



MULBERRY

ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST MARCH 2009



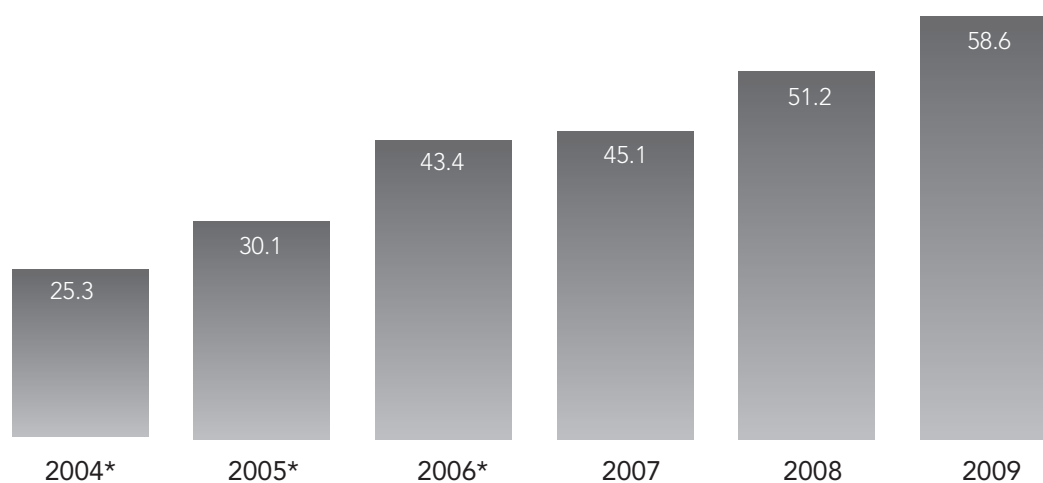
## HIGHLIGHTS

- Sales increased by 14% to £58.6 million (2008: £51.2 million)
- UK retail sales growth of 15%, like-for-like growth of 2%
- Wholesale sales increased by 15%
- Profit before tax ahead of market expectations at £4.2 million (2008: £5.2 million)
- Cash of £3.7 million (2008: £10.2 million)
- UK retail sales for the first 10 weeks of the new year up 26%, like-for-like up 21%

	2009	2008	Change
Group revenue	£58.6m	£51.2m	+14%
Gross profit	£35.1m	£30.6m	+15%
Profit before tax	£4.2m	£5.2m	-19%
Basic EPS	4.5p	6.0p	-25%
Final dividend proposed per share	2.0p	2.0p	-
Cash	£3.7m	£10.2m	-64%

## 6 YEAR REVENUE GROWTH

(£m)



\*prepared under UK GAAP

# CONTENTS

	Page
Highlights	1
Chairman and Chief Executive's review	3
Financial review	5
Directors, Secretary and advisers	6
Corporate governance	7
Directors' remuneration report	9
Directors' report	12
Statement of Directors' responsibilities	16
Independent auditors' report	17
Consolidated income statement	18
Consolidated statement of recognised income and expense	18
Consolidated balance sheet	19
Consolidated cash flow statement	20
Notes to the consolidated financial statements	21
Company financial statements	50
Notice of Annual General Meeting	58
Group five year summary	60

## CHAIRMAN AND CHIEF EXECUTIVE'S REVIEW

The Group has completed a successful year with sales growth of 14% to £58.6 million (2008: £51.2 million). Sales grew by 29% during the first half and then slowed from September 2008 running up to Christmas as the economic uncertainty intensified. Subsequently, UK wholesale and retail sales picked up strongly during the last two weeks of December 2008 and continued to show good growth compared to the prior year through to 31 March 2009.

The result of this last quarter performance in the UK was that profit before tax was ahead of market expectations at £4.2 million (2008: £5.2 million). A final dividend of 2 pence per share will be recommended for approval by shareholders (2008: 2 pence).

We continued to invest in the business both in the UK and internationally, using retained profits and cash flow to invest in new shops, developing new products, strengthening the management team and increasing expenditure on marketing. This strategy has enabled the Group to continue to grow and increase market share despite demanding market conditions.

The Group's balance sheet is strong with no debt. Stocks have risen due to growth in the business and because production and purchases were planned and committed in anticipation of higher sales before the downturn in the economy. Production and purchases have been adjusted for the forthcoming year and the benefits of this are expected to flow through as a reduction in working capital and an increase in cash. The Group's positive cash position means that it is able to continue to pursue its growth objectives.

### BUSINESS REVIEW

The business has continued to perform well despite the global slowdown. While Mulberry's performance has been strong, the Group has not been immune to broader market conditions. Starting in mid-September 2008, sales slowed in all markets, but the pattern was not uniform with the USA being hardest hit.

Trading in the UK was variable but sales returned to healthy growth during the last two weeks of December 2008 and this was sustained through to the financial year end. We resisted pressure from other retailers to go on sale early resulting in planned margins being achieved during the important Christmas period. The upturn in sales performance coincided with the introduction within our Spring 2009 collection of the Mitzy family of bags which have become immediate best sellers. We have also benefited from an increase in demand from tourists, particularly in London, due to the weaker pound. Accessories remain our core business and continue to account for over 90% of Group sales. Handbags have continued to be the mainstay of the accessories business.

In the UK we opened shops in Leeds and the new Westfield development in west London. Our UK retail business grew by 15% during the year and like-for-like shop sales increased by 2%. Online sales grew by 38% year on year helped by the introduction of a US dollar denominated site during November 2008 and a euro denominated site during February 2009. Our online presence has become a key channel for the development of Mulberry as a modern global luxury brand.

The Group's wholesale sales for the year grew by 15%. Growth slowed during the second half as buyers became increasingly cautious; however, our order book for the Spring/Summer 2009 season grew by 3% compared to the prior year.

In Asia, our Korean business with our partner SHK continues to make good progress with the opening of a further department store shop in shop, bringing the total to six plus two duty free outlets. As previously reported, the arrangements with our Japanese partner finished during January 2009. Since that date, we have been working directly with the influential Isetan department store in Tokyo. Our business with our partner Club 21 in the rest of Asia continues satisfactorily.

In Europe, our partners opened two new shops in Athens and Copenhagen Airport during the financial year. While in the Middle East, our partners opened two new shops in Dubai and Kuwait.

# CHAIRMAN AND CHIEF EXECUTIVE'S REVIEW

(continued)

## CURRENT TRADING AND OUTLOOK

Our UK shops have continued to perform well since the financial year end. During the first ten weeks of the current financial year, total retail sales in the UK were 26% above prior year with like-for-like sales up 21%. A pattern has developed with like-for-like sales in our full price shops increasing by 11% and in our off price stores by 45%. This growth in sales has been due to continued demand for the Group's products combined with the success of the new Mitzy family of bags and increased demand from tourists. Despite this, we remain cautious given the weak domestic economy.

Our wholesale customers remain very cautious and this is reflected in their reduced buying budgets. This is despite the fact that the sell through of Mulberry products remains strong. We have planned on the basis of third party wholesale orders dropping year on year by approximately 15% for the Autumn/Winter 2009 season and 4% for the Spring/Summer 2010 season.

During the year to 31 March 2010, our international partners are scheduled to open three further shops in Athens, Qatar and Helsinki Airport respectively.

In Asia, our Korean partner continues to perform well and opened another department store shop in shop during May 2009 bringing the total to seven plus two duty free outlets. One further shop in shop is planned for Korea in early 2010.

