Meadowhall, in the second half.

DEHAVILLAND

BUSINESS DEVELOPMENT
CONTINUED

HUGO BOSS
There are currently 13 Hugo Boss stores in the UK with plans to open at Meadowhall following the successful launch at Trafford Park in March 2006. Management believes that there are opportunities within key areas such as Hugo Boss shoes, sportswear and accessories, as part of the 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.

CANALI
The Company owns the only franchise for Canali within the UK and, due to its success over the last five years, is currently expanding the retail space by 40% to build on this success. The additional space will enable us to grow the casual wear, shoes and accessory ranges, as well as create a clearly defined luxury suiting room.

J M COOK BUSINESS DEVELOPMENT DIRECTOR

12 April 2006

CECIL GEE

FINANCIAL REVIEW

COSTS

Total costs increased by 2.5% in the year. After stripping out new and closed stores, like for like operating costs in the year increased by 2.3%, despite like for like occupancy costs including rent, rates, service charge and utilities increasing 4.6% in the year. Improved management within stores has enabled the Company to control payroll costs with like for like labour costs up only 2.2% including the effect of the increase in minimum wage.

Customer facing costs, such as marketing, which has focused on initiatives such as the city store concept and the new store expansion plan, have increased by 14%.

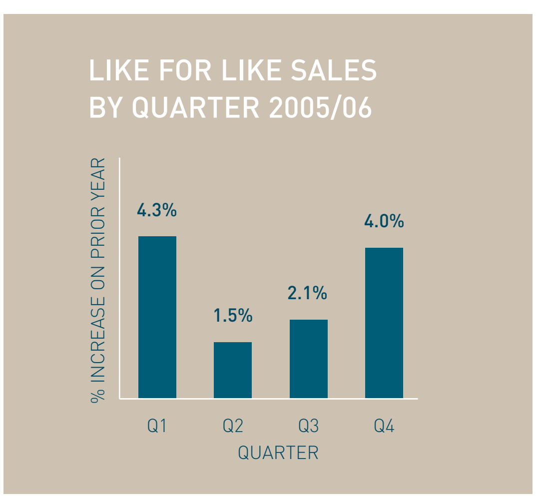
During the year the Company incurred one off restructuring costs amounting to £0.5m. Of the £0.5m, £0.4m related to the re-organisation of the Company and £0.1m to the impairment in value of a non-profit making store.

INVESTMENT

Capital expenditure in the year was £5.2m, against depreciation of £4.2m. This included the opening of ten new Moss stores, the refitting of four stores in line with the new Cecil Gee concept, and the development of the factory outlet concept. There has been further investment in the Company's fleet of vehicles.

CASH

The underlying cash position continued to improve: the average cash balance throughout the year was 7% up on last year, with the year-end cash balance standing at £17.7m, £0.8m up on last year.



BLAZER

FINANCIAL REVIEW
CONTINUED

INVENTORY
Terminal inventory continued to be successfully cleared during the year with the total closing inventory position up only 1.6% compared with an increase in retail space of 5%.

TRADE AND OTHER PAYABLES
Trade and other payables reduced by £2.0m, which is largely attributable to reductions in trade payables, due to the utilisation of cash to maximise discounts and the timing of inventory intake.

CORPORATION TAX
The Company had losses brought forward which are now almost fully utilised.

EARNINGS PER SHARE AND DIVIDEND
Earnings per share: 4.62 pence per share compared to 3.98 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, represents a 20% increase on last year. The final dividend will be paid on 15 June 2006 to shareholders on the register at the close of business on 12 May 2006.

P F MOUNTFORD CHIEF EXECUTIVE

12 April 2006

BOARD OF DIRECTORS

DIRECTORS

Keith Hamill (53) Chairman. Joined the Board as a Non-Executive Director on 11 December 2000 and became Chairman on 31 May 2001. He is Chairman of Collins Stewart Tullet Plc, Travelodge and Luminar Plc as well as a Non-Executive Director of Electrocomponents Plc and 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 (41) 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.

Julie Cook (42) Business Development Director. Joined the Board on 2 September 2002. She was previously Brand Director at Viyella ladieswear and before that Retail Operations Director of Jaeger and Viyella.

Mark Bernstein (46) Non-Executive Director. Joined the Board as a Non-Executive Director on 19 December 2001. He sits on the board of a number of private technology companies.

Michael Gee (66) Non-Executive Director. Became a Non-Executive Director in 1991, having been Managing Director of Cecil Gee Plc until 1988.

Rowland Gee (60) Non-Executive Director. Became a Non-Executive Director on 1 February 2002 having been Managing Director since 1989. He was previously a Director of Cecil Gee Plc which he joined in 1968 holding various positions in the buying and merchandising department. He is a Director of Humbie Bridge Investment Company Limited, Kids C & C Limited and LF Homme UK Limited. He is also a Non-Executive Director of De Keyser Fashion Limited.

Peter Moss (60) Non-Executive Director. Became a Non-Executive Director on 31 March 2001 having previously been Property Director and Company Secretary.

Bernard Myers (62) 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 Rothschilds & Sons Limited.

AUDIT COMMITTEE OF THE BOARD

B I Myers (Chairman)
K Hamill
A J Allner
(Resigned 30 June 2005)

REMUNERATION COMMITTEE OF THE BOARD

B I Myers (Chairman)
K Hamill
A J Allner
(Resigned 30 June 2005)

NOMINATION COMMITTEE OF THE BOARD

K Hamill (Chairman)
M J Bernstein
M J Gee
R J Gee
P J Moss
B I Myers

DIRECTORS' REPORT

The Directors of Moss Bros Group Plc present their Annual Report and audited financial statements for the year ended 28 January 2006.

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 28 January 2006 together with comparatives is shown below. A detailed review of the Group's activities and the results are included in the Chief Executive's Report, the Business Development Director's Report and the Financial Review.

	2006 £'000	2005 £'000
Revenue	**132,813**	130,203
Operating profit	**5,902**	5,481
Net financial income	**305**	263
Profit before taxation	**6,207**	5,744
Taxation	**(1,958)**	(2,097)
Profit after taxation	**4,249**	3,647

DIVIDENDS

The Directors propose a final dividend of 1.30 pence per share £1,203,000 be paid for the year. An interim dividend of 0.50 pence per share was paid on 25 November 2005. Subject to Shareholders' approval, the final dividend will be paid on 15 June 2006.

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 12 April 2006, 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	20,746,932	22.18%
Man Financial Limited	7,303,672	7.81%
G S Pitt and P J Moss	7,067,965	7.56%
K Stanford	6,150,000	6.58%
Schroder Investment Management Limited	3,610,515	3.86%
M J Gee	3,251,130	3.48%

ANNUAL GENERAL MEETING

The Resolutions to be proposed at the Annual General Meeting to be held on 25 May 2006, together with explanatory notes, appear in the Notice of Meeting sent to all Shareholders with a Form of Proxy.

The Directors 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 8,432,325 Ordinary Shares (representing approximately 9% of the issued ordinary share capital of the Company).