As announced on 14 May 2009, we have reached an agreement with our joint venture partner in the USA to take full control of the wholesale and retail business in the US. Our retail operation will be focused on the two shops in New York and the wholesale business which will be controlled by the Mulberry team in London. This will allow the US website which is operated from the UK to be integrated with the rest of the US business, which in turn will simplify marketing and administration. The arrangement has been agreed in principle and is subject to the completion of legal formalities. In the meantime Mulberry assumed management control of these US operations from 1 April 2009.

As previously reported, we have outgrown our existing London premises and are continuing to work on a project to relocate our London offices and showrooms during 2010.

Overall, we have made a very positive start to the current financial year. However, we remain cautious due to the uncertain economic climate.

## DIVIDEND

The Board is recommending the payment of a dividend on the ordinary shares of 2 pence per share (2008: 2 pence) which will be paid on 21 August 2009 to ordinary shareholders on the register on 24 July 2009.

## STAFF

I would like to thank all of our staff for their enthusiasm and commitment which are so important to the brand's future development. The achievements of the last year are a direct result of their efforts and would not have been possible without them.

Godfrey Davis  
*Chairman and Chief Executive*

17 June 2009

# FINANCIAL REVIEW

## GROSS MARGIN

The Group's gross profit as a percentage of revenue has remained consistent with the prior year at 60%. Although some pressure on costs was experienced due to the devaluation of sterling, this has been counteracted by the increase in the proportion of retail sales to wholesale sales, which carry a higher margin.

## NET OPERATING EXPENSES

Net operating expenses for the year increased by £5.4 million to £31.2 million (2008: £25.8 million). This increase reflects £2.1 million of additional costs associated with expanding the retail network, £1.5 million increase in employee costs, £0.8 million of extra marketing investment in building the international Mulberry brand and £0.2 million incurred with the reorganisation of the US business. This reflects our investment in growing the Group and providing a firm foundation for the future.

## FINANCE INCOME AND EXPENSE

The decrease in net finance income of £0.1 million has resulted from the fall in interest rates achieved on cash held on deposit and through the decrease in cash balances held on deposit throughout the year.

## TAXATION

The Group reported an effective tax rate of 38.2% (2008: 33.7%), resulting in a tax charge of £1.6 million (2008: £1.8 million). The increase in the effective rate compared to the prior year is due to the withdrawal of Industrial Building Allowances (3.1%) and the non-deductible expense for share-based payments (1.4%). The accounting for the withdrawal of Industrial Building Allowances under IFRS gives rise to a one-off deferred tax expense.

## BALANCE SHEET

Capital expenditure on tangible fixed assets for the year totalled £2.4 million (2008: £2.6 million) and included the fit-out of the new stores opened during the year. The expenditure of £0.4 million on intangible fixed assets reflects the ongoing investment in the Group's new ERP system, the retail module of which was rolled out during February 2009.

Stock levels have increased by £7.0 million to £14.8 million (2008: £7.8 million) resulting from the growth of the business and the impact of sales falling below expectations during the second half of the year. Purchasing decisions are made six months in advance of the selling season and therefore when sales declined during the autumn of 2008, the inflow of goods could not be stemmed in the short term. Purchases have been adjusted to reflect the current trading conditions and with the objective of reducing stocks to normal levels by the end of the current financial year.

## CASH FLOW

The principal source of funds was cash generated from operations which amounted to £6.2 million (2008: £6.1 million) during the year before changes in working capital. The net cash balance has reduced to £3.7 million (2008: £10.2 million) due primarily to the extra investment in stock.

## SHAREHOLDER RETURN

The basic earnings per share for the year declined by 25% to 4.5p (2008: 6.0p). This reflects the 19% reduction in pre-tax profit and the significant increased tax charge explained above.

Roger Mather  
*Group Finance Director*

17 June 2009

## DIRECTORS, SECRETARY AND ADVISERS

Directors:	Godfrey Pawle Davis FCA Roger Thomas Mather FCA Robert (Robin) Edward Graeme Gibson Andrew Christopher (Chris) Roberts FCCA Steven Grapstein Bernard Lam Kong Heng Edward Vandyk
Registered Office:	The Rookery, Chilcompton, Bath, Somerset, BA3 4EH
Secretary:	Roger Thomas Mather FCA
Nominated Adviser and Nominated Broker:	Altium Capital Limited London
Registered Auditors:	Deloitte LLP Bristol
Solicitors:	Osborne Clarke Bristol
Principal Bankers:	HSBC Bank plc Bristol
Registrars:	Computershare Investor Services PLC PO Box 82 The Pavilions Bridgwater Road Bristol BS99 7NH



## CORPORATE GOVERNANCE

The Company is listed on the Alternative Investment Market and is not required to comply with the 2006 Combined Code issued by the Financial Reporting Council on Corporate Governance. However, the Directors support the principles contained in these requirements and apply these where they consider they are appropriate to Mulberry Group plc.

### THE BOARD OF DIRECTORS

The Board comprises two Executive Directors and five Non-Executive Directors. Details of the Directors are set out on page 6. Since the roles of Chairman and Chief Executive are not separated, as recommended by the Combined Code, the Directors consider it important that the Board should include Non-Executive Directors who bring strong independent judgement and considerable knowledge and experience to the Board's deliberations.

The Board meets formally on a bi-monthly basis and is responsible *inter alia* for overall Group strategy, investments and capital projects and for ensuring that an appropriate framework of internal control is in place throughout the Group.

The Executive Directors are each employed under a contract of employment which can be terminated on not more than one year's notice. The Non-Executive Directors provide their services under twelve month agreements renewed annually in January.

### NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee is chaired by a Non-Executive Director, Robin Gibson. It is responsible for nominating Executive Directors to the Board and then determining the remuneration and terms and conditions of employment of Executive Directors and senior employees of the Group. The Directors' remuneration report is set out on pages 9 to 11.

### AUDIT COMMITTEE

The Audit Committee is chaired by a Non-Executive Director, Chris Roberts. It is the opinion of the Board that all Directors should attend Audit Committee meetings where possible as part of the programme to maintain the Group's systems of internal control. The Committee may examine any matters relating to the financial affairs of the Group. This includes review of the annual financial statements prior to their approval by the Board, together with accounting policies and compliance with accounting standards, and of internal control procedures and monthly financial reporting, and other related functions as the Committee may require. The Non-Executive Directors have access to the Group's auditors and legal advisers at any time without Executive Directors being present.

### INTERNAL FINANCIAL CONTROL

The Board has overall responsibility for the Group's systems of internal financial control and for monitoring their effectiveness.

The Directors place considerable importance on maintaining full control and direction over appropriate strategic, financial, organisational and compliance issues, and have put in place an organisational structure with formally defined lines of responsibility and delegation of authority. There are established procedures for planning and capital expenditure, for information and reporting systems and for monitoring the Group's business and its performance. Adherence to specified procedures is required at all times and the Board actively promotes a culture of quality and integrity. Compliance is monitored by the Directors.

## CORPORATE GOVERNANCE

(continued)

The systems of internal financial control are designed to provide reasonable, but not absolute, assurance against material misstatement or loss. They include comprehensive budgeting systems with an annual budget approved by the Board, monthly consideration of actual operational results compared with budgets, forecasts and regular reviews by the Board of year end forecasts. The Board reports to shareholders half-yearly.

The Group's control systems address key business and financial risks. Matters arising are reviewed on a regular basis. Performance indicators are reviewed at least monthly to assess progress towards objectives. Variances from approved plans are followed up vigorously.

The auditors are engaged to express an opinion on the financial statements. They review and test the system of internal financial control and the data contained in the financial statements to the extent necessary to express their audit opinion.

### GOING CONCERN

After making enquiries, the Directors have a reasonable expectation that the Company will have adequate resources to continue in operational existence for the foreseeable future. More information on how the Board assesses and controls the principal risks of the business (including going concern) is given within the Directors' report. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and financial statements.

## DIRECTORS' REMUNERATION REPORT

Mulberry Group plc is listed on the Alternative Investment Market and therefore is not required to prepare a Directors' remuneration report.

The following narrative disclosures are prepared on a voluntary basis and are not subject to audit.

The Nomination and Remuneration Committee comprises:

- Robin Gibson (Chairman and Non-Executive Director)
- Chris Roberts (Non-Executive Director)
- Steven Grapstein (Non-Executive Director)
- Bernard Heng (Non-Executive Director)
- Edward Vandyk (Non-Executive Director)

The Committee decides the remuneration policy that applies to Executive Directors and the Group's other senior management. In setting the policy it considers a number of factors including:

- the basic salaries and benefits available to Executive Directors of comparable companies;
- the need to attract and retain Directors of an appropriate calibre; and
- the need to ensure Executive Directors' commitment to the continued success of the Group by means of incentive schemes.

The Committee meets at least once a year in order to consider and set the annual salaries for Executive Directors, having regard to personal performance. Executive Directors' salaries are reviewed on 31 March each year, along with the remuneration of all other Group employees.

### REMUNERATION OF NON-EXECUTIVE DIRECTORS

The Non-Executive Directors each receive a fee for their services, which is agreed by the Board taking into account the role to be undertaken. They do not receive any pension or other benefits from the Company apart from a small allowance of Mulberry products, nor do they participate in any of the share option or bonus schemes.

The Non-Executive Directors are appointed for a twelve month term.

### REMUNERATION POLICY FOR EXECUTIVE DIRECTORS

The Company's remuneration policy for Executive Directors is to:

- have regard to the Directors' experience and the nature and complexity of their work in order to pay a competitive salary that attracts and retains Directors of the highest quality;
- link individual remuneration packages to the Group's long-term performance through the award of share options and incentive schemes;
- provide post-retirement benefits through the Group's pension schemes; and
- provide employment-related benefits including the provision of a company car or cash alternative, life assurance, insurance relating to the Director's duties, medical insurance and permanent health insurance.

## DIRECTORS' REMUNERATION REPORT

(continued)

### SALARIES AND INCENTIVE BONUSES

Each Executive Director receives a base salary and an annual incentive bonus which shall not in any year exceed 50% of the basic salary for the Director, without the prior sanction of the Nomination and Remuneration Committee. The base salary reflects job responsibility, market value and the sustained level of individual performance.

The long-term incentive strategy for the Executive Directors and management team has been revised by the Nomination and Remuneration Committee to include a balance of benefits to reward current performance and long-term commitment. A new unapproved share option scheme was introduced in April 2008 following the expiry of the previous scheme and a deferred bonus plan commenced in June 2008. The Mulberry Group plc 2008 Deferred Bonus Plan represents a long-term award scheme where participants receive all or part of their annual bonus in shares. These shares are held as deferred shares in the Mulberry Group plc Employee Share Trust. Matching shares are then granted and vest after a period of two years conditional upon the participant remaining an employee of the Group and the original deferred shares remaining in the Trust.

The following information is required by the Companies Act and is subject to audit.

	<i>Fees/ Basic salary £'000</i>	<i>Bonus £'000</i>	<i>Taxable benefits £'000</i>	<i>Pension contributions £'000</i>	<i>2009 Total £'000</i>	<i>2008 Total £'000</i>
<i>Executive Directors</i>						
Godfrey Davis	207	60	24	51	342	298
Roger Mather	134	50	17	19	220	–
<i>Non-Executive Directors</i>						
Robin Gibson	17	–	–	–	17	18
Chris Roberts	17	–	–	–	17	17
Steven Grapstein	17	–	–	–	17	17
Bernard Heng	17	–	–	–	17	17
Edward Vandyk	17	–	1	–	18	18
<i>Previous Director</i>						
Guy Rutherford	–	–	–	–	–	124
Total	<u>426</u>	<u>110</u>	<u>42</u>	<u>70</u>	<u>648</u>	<u>509</u>

The emoluments disclosed above do not include any amounts for the value of share options to subscribe for ordinary shares in the Company granted to or held by the Directors, or the potential matching shares granted through the Deferred Bonus Plan.

Details of the options granted under the unapproved option schemes are as follows:

	31 March 2008	Granted	Exercised	Forfeited	31 March 2009	Exercise price (p)
Godfrey Davis	100,000	–	–	–	100,000	145.5
Godfrey Davis	–	150,000	–	–	150,000	144.5
Roger Mather	–	250,000	–	–	250,000	144.7

The outstanding options are exercisable between 4 August 2008 and 25 July 2018.

Details of the potential matching shares granted under the Deferred Bonus Plan are as follows:

	31 March 2008	Granted	Exercised	Forfeited	31 March 2009	Exercise price (p)
Godfrey Davis	–	10,034	–	–	10,034	–
Roger Mather	–	4,014	–	–	4,014	–

The matching shares will vest between 15 August 2010 and 15 August 2018. The market price of the shares at the date of the award was 147p.

The market price of the ordinary shares at 31 March 2009 was 64.25p (2008: 133p) and the range during the year was 64p to 185.5p (2008: 282p to 111p).

## DIRECTORS' REPORT

The Directors present their report on the affairs of the Group, together with the financial statements and independent auditors' report, for the year ended 31 March 2009.

### BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The Group's principal activities are the design and manufacture or sourcing of fashion accessories and clothing and their subsequent sale through wholesale channels or the Group's own shops in home and export markets. There have not been any significant changes in these activities during the year under review. The Directors are not aware, at the date of this report, of any likely major changes in the Group's activities during the next year.

The Company's principal activity is that of a holding company.

The Group continues to invest in design and development in order to develop and market two accessory and clothing collections per year. This results in the continuous introduction of new products and updates to existing products. The Directors regard this investment in design and product development as necessary for continuing success in the medium to long-term future.

The Chairman and Chief Executive's review on page 3 and the Financial review on page 5 provide a review of the business for the year and future developments.

### PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the execution of the Group's growth strategies are subject to a number of risks, which could adversely affect the Group's future development.

Competitive pressure and changes in consumer demand and fashion are continuing risks, which could result in the loss of sales to key competitors. The Group manages this risk by the continuous investment in the design of new products and marketing to stimulate customer interest and by maintaining strong relationships with customers.

The current adverse economic climate has and could continue to affect sales both in the UK and internationally. A significant amount of Mulberry sales are generated in the UK. As a result, a further deterioration in the UK economy that reduced spending by consumers on luxury goods could materially affect our trading results. Success of the Group's strategy to increase penetration of international markets is expected to reduce the impact of this risk. The Group has a policy of insuring its receivables or seeking other security where insurance cover is not available. The impact on current trading is discussed further in the Chairman and Chief Executive's review.

A major terrorist attack, particularly in central London, could seriously affect our operations. The Group has developed a business continuity plan to mitigate the impact on the business, where possible.

The Group continues to engage in a substantial programme of change. The next phase of the implementation of a new Group ERP system, replacing the Group's retail systems was successfully completed in the year. Over the next two years, the implementation will cover the Group's remaining systems including distribution, planning, manufacturing and sourcing. If this project were to be unsuccessful, it could have a significant impact on operations. A comprehensive management process and significant pre-implementation testing are part of an intensive process designed to minimise the risks of the project.