GENERAL AUTHORITY TO ALLOT SHARES

A Resolution to renew the Directors' general authority to allot securities in the Company, without having the prior approval of the Shareholders at a general meeting of the Company prior to each individual allotment, is proposed under Resolution 9 which is contained within the notice convening the Annual General Meeting. The authority will be in respect of the nominal amount of authorised but unissued share capital which at the date of this Report is £1,077,095 representing 17.95% of the authorised share capital of the Company and this authority will remain in force until the next Annual General Meeting. This figure will reduce before the Annual General Meeting if there are any allotments between the date of this Report and the date of the Annual General Meeting. At present, the Directors' have no intention to exercise this authority.

DISAPPLICATION OF PRE-EMPTION RIGHTS

Pursuant to Resolution 9, the Directors will seek to renew in Resolution 10 the power to disapply the pre-emption rights of Section 89(1) of the Companies Act 1985. Shareholders should note the Listing Rules do not require the consent of the Shareholders to each specific issue by the Company of equity capital for cash, made otherwise than to existing equity Shareholders in proportion to their shareholding. The maximum value which the disapplication will cover is £233,801 which represents 5% of the issued share capital of the Company.

AUTHORITY TO BUY IN SHARES

A Resolution to renew the Directors' authority to make market purchases of the Company's shares is contained in Resolution 11. The maximum number of shares which may be acquired pursuant to this authority is 9,352,063 which is 10% of the issued share capital of the Company. This authority will expire at the conclusion of the Annual General Meeting in 2007 or 18 months after the passing of this Resolution, 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. The Directors must ensure that, any market purchases made, are made at a minimum price of 5p 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 4,937,463 representing approximately 5.28% of the issued share capital of the Company) will represent an increased percentage of the issued share capital being approximately 5.87% of the issued share capital of the Company.

DIRECTORS

The names of the current Directors together with brief biographical details are shown on page 23 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 32 to 35. On the 30 June 2005 A J Allner resigned as a Non-Executive Director of the Company and on 7 November 2005 R J Murray ceased to be a Director of the Company.

DIRECTORS' REPORT
CONTINUED

DIRECTORS CONTINUED

Messrs P F Mountford, R J Gee and Mrs J M Cook retire by rotation and, being eligible, offer themselves for re-election at the Annual General Meeting. The re-election of P F Mountford, R J Gee and Mrs J M Cook 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, no individuals have been appointed Directors.

DIRECTORS' INTERESTS

The beneficial interests and share options of the Directors, who held office at 28 January 2006, 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 34.

	At 28 January 2006		At 29 January 2005	
	Ordinary shares	Options over ordinary shares	Ordinary shares	Options over ordinary shares
EXECUTIVE DIRECTORS				
P F Mountford	125,623	1,265,492	100,623	1,265,492
J M Cook	85,200	919,115	85,200	919,115
NON-EXECUTIVE DIRECTORS				
K Hamill	193,363	–	193,363	–
M J Bernstein	–	–	–	–
M J Gee	3,251,130	–	3,251,130	–
R J Gee	2,730,264	–	2,730,264	–
P J Moss	1,846,745	–	1,846,745	–
B I Myers	200,000	–	200,000	–

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

P J Moss is a non-beneficial trustee of 7,303,672 shares.

P F Mountford is a Director of Moss Bros Group Qualifying Share Ownership Trustee Limited, the trustee of 483,175 shares.

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 28 January 2006 was 30 days.

CHARITABLE DONATIONS

During the year £2,500 (2005 – £3,583) was donated to charities. No political donations were made during the year (2005 – nil).

CORPORATE GOVERNANCE

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

THE BOARD

The Board of Directors supervises the management of the business of the Group. Details of the Directors are given on page 23. 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 five 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 B I Myers to be independent in view of his relative independence in relation to the Group's affairs. Furthermore, he has not previously held an executive position within the Group and has no direct business links with current business suppliers. Since the resignation of A J Allner on 30 June 2005 the Group has actively been seeking to recruit at least one further independent Non-Executive Director and hopes to be in a position to make an appointment in the near future.
- 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 nine 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.

THE BOARD CONTINUED

All Directors are subject to election by the Shareholders at the first Annual General Meeting following their appointment.

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

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

BOARD COMMITTEES

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

The principal committees are:

The Executive Committee meets on a monthly basis and is chaired by the Chief Executive. All Executive Directors together with the Company Secretary and key senior management are members of the Committee. The Executive Committee operates with in 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 currently chaired by B I Myers, the Chief Executive and other Directors are invited to attend. The Company's external Auditors are also invited to attend the meeting as required. The terms of reference governing the Audit Committee state that the Committee quorum must consist of two Non-Executive Directors to include the Chairman of the Audit Committee and at least one Independent Non-Executive Director. K Hamill is currently a member of the Audit Committee. As the Combined Code states that the Chairmen should not be an Audit Committee member, the Group recognises this is currently an area of non-compliance with the Code. When the Group has appointed an independent Non-Executive Director to replace A J Allner, this non-compliance will be reviewed. 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.

The Remuneration Committee is comprised entirely of Non-Executive Directors and is chaired by B I Myers. It meets at least twice a year. During the year under review the Remuneration Committee met seven 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. K Hamill is currently a member of the Remuneration Committee. As stated above, the Group recognises this is currently an area of non-compliance with the Code which will be reviewed when the Group has appointed an independent Non-Executive Director to replace A J Allner. 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 32 to 35.

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

The Combined Code recommends that Chairmen do not serve as members of a Board's Audit or 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 these Committees. Both the Audit and Remuneration Committees are chaired by B I Myers, who is an independent Non-Executive Director. The Company is currently recruiting an additional independent Non-Executive Director and once this appointment has been made both the Audit and Remuneration Committees will have a majority of independent Non-Executive Directors.

The following table shows the number of Board and Committee Meetings held during the year ended 28 January 2006 and the attendance record of individual Directors:

	BOARD MEETINGS	COMMITTEE MEETINGS		
		Audit	Nomination	Remuneration
NUMBER OF MEETINGS	**9**	**2**	**1**	**7**
K Hamill	8	2	1	7
P F Mountford	9			
J M Cook*	5			
M J Bernstein	8			
M J Gee	8			
R J Gee	9			
P J Moss	7			
B I Myers	9	2	1	7
J R Murray**	6			
A J Allner**	2	1		2

* J M Cook was on maternity leave for part of the year.

** Up to date of departure.

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.

DIRECTORS' REPORT
CONTINUED

COMMUNICATIONS WITH SHAREHOLDERS CONTINUED
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 the Directors are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards.

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;
- or 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.

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.

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 ongoing 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 28 January 2006 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 works 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 that: a) the Chairman serves as a member of the Audit and Remuneration Committees for the reasons explained on page 28; and b) following the resignation of A J Allner as a Non-Executive Director on 30 June 2005, the Company has had one independent Non-Executive Director. The Company is currently recruiting an additional independent Non-Executive Director.

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
12 April 2006

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 23. 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, fees and benefits in kind and pension contributions.

	Salary and fees £'000	Benefits £'000	**Total 2006 £'000**	Total 2005 £'000	Pension Contributions **2006 £'000**	2005 £'000
EXECUTIVE DIRECTORS						
P F Mountford	241	2	**243**	302	**92**	49
J M Cook	104	4	**108**	192	**44**	14
J R Murray*	377	2	**379**	286	**93**	30
A J Wright	–	–	**–**	245	**–**	–
NON-EXECUTIVE DIRECTORS						
K Hamill (Chairman)**	77	2	**79**	75	**–**	–
M J Bernstein	20	–	**20**	20	**–**	–
M J Gee	20	3	**23**	22	**–**	–
R J Gee	20	2	**22**	21	**–**	–
P J Moss	20	–	**20**	20	**–**	–
B I Myers	24	–	**24**	20	**–**	–
A J Allner	10	–	**10**	20	**–**	–
	913	15	**928**	1,223	**229**	93

* On 14 January 2006, J R Murray received £186,000 for the cessation of contractual arrangements. This figure is included within the £377,000 J R Murray received during the financial year under review.

** Through Aldrington Investments Limited, K Hamill received £65,000 as Chairman and was paid £12,000 for additional work undertaken.

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 was 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.

SHARE OPTIONS AND RETENTION PLAN

Information on the share options held by each Director is shown on page 34. The options granted under the Executive Share Option Scheme may be exercised between three and ten years after the date of grant, subject to the performance criteria being achieved. The performance criteria is based on the basic earnings per share of the 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 26 January 2008 for those Executive Share options granted in 2005. 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.

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

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.

Since the year-end the Group has put in place a new 2006 Approved and Unapproved Executive Share Option Scheme. 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 Scheme. 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.

SHARE OPTIONS AND RETENTION PLAN CONTINUED

The audited table below details movements in the options granted to Directors who held office at 28 January 2006.

	At 29 January 2005	Grant	At 28 January 2006	Exercise price (p)	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
	915,492	350,000	1,265,492			
J M Cook	919,115	–	919,115	34.00	17.10.2005	16.10.2012
	919,115	–	919,115			

The market price of the Company's shares during the year ranged from 74p to 119p; at 28 January 2006, the mid market price was 90.75p. During the year, J R Murray exercised an option over 992,646 Ordinary Shares in accordance with the rules of the Unapproved Executive Share Option Scheme and the terms of the termination of his employment contract. An option over a further 300,000 ordinary shares lapsed (2005 – nil).

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 contribution for Directors is calculated on basic salary at various rates up to a maximum of 22.5%.

SERVICE CONTRACTS

It is the Group's policy that Executive Directors should have contracts of service with a one year notice period, except in order to attract high calibre executives, where, in accordance with normal market practice, the 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
J M Cook	15.10.2002	12 months	

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

The Chairman and the Non-Executive Directors do not have service contracts. They are appointed for an initial period of between one year and three years which may be extended for a further term by mutual consent. The initial appointments and any subsequent re-appointment are subject to election or re-election by Shareholders. K Hamill's and B I Myers' appointments 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.

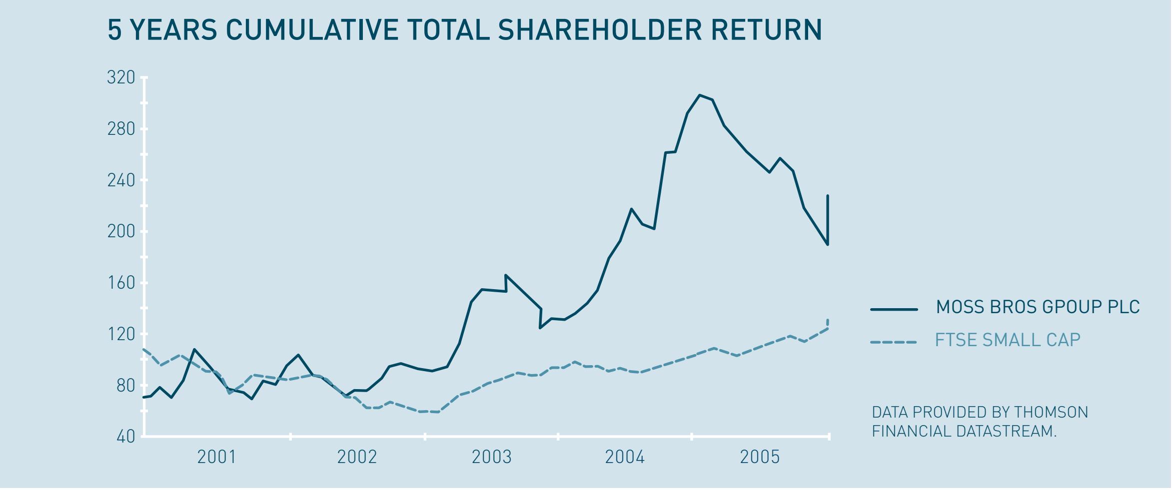
	Date of letter of appointment
K Hamill	11.05.2004
B I Myers	15.11.2004
R J Gee	01.03.2005
M Bernstein	01.12.2005
P J Moss	26.04.2004
M J Gee	26.04.2004

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 2001. The index selected was the FTSE Small Capitalisation as this is the index of which the Company is a constituent.



By order of the Board
J STEPHENS SECRETARY
12 April 2006

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 28 January 2006 which comprise the Consolidated Income Statement, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Recognised Income and Expense and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors' responsibilities for preparing the Annual Report and 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 page 30.

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 whether, in addition, the Group financial statements have been properly prepared in accordance with Article 4 of the IAS Regulation. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2003 FRC 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 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 28 January 2006 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 28 January 2006; and
- 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.

KPMG AUDIT Plc

CHARTERED ACCOUNTANTS AND REGISTERED AUDITOR

8 Salisbury Square
London EC4Y 8BB

12 April 2006

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 28 JANUARY 2006

	Note	**Year to 28 January 2006 £'000**	Year to 29 January 2005 (Restated – Note 22) £'000
REVENUE	3	**132,813**	130,203
Cost of sales		**(62,552)**	(61,911)
GROSS PROFIT		**70,261**	68,292
Administrative expenses		**(5,189)**	(5,257)
Shops selling and marketing costs		**(59,170)**	(57,554)
OPERATING PROFIT		**5,902**	5,481
Financial income	4	**305**	265
Financial expenses	4	**–**	(2)
PROFIT BEFORE TAXATION	5	**6,207**	5,744
Taxation	8	**(1,958)**	(2,097)
PROFIT AFTER TAXATION ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	18	**4,249**	3,647
Basic earnings per share	10	**4.62p**	3.98p
Diluted earnings per share	10	**4.54p**	3.90p

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

	Year to 28 January 2006 £'000	Year to 29 January 2005 £'000
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**4,249**	3,647

CONSOLIDATED BALANCE SHEET

AS AT 28 JANUARY 2006

	Note	**As at 28 January 2006 £'000**	As at 29 January 2005 (Restated – Note 22) £'000
ASSETS			
Property, plant and equipment	11	**21,059**	20,207
Lease prepayments	11	**2,919**	2,913
TOTAL NON-CURRENT ASSETS		**23,978**	23,120
Inventories	12	**21,704**	21,357
Trade and other receivables	13	**7,310**	6,040
Cash and cash equivalents	20	**17,655**	16,815
TOTAL CURRENT ASSETS		**46,669**	44,212
TOTAL ASSETS		**70,647**	67,332
EQUITY			
Issued capital	16	**4,652**	4,603
Share premium account	18	**8,316**	8,028
Retained earnings	18	**38,320**	35,229
TOTAL EQUITY		**51,288**	47,860
LIABILITIES			
Other payables	15	**1,249**	845
Deferred tax liabilities	8	**2,385**	427
TOTAL NON-CURRENT LIABILITIES		**3,634**	1,272
Trade and other payables	14	**15,725**	18,200
TOTAL CURRENT LIABILITIES		**15,725**	18,200
TOTAL LIABILITIES		**19,359**	19,472
TOTAL EQUITY AND LIABILITIES		**70,647**	67,332