The Group's sales and purchases are made in sterling, euros and US dollars and so it is exposed to the movement in the euro and the US dollar to sterling exchange rates. The Group manages this risk by building a natural hedge of euro and US dollar denominated sales and purchases whereby the in and outflows of euros and dollars are similar and covers the balance through foreign exchange contracts.

In order to ensure that the business remains a going concern, the management of cash is of fundamental importance. The long lead times associated with the procurement of Mulberry products means that inventories have built up significantly over the last year as the economic downturn has impacted sales. This has led to a fall in the level of cash held by the Group. A series of initiatives have already been implemented to rectify this stock imbalance and we anticipate positive cash flows for the year ending 31 March 2010. The Group currently has no debt but none the less has organised overdraft facilities of £4.5 million. The Group's banking facilities were renewed in May 2009 and these will remain in place until 30 June 2010. As such, the Group is on a firm financial footing and confident of its going concern.

## RESULTS AND DIVIDENDS

The results for the year are set out in the Income Statement. The Directors are recommending the payment of a final dividend of 2.0p per ordinary share (2008: 2.0p), to be paid on 21 August 2009 to ordinary shareholders on the register on 24 July 2009.

## POST BALANCE SHEET EVENT

Subsequent to the year end the Group has entered into an agreement to restructure its US operations and take control of the trade and assets of the retail and wholesale business previously undertaken by an associate, Mulberry USA LLC. Further details of this restructuring are given in the Chairman and Chief Executive's review and note 32 to the consolidated financial statements.

## TREASURY AND FOREIGN EXCHANGE

The Group has continued a policy of balancing its currency exchange exposures which arise through normal trading. This is achieved through the natural hedge which exists in which the total inflows and outflows generated from normal trading, principally in the euro and US dollar, are balanced to similar levels. This minimises the potential impact on the Group of movements in exchange rates.

Where necessary the Group enters into forward foreign exchange contracts to manage the currency risks arising from the Group's operations and its sources of finance not covered by the natural hedge. There were no open forward foreign exchange contracts at the year end. The Group's policy is and has been throughout the year that no trading in financial instruments shall be undertaken.

The Group's financial instruments, other than derivatives comprise cash and liquid resources and various items such as trade debtors and trade creditors that arise directly from its operations.

## DIRECTORS AND THEIR INTERESTS

The Directors who served during the year and subsequently are shown below.

### Executive Directors

**Godfrey Davis FCA, 60**, is Chairman and Chief Executive. He is a fellow of the Institute of Chartered Accountants in England and Wales and joined Mulberry as Group Finance Director in 1987 after 15 years at Arthur Andersen, where he was an international partner. He became Chairman and Chief Executive in November 2002.

**Roger Mather FCA, 44**, is the Group Finance Director. He is a fellow of the Institute of Chartered Accountants in England and Wales having trained professionally with Price Waterhouse. He joined Mulberry during November 2007 after spending the previous 10 years in senior finance and commercial roles within the multi-national Otto Group based both in Hong Kong and the UK. He was appointed as Company Secretary on 20 December 2007 and was appointed as a Director on 7 May 2008.

# DIRECTORS' REPORT

(continued)

## Non-Executive Directors

Robin Gibson, 67, is Chairman of the Nomination and Remuneration Committee. He was appointed on 1 May 1996.

Andrew Christopher Roberts FCCA, 45, is Chairman of the Audit Committee. He was appointed on 6 June 2002. Chris was Finance Director of Astaire Group plc, an AIM quoted financial services group until December 2008. He is a fellow of the Chartered Association of Certified Accountants.

Steven Grapstein, 51, was appointed on 17 November 2003. He is presently the Chief Executive Officer of Kuo Investment Company (USA), an international investment group with extensive interests in the retail and hotel industries; Chairman of Presidio International dba A/X Armani Exchange, a fashion retail company, and serves as the Lead Director on the Board of Directors of Tesoro Petroleum Corporation, a US publicly held Fortune 500 company engaged in the oil and gas industry. He is a certified public accountant.

Bernard Lam Kong Heng, 63, was appointed on 17 November 2003. He is presently the Chief Executive of Como Holdings (UK) Ltd. a Singapore based company which has extensive retail, hotel and real estate operations in the UK and internationally.

Edward Vandyk, 61, was appointed on 6 June 2002. He is Chief Executive of Astaire Group plc, an AIM quoted financial services group.

Directors' beneficial interests in the shares of the Company are as follows:

	<i>5p Ordinary Shares 2009</i>	<i>5p Ordinary Shares 2008</i>
Godfrey Davis	1,679,592	1,669,558
Roger Mather	4,014	–
Robin Gibson	10,029	10,029

The other Directors had no interests in the shares of the Company. Details of Directors' share options are disclosed in the Directors' remuneration report.

## SUBSTANTIAL SHAREHOLDINGS

At 16 June 2009 the Company had been notified of the following interests of 3% or more of the share capital of the Company, other than those of the Directors above:

- Challice Limited 59.6%
- Kaupthing Bank Luxembourg SA 25.4%

## SUPPLIER PAYMENT POLICY

The Company's current policy concerning the payment of its suppliers is:

- settle the terms of payment with those suppliers when agreeing the terms of each transaction;
- ensure that those suppliers are made aware of the terms of payment; and
- abide by the terms of payment, subject to the terms and conditions being met by the supplier.

At the year end, trade creditors expressed as a number of days purchases outstanding was nil for the Company (2008: nil). For Mulberry Company (Design) Limited, the main trading subsidiary, it was 32 days (2008: 32 days).



## **EQUAL OPPORTUNITIES**

The Group is committed to an active equal opportunities policy. It is our policy to promote an environment free from discrimination, harassment and victimisation, where everyone will receive equal treatment regardless of gender, colour, ethnic or national origin, disability, age, marital status, sexual orientation or religion. We apply employment practices which are fair, equitable and consistent with the skills and abilities of our employees and the needs of the business.

## **DISABLED EMPLOYEES**

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

## **EMPLOYEE CONSULTATION**

The Group places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the Group, which is achieved through formal and informal meetings. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

## **CHARITABLE AND POLITICAL DONATIONS**

The Group made charitable donations of £22,000 (2008: £67,000) during the year. The Group made no political donations.

## **AUDITORS**

In the case of each of the persons who are Directors of the Company at the date when this report was approved:

- so far as each of the Directors is aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the Company's auditors are unaware; and
- each of the Directors has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information (as defined) and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

A resolution to reappoint Deloitte LLP as the Company's auditors will be proposed at the forthcoming Annual General Meeting.

By order of the Board

Roger Mather  
Secretary

17 June 2009

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. The Directors are required to prepare the Group financial statements under International Financial Reporting Standards (IFRSs) as adopted by the European Union. The Group financial statements are also required by law to be properly prepared in accordance with the Companies Act 1985.

International Accounting Standard 1 requires that IFRS financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, Directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The Directors have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The parent company financial statements are required by law to give a true and fair view of the state of affairs of the Company. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the parent company financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

# INDEPENDENT AUDITORS' REPORT

## TO THE MEMBERS OF MULBERRY GROUP PLC

We have audited the Group financial statements of Mulberry Group plc for the year ended 31 March 2009 which comprise the consolidated income statement, the consolidated statement of recognised income and expense, the consolidated balance sheet, the consolidated cash flow statement, and the related notes 1 to 33. These Group 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.

We have reported separately on the parent company financial statements of Mulberry Group plc for the year ended 31 March 2009.