The financial statements on pages 38 to 57 were approved by the Board of Directors on 12 April 2006 and were signed on its behalf by:

P F MOUNTFORD CHIEF EXECUTIVE

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 28 JANUARY 2006

	Year to 28 January 2006 £'000	Year to 29 January 2005 (Restated – Note 22) £'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	**6,207**	5,744
Adjustments for:		
(Profit)/loss on sale of non-current assets	**(31)**	45
Interest received	**(305)**	(265)
Depreciation	**4,233**	3,945
Equity settled share-based payment expenses	**125**	86
(Increase)/decrease in trade and other receivables	**(1,270)**	204
Increase in inventories	**(347)**	(1,786)
Decrease in trade and other payables	**(2,046)**	(1,960)
Tax paid	**(25)**	–
NET CASH FROM OPERATING ACTIVITIES	**6,541**	6,013
CASHFLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of non-current assets	**100**	453
Proceeds from sale of investments	**90**	16
Interest received	**305**	265
Acquisition of non-current assets	**(5,160)**	(4,891)
NET CASH FROM INVESTING ACTIVITIES	**(4,665)**	(4,157)
CASHFLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issue of share capital	**337**	19
Dividends paid	**(1,373)**	(1,373)
NET CASH FROM FINANCING ACTIVITIES	**(1,036)**	(1,354)
Net increase in cash and cash equivalents	**840**	502
Cash and cash equivalents at beginning of year	**16,815**	16,313
Cash and cash equivalents at end of year	**17,655**	16,815

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 JANUARY 2006

Moss Bros Group Plc ('the Company') is a company domiciled in the United Kingdom. The consolidated financial statements of the Company for the year ended 28 January 2006 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 28 January 2006, 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").

Moss Bros Group Plc adopted IFRSs with effect from 30 January 2005. The transition date was 1 February 2004 being the start date of the earliest period for which the Group presents full comparative information in its 2006 Annual Report and Accounts.

These are the Group's first IFRS consolidated financial statements for the period covered by the first IFRS annual financial statements and IFRS 1 "First-time Adoption of International Financial Reporting Standards" has been applied. An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Group is provided in note 22, which includes reconciliations of equity and profit for comparative periods reported under UK GAAP to those periods reported under IFRS.

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).

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 and in preparing an opening IFRS balance sheet as at 1 February 2004 for the purposes of the transition to IFRS subject to the application of IFRS 1. The estimates and underlying assumptions are reviewed on an ongoing basis.

The accounting policies have been applied consistently in preparing the Group accounts under IFRS.

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 28 January 2006. 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 statement 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.

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.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

1. PRINCIPAL ACCOUNTING POLICIES CONTINUED

NON-CURRENT ASSETS
Depreciation is calculated so as to write down on a straight line basis the cost or valuation 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 Directors undertake an annual impairment review and any impairment in the value of non-current assets is charged to the income statement. Leasehold location premiums relating to locations considered to be prime high value sites are written off at the rate of 2% per annum. The rates used for the other major classes of assets vary from 10% to 25% per annum. 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.

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

FOREIGN EXCHANGE
Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or where applicable at contracted rates. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and gains or losses on translation are included in the 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 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, which is estimated by category of garment. 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.

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.

SHARE-BASED PAYMENT TRANSACTIONS
The share option plan allows employees to acquire shares in Moss Bros Group Plc, the ultimate 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.

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.

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.

ADOPTED IFRSs NOT YET APPLIED

During 2005, the IASB published an amendment to IAS 39 on financial guarantee contracts and IFRS 7 Financial Instruments: Disclosures. These are effective for annual periods beginning on or after 1 January 2007. The adoption of IFRS 39 and IFRS 7 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 number of items 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) 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 discounted to their present value.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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.

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.

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 and geographical segments, being the sale and hire of menswear in the United Kingdom.

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

4. NET FINANCIAL INCOME

	2006 £'000	2005 £'000
Interest receivable on bank deposits	**305**	265
Less: interest payable on bank overdraft	**–**	(2)

5. PROFIT BEFORE TAXATION

Profit before taxation is stated after charging/(crediting) the following:		2006 £'000	2005 £'000
Current directors' emoluments including pension contributions (page 32)		**675**	735
Former directors' emoluments (page 32)	– pre resignation	**296**	336
	– restructuring cost	**186**	–
Other restructuring costs		**207**	–
Auditor's remunerations for Group and Company		**75**	70
Other fees paid to the auditor and its associates		**15**	5
Depreciation of property, plant and equipment		**4,051**	3,742
Depreciation of leasehold prepayments (of which £70,000 in 2006 is restructuring)		**182**	203
Operating lease charges	– land and buildings	**22,604**	21,918
	– other	**55**	68
(Profit)/loss on disposal of fixed assets		**(31)**	45
Exchange losses		**–**	6

Other fees paid to the auditor and its associates relate to the implementation of International Financial Reporting Standards (£10,000; 2005 – £nil) and audit-related services (£5,000 in both periods).

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:	**2006 Number**	2005 Number
Distribution	**109**	99
Selling and marketing	**949**	920
Administration	**52**	56
	1,110	1,075

The aggregate staff costs recognised in the income statement were as follows:	**2006 £'000**	2005 £'000
Wages and salaries	**21,655**	21,059
Social security costs	**1,914**	1,877
Other pension costs	**424**	415
Equity-settled transactions	**125**	86
	24,118	23,437

Directors' emoluments are disclosed within the Directors' Remuneration Report on pages 32 to 35.

7. SHARE BASED PAYMENTS

Seven 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. The terms and conditions of the share option plan are disclosed on pages 33 and 34. On 26 May 2005 and on 16 November 2005, two further grants on similar terms have been made to these employee groups. In accordance with these plans, options are exercisable at the market price of the shares at the date of grant. Both these grants are subject to IFRS 2 as set out in note 1 above.

7. SHARE BASED PAYMENTS CONTINUED

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 at 11 May 2004	2,550,000	Three years of service. Earnings per Share must reach at least 5 pence per Ordinary Share, by the vesting date	10 years (7 years after end of vesting period)
Option grant to senior employees at 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 at 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)

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 (10 years) is used as an input into this model. Expectations of early exercise result in an average option life of 4 years which has been input into the model.

Fair value of share options and assumptions	November 2005 grant	May 2005 grant	2004 grant
Fair value at measurement date (pence per share)	22.56	31.30	18.90
Share price (pence per share)	74.00	104.00	61.75
Exercise price (pence per share)	74.00	104.00	61.75
Expected volatility (expressed as weighted average volatility used			
in the modelling under the Black-Scholes model)	30.3%	29.7%	29.8%
Average option life (years)	4	4	4
Expected dividend yield	1.7%	1.7%	1.7%
Risk-free interest rate (based on government bonds)	4.0%	4.0%	4.0%

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

In the year ended 28 January 2006, the expense recognised in respect of share options in the income statement was £125,000 (2005 – £86,000).

8. TAXATION

(A) TAXATION RECOGNISED IN THE INCOME STATEMENT IS AS FOLLOWS:	**2006 £'000**	2005 £'000
CURRENT TAX EXPENSE		
Current year	**1,887**	1,738
Adjustment for prior years	**116**	–
TOTAL CURRENT TAX EXPENSE	**2,003**	1,738
Deferred tax (credit)/charge	**(45)**	359
Total taxation expense in the income statement	**1,958**	2,097

(B) FACTORS AFFECTING THE TAX CHARGE FOR THE YEAR

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

	2006 £'000	2005 £'000
Profit before taxation	**6,207**	5,744
Profit before taxation multiplied by standard rate of corporation tax in the UK of 30% (2005 – 30%)	**1,862**	1,723
Items not deductible for tax purposes	**30**	361
Accounting loss on disposal less than taxable gain	**–**	33
Share-based payment taxation	**18**	(100)
Prior year provision adjustment	**116**	–
Other	**(68)**	80
Tax charge for the year	**1,958**	2,097

(C) ANALYSIS OF DEFERRED TAX LIABILITY	**2006 £'000**	2005 £'000
The deferred tax liability comprises:		
Deferred capital gains	**(2,144)**	(2,144)
Accelerated capital allowances	**(740)**	(614)
Group tax losses	**354**	2,201
Other short-term timing differences	**63**	30
Share-based payment deferred tax asset	**82**	100
Deferred tax liability	**(2,385)**	(427)

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

8. TAXATION CONTINUED

(D) MOVEMENT IN DEFERRED TAX ASSET/ (LIABILITY)	£'000
Asset at 1 February 2004	1,670
Charge for the year	(359)
Utilisation of deferred tax asset in respect of Group tax losses	(1,738)
Liability 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)

9. DIVIDEND

	2006 £'000	2005 £'000
Half year dividend at 0.5 pence per share (2005 – 0.5 pence per share)	**460**	460
Dividend for the year at 1.0 pence per share (2005 – 1.0 pence per share)	**920**	920
Write-back of waived dividends on shares held by QUEST from prior years	**(7)**	(7)
	1,373	1,373

10. EARNINGS PER SHARE

Basic earnings per ordinary share are based on the weighted average of 91,894,428 (2005 – 91,545,602) ordinary shares in issue during the year and are calculated by reference to the profit attributable to shareholders of £4,249,000 (2005 – £3,647,000). Diluted earnings per ordinary share are based upon the weighted average of 93,555,869 (2005 – 93,552,349) ordinary shares which takes into account share options outstanding and are calculated by reference to the profit attributable to shareholders as stated above.

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 OR VALUATION:				
At 1 February 2004	859	51,972	52,831	6,056
Additions	–	4,817	4,817	74
Disposals	–	(106)	(106)	–
At 29 January 2005	859	56,683	57,542	6,130
Additions	–	4,903	4,903	257
Disposals	–	(110)	(110)	(156)
At 29 January 2006	859	61,476	62,332	6,231
DEPRECIATION:				
At 1 February 2004	–	33,698	33,698	3,014
Charged in year	–	3,742	3,742	203
Disposals	–	(105)	(105)	–
At 29 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
NET BOOK VALUE:				
AT 28 JANUARY 2006	**859**	**20,200**	**21,059**	**2,919**
At 29 January 2005	859	19,348	20,207	2,913
At 31 January 2004	859	18,274	19,133	3,042

Leasehold prepayments relate to leasehold buildings as the element of land contained in these leases is minimal. Depreciation in the year ended at 28 January 2006 includes £70,000 (2005 – £nil) in respect of impairments, which is included within shops selling and marketing costs and relates to leasehold prepayments.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

11. NON CURRENT ASSETS CONTINUED

(B) COMMITMENTS

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

	2006 £'000	2005 £'000
Contracted	**2,365**	1,578

(C) OPERATING LEASES

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

	2006		2005	
	Land and buildings £'000	**Other £'000**	Land and buildings £'000	Other £'000
Annual commitments in respect of operating leases which expire:				
– within one year	**155**	**2**	108	20
– in the second to fifth year	**16,279**	**124**	20,594	126
– over five years	**174,280**	**–**	189,039	–
	190,714	**126**	209,741	146

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

	2006 £'000	2005 £'000
Retail inventory	**18,641**	17,933
Retail inventory provisions	**(831)**	(1,034)
Hire inventory	**3,868**	4,128
Cloth	**26**	330
	21,704	21,357

During the year, £630,000 (2005 – £542,000) of inventory write-downs were expensed within cost of sales.

13. TRADE AND OTHER RECEIVABLES

	2006 £'000	2005 £'000
Trade receivables	**153**	128
Other receivables	**370**	29
Prepayments and accrued income	**6,787**	5,883
	7,310	6,040

14. TRADE AND OTHER PAYABLES DUE WITHIN ONE YEAR

	2006 £'000	2005 £'000
Trade payables	**7,048**	9,140
Other payables including taxation and social security	**5,856**	5,724
Accruals and deferred income	**2,821**	3,336
	15,725	18,200
Other payables including taxation and social security comprise:		
Other taxes	**3,617**	3,581
Social security	**566**	527
	4,183	4,108
Other payables	**1,673**	1,616
	5,856	5,724

15. OTHER PAYABLES DUE AFTER ONE YEAR

	2006 £'000	2005 £'000
Accruals and deferred income	**1,249**	845

16. SHARE CAPITAL

AUTHORISED:

120,000,000 ordinary shares of 5p each (2005 – 120,000,000)

ALLOTTED, CALLED UP AND FULLY PAID	2006 £'000	2005 £'000
Balance at beginning of the year:		
92,056,171 ordinary shares of 5p each (2005 – 91,965,305)	**4,603**	4,598
992,645 ordinary shares of 5p each issued during the year pursuant to exercise of share options (2005 – 90,866)	**49**	5
Balance at end of the year:		
93,048,816 ordinary shares of 5p each (2005 – 92,056,171)	**4,652**	4,603

The average share price of the ordinary shares as at the date of exercise of the above options was 81.5p (2005 – 58p).

16. SHARE CAPITAL CONTINUED

	2006 Number	2006 Weighted average exercise price (pence)	2005 Number	2005 Weighted average exercise price (pence)
Options outstanding at the beginning of the year	**6,027,322**	**50.91**	4,598,898	43.48
Granted in the year	**905,000**	**90.65**	2,555,000	60.75
Exercised in the year	**(992,645)**	**34.00**	(90,866)	20.00
Forfeited in the year	**(408,500)**	**62.43**	(985,249)	47.11
Lapsed in the year	**(593,714)**	**55.91**	(50,461)	78.83
Options outstanding at the end of the year	**4,937,463**	**59.59**	6,027,322	50.91
Fully exercisable at the end of the year	**2,242,463**	**45.84**	1,905,562	55.79

Savings related share option scheme:
Options are outstanding in respect of the following ordinary shares at 28 January 2006:

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

Executive share option scheme:
Options are outstanding in respect of the following ordinary shares at 28 January 2006:

Number of ordinary shares	Exercisable option price per share	Exercisable option dates (calendar year)
95,000	241.00p	2005/2007
80,500	110.50p	2005/2008
20,000	111.50p	2005/2009
915,492	35.50p	2005/2012
919,115	34.00p	2005/2012
40,000	39.25p	2006/2013
1,830,000	61.75p	2007/2014
480,000	104.00p	2008/2015
385,000	74.00p	2008/2015

The Directors' Remuneration Report gives details of options granted to Directors over ordinary shares of 5 pence each during the year ended 28 January 2006.