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 auditors' 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, the Directors' remuneration report and the Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' responsibilities. Our responsibility is to audit the Group financial statements 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 Group financial statements give a true and fair view, and whether the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and whether the part of the Directors' remuneration report described as having been audited has been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' report is consistent with the Group financial statements. The information given in the Directors' report includes that specific information presented in the Chairman and Chief Executive's review and Financial review that is cross referred from the Business review section of the Directors' report. In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit.

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited Group financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

## 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 Group financial statements and the part of the Directors' remuneration report to be audited. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the Group financial statements, and of whether the accounting policies are appropriate to the Group'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 Group 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 Group 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 European Union, of the state of the Group's affairs as at 31 March 2009 and of its profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985;
- the information given in the Directors' report is consistent with the Group financial statements; and
- the part of the Directors' remuneration report described as having been audited has been properly prepared in accordance with the Companies Act 1985.

Deloitte LLP  
Chartered Accountants and Registered Auditors  
Bristol, United Kingdom

17 June 2009

## CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2009

	Note	2009 £'000	2008 £'000
Revenue	5	58,585	51,174
Cost of sales		(23,449)	(20,622)
<b>Gross profit</b>		<b>35,136</b>	<b>30,552</b>
Administrative expenses		(31,627)	(25,979)
Other operating income		421	201
<b>Operating profit</b>		<b>3,930</b>	<b>4,774</b>
Share of results of associates	18	34	63
Finance income	10	229	473
Finance expense	11	(16)	(124)
<b>Profit before tax</b>		<b>4,177</b>	<b>5,186</b>
Tax	12	(1,596)	(1,750)
<b>Profit for the year</b>	26	<b>2,581</b>	<b>3,436</b>
<b>Attributable to:</b>			
Equity holders of the parent		2,581	3,436
		<i>pence</i>	<i>pence</i>
Basic earnings per share	14	4.5	6.0
Diluted earnings per share	14	4.5	6.0

All activities arise from continuing operations.

## CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

Year ended 31 March 2009

	2009 £'000	2008 £'000
Profit for the year	2,581	3,436
Exchange differences on translation of foreign operations	278	309
<b>Total recognised income and expense for the year</b>	<b>2,859</b>	<b>3,745</b>
<b>Attributable to:</b>		
Equity holders of the parent	2,859	3,745

# CONSOLIDATED BALANCE SHEET

At 31 March 2009

	Note	2009 £'000	2008 £'000
<b>Non-current assets</b>			
Intangible assets	15	2,527	2,095
Property, plant and equipment	16	8,872	8,454
Interests in associates	18	295	242
		<hr/>	<hr/>
		11,694	10,791
		<hr/>	<hr/>
<b>Current assets</b>			
Inventories	19	14,830	7,785
Trade and other receivables	20	6,032	5,548
Cash and cash equivalents	20	3,710	10,237
		<hr/>	<hr/>
		24,572	23,570
		<hr/>	<hr/>
<b>Total assets</b>		<b>36,266</b>	<b>34,361</b>
		<hr/>	<hr/>
<b>Current liabilities</b>			
Trade and other payables	24	(10,726)	(10,894)
Current tax liabilities		(1,024)	(917)
Obligations under finance leases	23	–	(10)
		<hr/>	<hr/>
		(11,750)	(11,821)
		<hr/>	<hr/>
<b>Non-current liabilities</b>			
Deferred tax liabilities	22	(132)	(17)
Obligations under finance leases	23	–	(4)
		<hr/>	<hr/>
		(132)	(21)
		<hr/>	<hr/>
<b>Total liabilities</b>		<b>(11,882)</b>	<b>(11,842)</b>
		<hr/>	<hr/>
<b>Net assets</b>		<b>24,384</b>	<b>22,519</b>
		<hr/>	<hr/>
<b>Equity</b>			
Share capital	25, 26	2,871	2,871
Share premium account	26	7,007	7,007
Own share reserve	26	(49)	–
Revaluation reserve	26	–	18
Capital redemption reserve	26	154	154
Special reserve	26	1,467	1,467
Foreign exchange reserve	26	493	215
Retained earnings	26	12,441	10,787
		<hr/>	<hr/>
<b>Total equity</b>		<b>24,384</b>	<b>22,519</b>
		<hr/>	<hr/>

The financial statements were approved by the Board of Directors and authorised for issue on 17 June 2009. They were signed on its behalf by:

Godfrey Davis  
Director

Roger Mather  
Director

# CONSOLIDATED CASH FLOW STATEMENT

At 31 March 2009

	2009 £'000	2008 £'000
Operating profit for the year	3,930	4,774
Adjustments for:		
Depreciation of property, plant and equipment	1,723	1,231
Amortisation of intangible assets	217	137
Loss on sale of property, plant and equipment	287	12
Effects of foreign exchange	(117)	(61)
Share based payments charge/(credit)	203	(5)
	<hr/>	<hr/>
Operating cash flows before movements in working capital	6,243	6,088
Increase in stocks	(7,045)	(1,097)
Increase in debtors	(484)	(1,679)
(Decrease)/increase in creditors	(205)	2,772
	<hr/>	<hr/>
Cash (used in)/generated by operations	(1,491)	6,084
Corporation taxes paid	(1,374)	(1,685)
Interest paid	(16)	(121)
Preference dividends paid	–	(56)
	<hr/>	<hr/>
Net cash (outflow)/inflow from operating activities	(2,881)	4,222
	<hr/>	<hr/>
Investing activities:		
Interest received	229	473
Purchases of property, plant and equipment	(2,313)	(2,418)
Proceeds from sale of property, plant and equipment	11	32
Acquisition of intangible fixed assets	(362)	(389)
	<hr/>	<hr/>
Net cash used in investing activities	(2,435)	(2,302)
	<hr/>	<hr/>
Financing activities:		
Dividends paid	(1,148)	(861)
Repayments of borrowings	–	(1,250)
Repayments of obligations under finance leases	(14)	(50)
Proceeds on issue of shares	–	207
Investment in own shares	(49)	–
	<hr/>	<hr/>
Net cash used in financing activities	(1,211)	(1,954)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(6,527)	(34)
Cash and cash equivalents at beginning of year	10,237	10,271
	<hr/>	<hr/>
Cash and cash equivalents at end of year	3,710	10,237
	<hr/> <hr/>	<hr/> <hr/>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2009

## 1 General information

Mulberry Group plc is a company incorporated in the United Kingdom under the Companies Act 1985. The address of the registered office is given on page 58. The nature of the Group's operations and its principal activities are set out in note 6 and in the Directors' report.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the policies set out in note 3.

## 2 Adoption of new and revised Standards

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

IFRS 2 (amended)	<i>Share-based Payment – Vesting Conditions and Cancellations</i>
IFRS 3 (revised 2008)	<i>Business Combinations</i>
IFRS 8	<i>Operating Segments</i>
IAS 1 (revised 2007)	<i>Presentation of Financial Statements</i>
IAS 23 (revised 2007)	<i>Borrowing Costs</i>
IAS 27 (revised 2008)	<i>Consolidated and Separate Financial Statements</i>
IFRIC 13	<i>Customer Loyalty Programmes</i>
Improvements to IFRSs (May 2008)	

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group except for additional disclosures when IFRS 8 and IAS 1 (revised) come into effect for the financial year commencing 1 April 2009.

## 3 Significant accounting policies

### *Basis of accounting*

The financial statements have been prepared in accordance with IFRSs adopted by the European Union.

The financial statements are prepared under the historical cost convention and under the going concern assumption. Further details of the Directors' considerations in relation to going concern are included in the Directors' report.

### *Basis of consolidation*

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 March each year. Control is achieved where the Company has the power to govern the financial and operating policies of each investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of in any year are included in the Consolidated income statement from the date of acquisition or up to the date of disposal.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

### *Goodwill*

Goodwill written off to reserves under UK GAAP prior to 1998 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

### *Intangible assets*

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation. Amortisation is charged to the income statement on a straight-line basis over the estimated useful life of the asset.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

## 3 Significant accounting policies (continued)

Computer software that is integral to a related item of hardware is included as property, plant and equipment. All other computer software is recorded as an intangible asset and is amortised over the estimated useful life of the asset.

### *Research and development*

Expenditure on research is written off against profits as incurred. An internally generated intangible asset arising from the Group's product development is recognised only if the following conditions are met:

- An asset is created that can be identified;
- It is probable that the asset created will generate future economic benefits; and
- The development cost of the asset can be measured reliably.

Internally generated intangible assets are amortised on a straight-line basis over the useful lives. Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

### *Property, plant and equipment*

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful lives, using the straight-line method, on the following bases:

Freehold buildings	5%
Short leasehold land and buildings	over the term of the lease
Fixtures, fittings and equipment	10% to 33%
Plant and equipment	20%
Motor vehicles	25%

Freehold land is not depreciated.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Assets in the course of construction are not depreciated. Depreciation on these assets commences when the assets are ready for intended use.

### *Impairment of tangible and intangible assets*

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.



### 3 Significant accounting policies (continued)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### *Investments in associates*

An associate is an entity over which the Group is in a position to exercise significant influence, but not control or joint control, through the participation in the financial and operating policy decisions of the investee. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over these policies. The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Investments in associates are carried in the balance sheet at cost as adjusted by post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of the associates in excess of the Group's interest in those associates are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the fair values of the identifiable net assets of the associate at the date of acquisition is recognised as goodwill. Any deficiency of the cost of acquisition below the Group's share of the fair values of the identifiable net assets of the associate at the date of acquisition (i.e. discount on acquisition) is credited in profit or loss in the period of acquisition.

#### *Inventories*

Inventories are stated at the lower of cost and net realisable value. Cost comprises materials, direct labour costs and those overheads incurred in bringing the inventories to their current location and condition. Cost is calculated using the standard cost method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

#### *Revenue recognition*

Revenue represents amounts receivable for goods provided in the normal course of business, net of discounts, VAT and other sales-related taxes and intra-group transactions. Sales of goods are recognised at the point of sale, or for the wholesale business, when goods are delivered and title has passed. Sales of gift vouchers are recognised on presentation of the voucher for payment of goods.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Royalty income is accrued on a time basis as the income is earned and is recognised as other operating income.

#### *Operating profit*

Operating profit is stated after charging restructuring costs but before the share of results of associates, finance income and finance expense.

#### *Taxation*

The tax expense represents the sum of the tax currently payable and deferred tax.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

## 3 Significant accounting policies (continued)

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

### *Leases*

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

### *Retirement benefit costs*

Payments to employees' personal pension plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

### 3 Significant accounting policies (continued)

#### *Provisions*

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event, and where it is probable that an outflow will be required to settle the obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material.

#### *Share-based payments*

The Group has applied the requirements of 'IFRS 2 Share-based payments' to all grants of equity instruments after November 2002 that were unvested at 1 April 2006.

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Fair value is measured by use of the Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

#### *Foreign currencies*

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group company are expressed in pounds sterling, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's foreign exchange reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

#### *Financial instruments*

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

## 3 Significant accounting policies (continued)

### *Trade receivables*

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

### *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

### *Financial liabilities and equity*

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

### *Bank borrowings*

Interest-bearing bank loans and overdrafts are recorded at the fair value of the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis against profit or loss using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

### *Convertible shares*

Convertible shares are regarded as compound instruments, consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible shares and the fair value assigned to the liability component, representing the embedded option to convert the liability into equity of the Group, is included in equity.

Issue costs are apportioned between the liability and equity components of the convertible shares based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly against equity.

### *Trade payables*

Trade payables are not interest-bearing and are stated at their nominal value.

### *Equity instruments*

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

#### 4 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The critical judgements undertaken by the Directors relate to the key sources of estimation uncertainty. The following estimates that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

##### *Impairment of property, plant and equipment*

Property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount is determined based on value in use calculations prepared on the basis of management's assumptions and estimates.

##### *Depreciation of property, plant and equipment*

Depreciation is charged so as to write off the cost of assets over their estimated useful lives. The selection of the estimated lives requires the exercise of management judgement.

##### *Recoverability of intangible asset*

The carrying value of the lease premium and related costs for the shop in Rue St Honoré, Paris, is reassessed each year based on the ongoing performance of the store and the realisable value of the lease.

##### *Stock provisions*

The Group designs, produces and sells luxury goods and as such is at risk that the net realisable value of stock will be less than the carrying value. Stock provisions for raw materials are calculated based on the expected future usage and for finished goods on the saleability of finished goods and age and condition of the items.

#### 5 Revenue

	2009	2008
	£'000	£'000
Sale of goods	58,585	51,174
Royalty income	353	201
Finance income	229	473
Other income	68	–
	<hr/>	<hr/>
Total revenue	59,235	51,848
	<hr/> <hr/>	<hr/> <hr/>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

## 6 Business and geographical segments

### a) Business segments

For management purposes, the Group is currently organised into two operating divisions – the Retail and Design businesses. These divisions are the basis upon which the Group reports its primary segment information. The principal activities are as follows:

Retail – sale of Mulberry branded fashion accessories and clothing through a number of shops and department store concessions.

Design – brand management, marketing, product design, manufacture, sourcing and wholesale distribution for the Mulberry brand.

Inter-segment sales for both years are charged at market prices in line with our third party wholesale customers.

Segment information about these businesses is presented below.

2009	Retail 2009 £'000	Design 2009 £'000	Eliminations 2009 £'000	Total 2009 £'000
<b>Income statement</b>				
External sales	36,643	21,942	–	58,585
Inter-segment sales	–	15,212	(15,212)	–
<b>Total revenue</b>	<u>36,643</u>	<u>37,154</u>	<u>(15,212)</u>	<u>58,585</u>
Segment operating profit	<u>2,787</u>	<u>1,634</u>	<u>548</u>	4,969
Unallocated corporate expenses				(1,039)
Operating profit				3,930
Share of results of associates				34
Finance income				229
Finance expense				(16)
<b>Profit before tax</b>				<u>4,177</u>
Tax				(1,596)
<b>Profit for the year</b>				<u>2,581</u>
<b>Other information</b>				
Capital additions	1,731	936	–	2,667
Depreciation and amortisation	1,177	543	–	1,720

6 Business and geographical segments (continued)

	<i>Retail</i> 2009 £'000	<i>Design</i> 2009 £'000	<i>Eliminations</i> 2009 £'000	<i>Total</i> 2009 £'000
<b>Balance sheet</b>				
<b>Assets</b>				
Segment assets	17,766	18,674	(3,153)	33,287
Interests in associates				295
Unallocated corporate assets				2,684
<b>Consolidated total assets</b>				<b>36,266</b>
<b>Liabilities</b>				
Segment liabilities	10,692	15,210	(15,230)	10,672
Unallocated corporate liabilities				1,210
<b>Consolidated total liabilities</b>				<b>11,882</b>
2008	<i>Retail</i> 2008 £'000	<i>Design</i> 2008 £'000	<i>Eliminations</i> 2008 £'000	<i>Total</i> 2008 £'000
<b>Income statement</b>				
External sales	31,722	19,452	–	51,174
Inter-segment sales	–	12,860	(12,860)	–
<b>Total revenue</b>	<b>31,722</b>	<b>32,312</b>	<b>(12,860)</b>	<b>51,174</b>
Segment operating profit	3,595	1,312	759	5,666
Unallocated corporate expenses				(892)
Operating profit				4,774
Share of results of associates				63
Finance income				473
Finance expense				(124)
<b>Profit before tax</b>				<b>5,186</b>
Tax				(1,750)
<b>Profit for the year</b>				<b>3,436</b>
<b>Other information</b>				
Capital additions	1,743	1,144	–	2,887
Depreciation and amortisation	850	383	–	1,233