17. STATEMENT OF CHANGES IN EQUITY

	2006 £'000	2005 £'000
Total equity at beginning of year	**47,860**	45,465
Net profit for the year	**4,249**	3,647
Dividends	**(1,373)**	(1,373)
Issue of shares	**337**	19
Proceeds from QUEST	**90**	16
Share based payments	**125**	86
Net movement in equity during the year	**3,428**	2,395
Total equity at end of year	**51,288**	47,860

18. RESERVES

	Share capital	Share premium	Retained earnings	Total
AT 1 FEBRUARY 2004	**4,598**	**8,014**	**32,853**	**45,465**
Shares issued	5	14		19
Proceeds from QUEST			16	16
Employee share based payments			86	86
Profit after taxation			3,647	3,647
Dividends			(1,373)	(1,373)
AT 29 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			(1,373)	(1,373)
AT 28 JANUARY 2006	**4,652**	**8,316**	**38,320**	**51,288**

19. PENSIONS

During the year ended 28 January 2006, 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 28 January 2006 (2005 – nil).

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

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

LIQUIDITY RISK

The Group finances its operations primarily through retained profits and has an overdraft facility to finance its seasonal working capital requirement, 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 28 January 2006 (2005 – 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 utilised the overdraft facility for a period of three weeks during the year.

(B) FINANCIAL ASSETS

	Floating rate financial assets 2006 £'000	2005 £'000
Currency:		
Sterling	**17,655**	16,761
Other	**–**	54
Total	**17,655**	16,815

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

(C) FINANCIAL LIABILITIES

There were no financial liabilities after excluding current trade payables as at 28 January 2006 (2005 – nil).

(D) FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

As at 28 January 2006, there was no material difference between the fair values and book values of the Group's financial instruments (2005 – 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 32 to 35. 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:

	2006	2005
	£'000	£'000
Short-term employee benefits	**952**	936
Equity compensation benefits	**60**	50
	1,012	986

Total remuneration is included in administrative expenses and relates to 13 employees in the year ended 28 January 2006 (2005 – 13). In addition, a major shareholder was paid £6,000 in respect of consultancy advice during the year (2005 – nil).

22. EXPLANATION OF IMPACT OF TRANSITION TO IFRSs

The following paragraphs explain the nature and financial impact of the adjustments made on the transition from UK GAAP to IFRSs.

(A) OPERATING LEASE PAYMENTS

Under UK GAAP, rent free periods and premiums received were spread to the first market rent review date. Under IFRS SIC 15 "Operating leases – incentives", the requirement is for such incentives to be spread over the length of the lease. As a result, the adjustment required for incentives as at 31 January 2004 was to increase deferred income within trade and other payables and reduce retained earnings by £969,000.

The impact on the year to 29 January 2005 financial statements was a further increase in deferred income and a reduction in retained earnings of £51,000.

(B) SHARE-BASED PAYMENT TRANSACTIONS

In accordance with IFRS 2, a charge to the income statement has been recognised representing the fair value of share-based payments granted to employees after 7 November 2002.

The effect of accounting for equity-settled share-based payment transactions at fair value was to increase administrative expenses by £86,000 for the year to 29 January 2005.

(C) DIVIDENDS

Dividends declared after the balance sheet date will not be recognised as a liability as at that balance sheet date.

The final dividend of £915,000 declared in May 2004 relating to the 2003/04 financial year was reversed in the January 2004 balance sheet and charged to retained profit for the year to 29 January 2005. Similarly the January 2005 balance sheet was adjusted to reverse the dividends declared in April 2005.

(D) IMPAIRMENT OF ASSETS

Under IAS 36, individual assets should be reviewed for impairment when there are any indicators of impairment. The International Accounting Standards Board indicates that retailers should consider individual stores as "Cash-Generating Units" for impairment purposes.

Following impairment reviews at the opening balance sheet date 31 January 2004, a small number of stores were identified which required a provision for impairment of £1,325,000, reducing both retained earnings and non-current assets by this amount. The effect of this impairment was to reduce distribution expenses (depreciation plus losses on disposal) and increase profit by £366,000 for the year ended 29 January 2005. Trade and other payables were reduced by £63,000 as at 29 January 2005 as an accrual for impairment was no longer needed due to the earlier impairment charge under IFRS as at 31 January 2004.

A similar review was performed at 29 January 2005 but no further stores required an impairment provision.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

22. EXPLANATION OF IMPACT OF TRANSITION TO IFRSs CONTINUED

(E) TAXATION

Under IFRS, a deferred tax liability was recognised in relation to chargeable gains that have been previously rolled over into qualifying capital asset additions. The adjustment required to the opening balance sheet as at 31 January 2004 was to recognise a deferred tax liability of £2,144,000. No further gains were rolled over by 29 January 2005.

A deferred tax asset of £1,594,000 was recognised as at 31 January 2004 representing trading losses offsettable against the capital gains deferred tax liability rolled over as the losses and capital gains arose in the same periods. A further deferred tax asset of £1,823,000 representing further trading losses, net of deferred tax temporary differences, was recognised at 31 January 2004 as it was anticipated that there would be sufficient future profits to offset these losses.

In addition, deferred tax was provided in respect of certain of the above IFRS transitional adjustments where the requirements of IAS 12 require so. The impact was to increase the deferred tax asset by £398,000 as at 31 January 2004.

A deferred tax asset of £100,000 was recognised in the year to 29 January 2005 in relation to share based payments under IFRS 2. These amounts are calculated by reference to the difference between the option exercise price and the share market price at each balance sheet date. The part of the deferred tax credit in respect of this asset in excess of the share based payment charge was taken to equity as required by IAS 12.

(F) RECLASSIFICATION

Management has reclassified £333,000 of distribution recharges from administrative expenses to cost of sales for the year ended 29 January 2005.

CONSOLIDATED INCOME STATEMENT IFRS RESTATEMENT

FOR THE YEAR ENDED 29 JANUARY 2005

	Year to 29 January 2005 (Reported under UK GAAP) £'000	IAS 17 leasing £'000	IFRS 2 share based payments £'000	IAS 36 impairment of non-current assets £'000	IAS 12 deferred tax £'000	Reclass-ification £'000	Year to 29 January 2005 (Restated) £'000
REVENUE	**130,203**	**–**	**–**	**–**	**–**	**–**	**130,203**
Cost of sales	(62,244)	–	–	–	–	333	(61,911)
GROSS PROFIT	**67,959**	**–**	**–**	**–**	**–**	**333**	**68,292**
Administrative expenses	(5,171)	–	(86)	–	–	–	(5,257)
Shop selling and marketing costs	(57,536)	(51)	–	366	–	(333)	(57,554)
OPERATING PROFIT BEFORE FINANCING COSTS	**5,252**	**(51)**	**(86)**	**366**	**–**	**–**	**5,481**
Financial income	265	–	–	–	–	–	265
Financial expenses	(2)	–	–	–	–	–	(2)
PROFIT BEFORE TAXATION	**5,515**	**(51)**	**(86)**	**366**	**–**	**–**	**5,744**
Taxation	1,709	–	86	–	(3,892)	–	(2,097)
PROFIT AFTER TAXATION	**7,224**	**(51)**	**–**	**366**	**(3,892)**	**–**	**3,647**

CONSOLIDATED BALANCE SHEET IFRS RESTATEMENT

AT YEAR ENDED 29 JANUARY 2005

	As at 29 January 2005 (Reported under UK GAAP) £'000	IAS 17 leasing £'000	IFRS 2 share based payments £'000	IAS 10 dividends £'000	IAS 36 impairment £'000	IAS 12 deferred tax £'000	As at 29 January 2005 (Restated) £'000
ASSETS							
Property, plant and equipment	21,114	–	–	–	(907)	–	20,207
Lease prepayments	3,028	–	–	–	(115)	–	2,913
Deferred tax asset	1,709	–	86	–	–	(1,795)	–
TOTAL NON-CURRENT ASSETS	25,851	–	86	–	(1,022)	(1,795)	23,120
Inventories	21,357	–	–	–	–	–	21,357
Trade and other receivables	6,040	–	–	–	–	–	6,040
Cash and cash equivalents	16,815	–	–	–	–	–	16,815
TOTAL CURRENT ASSETS	44,212	–	–	–	–	–	44,212
TOTAL ASSETS	**70,063**	**–**	**86**	**–**	**(1,022)**	**(1,795)**	**67,332**
EQUITY							
Issued capital	4,603	–	–	–	–	–	4,603
Share premium account	8,028	–	–	–	–	–	8,028
Retained earnings	38,429	(1,020)	86	915	(959)	(2,222)	35,229
TOTAL EQUITY	51,060	(1,020)	86	915	(959)	(2,222)	47,860
LIABILITIES							
Trade and other payables	–	845	–	–	–	–	845
Deferred tax liabilities	–	–	–	–	–	427	427
TOTAL NON-CURRENT LIABILITIES	–	845	–	–	–	427	1,272
Trade and other payables	19,003	175	–	(915)	(63)	–	18,200
TOTAL CURRENT LIABILITIES	19,003	175	–	(915)	(63)	–	18,200
TOTAL LIABILITIES	19,003	(1,020)	–	(915)	(63)	427	19,472
TOTAL EQUITY AND LIABILITIES	**70,063**	**–**	**86**	**–**	**(1,022)**	**(1,795)**	**67,332**

COMPANY BALANCE SHEET

AS AT 28 JANUARY 2006

	Note	**As at 28 January 2006 £'000**	As at 29 January 2005 (Restated – Note 23) £'000
FIXED ASSETS			
Tangible assets	26	**23,978**	23,120
Investments	27	**9,510**	13,089
		33,488	36,209
CURRENT ASSETS			
Stocks	28	**21,704**	21,357
Debtors	29	**9,449**	9,235
Cash and liquid resources		**17,655**	16,815
		48,808	47,407
CREDITORS			
Amounts falling due within one year	30	**(28,111)**	(33,341)
NET CURRENT ASSETS		**20,697**	14,066
TOTAL ASSETS LESS CURRENT LIABILITIES		**54,185**	50,275
CREDITORS			
Amounts falling due after one year	30	**(163)**	–
NET ASSETS		**54,022**	50,275
CAPITAL AND RESERVES			
Called up share capital	31	**4,652**	4,603
Share premium account	32	**8,316**	8,028
Acquisition reserve	32	**4,370**	4,370
Profit and loss account	32	**36,684**	33,274
SHAREHOLDERS' FUNDS	33	**54,022**	50,275

The financial statements on pages 58 to 68 were approved by the Board of Directors on 12 April 2006 and were signed on its behalf by:

P F MOUNTFORD CHIEF EXECUTIVE

23. RESTATEMENT

Following the requirement to present the Group's financial statements in accordance with IFRS UK GAAP has been revised to bring it into line with many of the provisions of IFRS. As a result, the Company has restated its financial statements to reflect:

- the assessment of impairments on a store-by-store basis as opposed to a brand basis;
- the recognition of the fair value of share options grants over the vesting period of the options;
- the recognition of dividends upon declaration.

Further discussion of the above restatements, together with quantification of the effects thereof, are given in note 22 on page 55.

24. 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 if is exempt from disclosing transactions with companies in which it holds 90% or more of the share capital, apart from the payment to a major shareholder of £6,000 in respect of consultation advice during the year ended 28 January 2006 (2005 – nil).

BASIS OF ACCOUNTING

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

TURNOVER

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

FIXED ASSETS

Depreciation is calculated so as to write down on a straight line basis the cost or valuation of fixed assets over their estimated useful lives to their estimated residual values. 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. The Directors undertake an annual impairment review and any impairment in the value of fixed assets is charged to the profit and loss account.

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

FOREIGN EXCHANGE

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

PENSIONS

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

STOCKS

Retail stock is valued at the lower of cost and estimated net realisable value. Hire stock is written down to nil over its estimated useful economic life, which is estimated by category of garment. Volume discounts received and receivable are deducted from the cost of stock.

24. PRINCIPAL COMPANY ACCOUNTING POLICIES CONTINUED

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.

LEASES

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

SHARE-BASED PAYMENT TRANSACTIONS

The share option plan allows employees to acquire share 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.

25. STAFF NUMBERS

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

	2006 Number	2005 Number
Distribution	**109**	99
Selling and marketing	**949**	920
Administration	**52**	56
	1,110	1,075

26. TANGIBLE FIXED ASSETS

[A] MOVEMENTS IN YEAR	Freehold land and buildings £'000	Equipment, short leaseholds £'000	Fixtures and vehicles £'000	Total £'000
COST OR VALUATION:				
At 30 January 2005	859	6,715	56,098	63,672
Additions	–	257	4,903	5,160
Disposals	–	(156)	(110)	(266)
At 28 January 2006	859	6,816	60,891	68,566
DEPRECIATION:				
At 30 January 2005 – originally reported	–	3,687	35,843	39,530
Impairment (note 23)	–	115	907	1,022
At 30 January 2005 – as restated	–	3,802	36,750	40,552
Charged in year	–	182	4,051	4,233
Disposals	–	(87)	(110)	(197)
At 28 January 2006	–	3,897	40,691	44,588
NET BOOK VALUE:				
AT 28 JANUARY 2006	**859**	**2,919**	**20,200**	**23,978**
At 29 January 2005 – as restated	859	2,913	19,348	23,120

Depreciation in the year ended at 28 January 2006 includes £70,000 (2005 – £nil) in respect of impairments, relating to equipment and short leaseholds.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

26. TANGIBLE FIXED ASSETS CONTINUED

(B) COMMITMENTS

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

	2006 £'000	2005 £'000
Contracted	**2,365**	1,578

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

	2006		2005	
	Land and buildings £'000	**Other £'000**	Land and buildings £'000	Other £'000
Annual commitments in respect of operating leases which expire:				
– within one year	**155**	**2**	975	20
– in the second to fifth year	**5,232**	**50**	3,576	61
– over five years	**16,513**	**–**	16,420	–
	21,900	**52**	20,971	81

27. FIXED ASSET INVESTMENTS

At 28 January 2006 and 29 January 2005	**2006 £'000**	2005 £'000
Subsidiary undertakings cost	**15,351**	15,351
Provision at the beginning of the year	**(2,262)**	(2,262)
Write-down during the year	**(3,579)**	–
Carrying value at the end of the year	**9,510**	13,089

An amount was written off during the year to reflect the value of investments at the year end. A full list of subsidiaries, none of which are currently trading, will be submitted with the Company's annual return.