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

## 6 Business and geographical segments (continued)

	<i>Retail</i> 2008 £'000	<i>Design</i> 2008 £'000	<i>Eliminations</i> 2008 £'000	<i>Total</i> 2008 £'000
<b>Balance sheet</b>				
<b>Assets</b>				
Segment assets	14,695	19,470	(3,002)	31,163
Interests in associates				242
Unallocated corporate assets				2,956
<b>Consolidated total assets</b>				<u>34,361</u>
<b>Liabilities</b>				
Segment liabilities	9,349	16,527	(15,171)	10,705
Unallocated corporate liabilities				1,137
<b>Consolidated total liabilities</b>				<u>11,842</u>

### *b) Geographical segments*

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods:

	<i>Sales revenue by geographical market</i>	
	<i>2009</i> £'000	<i>2008</i> £'000
Europe	51,306	45,998
North America	1,145	1,319
Asia	4,604	3,044
Rest of the World	1,530	813
	<u>58,585</u>	<u>51,174</u>

The Group's operations are mainly located in Europe and as such no additional geographical analysis has been provided.



## 7 Profit for the year

Profit for the year has been arrived at after charging/(crediting):

	2009 £'000	2008 £'000
Net foreign exchange gains	(411)	(390)
Depreciation of property, plant and equipment:		
Owned	1,718	1,219
Held under finance leases and hire purchase contracts	5	12
Amortisation of intangible assets	217	137
Operating lease rentals	3,197	2,931
Write downs of inventories recognised as an expense	1,250	162
Staff costs (see note 9)	15,278	11,925
Impairment of trade receivables	83	135
Loss on disposal of property, plant and equipment	287	12
	<u>          </u>	<u>          </u>

## 8 Auditors' remuneration

The analysis of auditors' remuneration is as follows:

	2009 £'000	2008 £'000
Fees payable to the Company's auditors for the audit of the Company's annual accounts	10	10
Fees payable to the Company's auditors and their associates for other services to the Group:		
The audit of the Company's subsidiaries pursuant to legislation	36	40
Total audit fees	<u>46</u>	<u>50</u>
Tax services	30	3
Other services	5	33
Total non-audit fees	<u>35</u>	<u>36</u>

In 2009, tax services include advice in relation to the US restructuring. Other services in 2008 include assistance with the conversion to IFRS and the interim review.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

## 9 Staff costs

The average monthly number of employees (including Executive Directors and those on a part time basis) was:

	2009 Number	2008 Number
Production	275	250
Sales and distribution	377	353
Administration	44	42
	<u>696</u>	<u>645</u>
	<u>£'000</u>	<u>£'000</u>
Their aggregate remuneration comprised:		
Wages and salaries	13,407	10,629
Social security costs	1,314	994
Other pension costs (see note 29)	354	307
Share-based payments (see note 28)	203	(5)
	<u>15,278</u>	<u>11,925</u>

Details of Directors' remuneration and interests are provided in the audited section of the Directors' remuneration report and should be regarded as integral to this note.

## 10 Finance income

	2009 £'000	2008 £'000
Interest income on cash balances	229	473
	<u>229</u>	<u>473</u>

## 11 Finance expense

	2009 £'000	2008 £'000
Interest on bank overdraft and loans	15	114
Dividends on redeemable cumulative B preference shares classified as financial liabilities	–	7
Interest on obligations under finance leases	1	3
	<u>16</u>	<u>124</u>

## 12 Tax

	2009 £'000	2008 £'000
Current tax	1,467	1,700
Adjustment to prior year corporation tax	14	8
Deferred tax (note 22)	115	42
	<u>1,596</u>	<u>1,750</u>

The charge for the year can be reconciled to the profit per the income statement as follows:

	2009 £'000	2008 £'000
Profit before tax	<u>4,177</u>	<u>5,186</u>
	£'000	£'000
Tax at the UK corporation tax rate of 28% (2008: 30%)	1,170	1,556
Preference dividends payable	–	2
Tax effect of expenses that are not deductible in determining taxable profit	272	239
Capital allowances in excess of depreciation	26	(146)
Short-term timing differences	1	63
Permanent differences	(12)	–
Profit/(losses) carried forward to offset against future profits	10	(14)
Current tax expense for the year	<u>1,467</u>	<u>1,700</u>

The impact of the phasing out of the Industrial Building Allowances ('IBAs') from April 2008 until April 2011 has now been fully reflected in the deferred tax provision, resulting in a one-off deferred tax expense of approximately £131,000.

## 13 Dividends

The dividends approved and paid during the year are as follows:

	2009 £'000	2008 £'000
2.0p (2008: 1.5p) per share on 5p ordinary shares	<u>1,148</u>	<u>861</u>

The Directors are recommending the payment of a final dividend of 2.0p per ordinary share to be paid on 21 August 2009 to ordinary shareholders on the register as at 24 July 2009. This proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

## 14 Earnings per share

Basic earnings per ordinary share has been calculated by dividing the profit for the year by 57,419,505 (2008: 56,968,275) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

Diluted earnings per share has been calculated by dividing the profit for the year excluding the interest and finance costs relating to the preference shares by 57,438,950 (2008: 57,832,347) potential ordinary shares. These shares take into account the exercise of unexercised dilutive options and the diluting effect of the preference shares prior to their conversion during April 2007.

The weighted average number of ordinary shares in issue during the year includes those held by the Mulberry Group Plc Employee Share Trust.

## 15 Intangible assets

	<i>Software</i> £'000	<i>Lease</i> <i>costs</i> £'000	<i>Total</i> £'000
<b>Cost</b>			
At 1 April 2007	101	1,517	1,618
Additions	389	–	389
Exchange differences	–	258	258
	<hr/>	<hr/>	<hr/>
At 1 April 2008	490	1,775	2,265
Additions	362	–	362
Exchange differences	–	301	301
	<hr/>	<hr/>	<hr/>
At 31 March 2009	852	2,076	2,928
	<hr/>	<hr/>	<hr/>
<b>Amortisation</b>			
At 1 April 2007	13	18	31
Charge for the year	71	66	137
Exchange differences	–	2	2
	<hr/>	<hr/>	<hr/>
At 1 April 2008	84	86	170
Charge for the year	140	77	217
Exchange differences	–	14	14
	<hr/>	<hr/>	<hr/>
At 31 March 2009	224	177	401
	<hr/>	<hr/>	<hr/>
<b>Carrying amount</b>			
At 31 March 2009	628	1,899	2,527
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 March 2008	406	1,689	2,095
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Lease costs comprise the lease premium and related costs associated with the Group's shop on Rue St Honoré in Paris which are being amortised over the effective lease term of twenty seven years.

Included within software is £4,000 (2008: £49,000) of assets in the course of construction in respect of the new ERP system which have not been put into operation at the balance sheet date and so have not been amortised.