28. STOCK

	2006 £'000	2005 £'000
Retail stock	**17,810**	16,899
Hire stock	**3,868**	4,128
Cloth	**26**	330
	21,704	21,357

29. DEBTORS

	2006 £'000	2005 £'000
Trade debtors	**153**	128
Amounts owed by Group undertakings	**2,151**	1,412
Other debtors	**358**	17
Prepayments and accrued income	**6,787**	5,883
	9,449	7,440
Amounts due after more than one year:		
Deferred tax asset	**–**	1,795
	9,449	9,235

ANALYSIS OF DEFERRED TAX (LIABILITY)/ASSET

The deferred tax (liability)/asset comprises	2006 £'000	2005 £'000
Company tax losses	**280**	2,201
Other short-term timing differences	**215**	108
Share-based payment deferred tax asset	**82**	100
Accelerated capital allowances	**(740)**	(614)
Deferred tax (liability)/asset	**(163)**	1,795

MOVEMENT IN DEFERRED TAX ASSET/(LIABILITY)	£'000
Asset at 29 January 2005	1,795
Credit for the year	45
Utilisation of deferred tax asset in respect of Company tax losses	(2,003)
Liability at 28 January 2006	(163)

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

30. CREDITORS

Amounts falling due within one year	2006 £'000	2005 £'000
Trade creditors	**7,048**	9,135
Amounts owed to Group undertakings	**12,182**	15,341
Other creditors including taxation and social security	**5,856**	5,709
Accruals and deferred income	**3,025**	3,156
	28,111	33,341

Other creditors including taxation and social security comprise:		
Other taxes	**3,617**	3,581
Social security	**566**	527
	4,183	4,108
Other creditors	**1,673**	1,601
	5,856	5,709

Amounts falling due after one year	2006 £'000	2005 £'000
Deferred tax liability (note 29)	**163**	–

31. SHARE CAPITAL

(A) AUTHORISED AND ALLOTTED SHARE CAPITAL

Authorised: 120,000,000 ordinary shares of 5p each (2005 – 120,000,000)

Allotted, called up and fully paid	2006 £'000	2005 £'000
Balance at beginning of the year		
92,056,171 ordinary shares of 5p each (2005 – 91,965,305)	**4,603**	4,598
992,645 ordinary shares of 5p each issued during the year pursuant to exercise of share options (2005 – 92,056,171)	**49**	5
Balance at end of the year		
93,048,816 ordinary shares of 5p each (2005 – 92,056,171)	**4,652**	4,603

(B) SHARE OPTIONS

	2006 Number	2006 Weighted average exercise price (pence)	2005 Number	2005 Weighted average exercise price (pence)
Options outstanding at the beginning of the year	**6,027,322**	**50.91**	4,598,898	43.48
Granted in the year	**905,000**	**90.65**	2,555,000	60.75
Exercised in the year	**(992,645)**	**34.00**	(90,866)	20.00
Forfeited in the year	**(408,500)**	**62.43**	(985,249)	47.11
Lapsed in the year	**(593,714)**	**55.91**	(50,461)	78.83
Options outstanding at the end of the year	**4,937,463**	**59.59**	6,027,322	50.91
Fully exercisable at the end of the year	**2,242,463**	**45.84**	1,905,562	55.79

Savings related share option scheme:
Options are outstanding in respect of the following ordinary shares at 28 January 2006:

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

Executive share option scheme:
Options are outstanding in respect of the following ordinary shares at 28 January 2006:

Number of ordinary shares	Exercisable option price per share	Exercisable option dates (calendar year)
95,000	241.00p	2005/2007
80,500	110.50p	2005/2008
20,000	111.50p	2005/2009
915,492	35.50p	2005/2012
919,115	34.00p	2005/2012
40,000	39.25p	2006/2013
1,830,000	61.75p	2007/2014
480,000	104.00p	2008/2015
385,000	74.00p	2008/2015

The Directors' Remuneration Report gives details of options granted to Directors over ordinary shares of 5 pence each during the year ended 28 January 2006.

31. SHARE CAPITAL CONTINUED

(C) SHARE BASED PAYMENTS

Seven equity settled share option grants made prior to 7 November 2002 are outstanding. In accordance with FRS 25 the recognition and measurement principles have not been applied to these grants.

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. The terms and conditions of the share option plan are disclosed on pages 33 and 34. On 26 May 2005 and on 16 November 2005, two further grants on similar terms have been made to these employee groups. In accordance with these plans, options are exercisable at the market price of the shares at the date of grant.

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 at 11 May 2004	2,550,000	Three years of service. Earnings per Share must reach at least 5 pence per Ordinary Share, by the vesting date	10 years (7 years after end of vesting period)
Option grant to senior employees at 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 at 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)

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 (10 years) is used as an input into this model. Expectations of early exercise result in an average option life of 4 years which has been input into the model.

Fair value of share options and assumptions	November 2005 grant	May 2005 grant	2004 grant
Fair value at measurement date (pence per share)	22.56	31.30	18.90
Share price (pence per share)	74.00	104.00	61.75
Exercise price (pence per share)	74.00	104.00	61.75
Expected volatility (expressed as weighted average volatility used in the modelling under the Black-Scholes model)	30.3%	29.7%	29.8%
Average option life (years)	4	4	4
Expected dividend yield	1.7%	1.7%	1.7%
Risk-free interest rate (based on government bonds)	4.0%	4.0%	4.0%

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

In the year ended 28 January 2006, the expense recognised in respect of share options in the profit and loss account was £125,000 (2005 – £86,000).

32. RESERVES

	Share capital £'000	Share premium £'000	Acquisition reserve £'000	Retained earnings £'000	Total £'000
At 29 January 2005 – as originally reported	4,603	8,028	4,370	33,232	50,233
Restatements					
– store impairments				(959)	(959)
– employee share based payments				86	86
– dividends				915	915
At 29 January 2005 – as restated	4,603	8,028	4,370	33,274	50,275
Shares issued	49	288			337
Proceeds from QUEST				90	90
Employee share-based payments				125	125
Profit after taxation				4,568	4,568
Dividends				(1,373)	(1,373)
At 28 January 2006	**4,652**	**8,316**	**4,370**	**36,684**	**54,022**

NOTES TO THE FINANCIAL STATEMENTS
CONTINUED

33. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2006 **£'000**	2005 £'000
Profit for the year – as originally stated	**4,568**	7,224
Restatement (note 23)	**–**	366
Profit for the year – as restated	**4,568**	7,590
Dividend	**(1,373)**	(1,373)
Retained profit for the year	**3,195**	6,217
Ordinary shares issued	**337**	19
Proceeds from QUEST	**90**	16
Employee share based payments	**125**	–
Net movement to Shareholders' funds	**3,747**	6,252
Opening Shareholders' funds as originally reported	**50,275**	44,347
Restatement (note 23)	**–**	(324)
Closing Shareholders' funds	**54,022**	50,275

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