## 16 Property, plant and equipment

	<i>Freehold land and buildings £'000</i>	<i>Short leasehold land and buildings £'000</i>	<i>Plant and equipment £'000</i>	<i>Fixtures, fittings and equipment £'000</i>	<i>Motor vehicles £'000</i>	<i>Total £'000</i>
<b>Cost</b>						
At 1 April 2007	3,596	3,114	3,107	5,192	110	15,119
Additions	133	40	554	1,886	34	2,647
Disposals	–	(15)	(69)	(187)	(45)	(316)
Exchange differences	–	18	–	72	–	90
At 1 April 2008	3,729	3,157	3,592	6,963	99	17,540
Additions	34	19	471	1,781	45	2,350
Disposals	–	–	–	(458)	(39)	(497)
Exchange differences	–	19	–	91	–	110
At 31 March 2009	3,763	3,195	4,063	8,377	105	19,503
<b>Accumulated depreciation</b>						
At 1 April 2007	988	1,359	2,426	3,284	65	8,122
Charge for the year	96	215	232	668	20	1,231
Disposals	–	(5)	(60)	(176)	(31)	(272)
Exchange differences	–	4	–	1	–	5
At 1 April 2008	1,084	1,573	2,598	3,777	54	9,086
Charge for the year	104	300	295	1,004	20	1,723
Disposals	–	–	–	(168)	(31)	(199)
Exchange differences	–	7	–	14	–	21
At 31 March 2009	1,188	1,880	2,893	4,627	43	10,631
<b>Carrying amount</b>						
At 31 March 2009	2,575	1,315	1,170	3,750	62	8,872
At 31 March 2008	2,645	1,584	994	3,186	45	8,454

Freehold land of £997,000 (2008: £997,000) has not been depreciated.

At 31 March 2009 included in short leasehold land and buildings, plant and equipment, motor vehicles and fixtures, fittings and equipment are items acquired under hire purchase contracts and finance lease arrangements with a net book value of £nil (2008: £13,000). The assets under these contracts and arrangements are secured against the assets to which they relate and guarantees provided by the Company. The Group does not hold the title to these assets.

At 31 March 2009, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £nil (2008: £349,000).

## 17 Subsidiaries

A list of the significant investments in subsidiaries and associates, including the name, country of incorporation, proportion of ownership interest is given in note 36 to the Company's separate financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

## 18 Interests in associates

	2009 £'000	2008 £'000
<b>Aggregated amounts relating to associates</b>		
Total assets	4,428	6,020
Total liabilities	(17,072)	(10,348)
Revenues	4,299	3,837
Loss	(5,445)	(3,586)
	<u>          </u>	<u>          </u>
<b>Aggregated amounts recognised relating to associates</b>		
Share of profits recognised for the year	34	63
Share of losses not recognised for the year	(2,757)	(1,850)
Cumulative losses not recognised	(4,615)	(1,858)
	<u>          </u>	<u>          </u>

A list of the significant investments in associates, including the name, country of incorporation, proportion of ownership interest is given in note 36 to the Company's separate financial statements.

## 19 Inventories

	2009 £'000	2008 £'000
Raw materials	1,040	840
Work-in-progress	298	193
Finished goods	13,492	6,752
	<u>          </u>	<u>          </u>
	<u>14,830</u>	<u>7,785</u>

## 20 Other financial assets

	2009 £'000	2008 £'000
<b>Trade and other receivables</b>		
Amount receivable for the sale of goods	3,801	3,674
Allowance for doubtful debts	(177)	(115)
	<u>          </u>	<u>          </u>
	3,624	3,559
Amounts owed by associate undertakings	1,283	504
Other debtors	119	575
Prepayments and accrued income	1,006	910
	<u>          </u>	<u>          </u>
	<u>6,032</u>	<u>5,548</u>

## 20 Other financial assets (continued)

### *Trade receivables*

The average credit period taken on the sale of goods is 55 days (2008: 55 days). No interest is charged on the outstanding receivables.

The Group has provided for the estimated irrecoverable amount from the sale of goods, where there is doubt as to the recoverability of the receivables balance. Before accepting any new customer, the Group, in association with a credit insurance company, assesses the potential customer's credit quality and defines individual credit limits by customer.

The Group's receivables comprise primarily its overseas associates, franchise partners and concessions. Those customers who represented more than 10% of the total balance of trade receivables at the year end were Mulberry USA LLC, Club 21 and House of Fraser (Stores) Limited.

Included in the Group's trade receivables balance are debtors with a carrying amount of £672,000 (2008: £732,000) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group retains retention of title for the goods sold. Balances due from Mulberry USA LLC have been excluded as these balances are expected to be repaid in full as part of the post year end restructuring.

### *Ageing of past due but not impaired receivables*

	<i>2009</i>	<i>2008</i>
	<i>£'000</i>	<i>£'000</i>
0–30 days overdue	672	622
31–60 days overdue	–	110
	<u>672</u>	<u>732</u>

Given the relatively small nature of the provision for receivables no further analysis is provided.

### *Cash and cash equivalents*

	<i>2009</i>	<i>2008</i>
	<i>£'000</i>	<i>£'000</i>
Cash and cash equivalents	3,710	10,237

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates to their fair value.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

## 21 Borrowings

	2009 £'000	2008 £'000
Secured borrowing at amortised cost		
Finance leases	–	14
	<hr/>	<hr/>
	–	14
	<hr/>	<hr/>
<b>Total borrowings</b>		
Amount due for settlement within 12 months	–	10
Amount due for settlement after 12 months	–	4
	<hr/> <hr/>	<hr/> <hr/>

The principal features of the Group's borrowings are as follows:

- Bank overdrafts are repayable on demand. The multicurrency facilities of £3,500,000 (2008: £3,500,000) have been secured by a charge over the Group's assets. The interest rates are determined based on 1% over the bank base rate.
- Redeemable cumulative B preference shares of £2,800,000 were issued on 11 September 2000 at an issue price of 35p per share. The shares carried 7% interest and were converted into ordinary shares on 16 April 2007. See note 25 for further details.

### Undrawn borrowing facilities

At 31 March 2009, the Group had available £3,500,000 (2008: £6,250,000) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met. Subsequent to the year end the multicurrency facilities were increased to £4,500,000.

## 22 Deferred tax

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting periods.

	<i>Accelerated tax depreciation</i> £'000	<i>Short-term timing differences</i> £'000	<i>Total</i> £'000
At 1 April 2007	108	(133)	(25)
Charge/(credit) to income	92	(49)	43
Effect of change in tax rate – income statement	(13)	12	(1)
	<hr/>	<hr/>	<hr/>
At 1 April 2008	187	(170)	17
Charge/(credit) to income	145	(30)	115
	<hr/>	<hr/>	<hr/>
At 31 March 2009	332	(200)	132
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2009 £'000	2008 £'000
Deferred tax assets	332	187
Deferred tax liabilities	(200)	(170)
	<hr/>	<hr/>
	132	17
	<hr/> <hr/>	<hr/> <hr/>



## 23 Obligations under finance leases

	<i>Minimum lease payments</i>		<i>Present value of lease payments</i>	
	<i>2009 £'000</i>	<i>2008 £'000</i>	<i>2009 £'000</i>	<i>2008 £'000</i>
Amounts payable under finance leases:				
Within one year	–	11	–	10
In the second to fifth years	–	4	–	4
	<hr/>	<hr/>	<hr/>	<hr/>
	–	15	–	14
Less: future finance charges	–	(1)	n/a	n/a
	<hr/>	<hr/>	<hr/>	<hr/>
Present value of lease obligations	–	14	–	14
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Less:				
– amount due for settlement within 12 months (shown under current liabilities)			–	(10)
			<hr/>	<hr/>
Amount due for settlement after 12 months			–	4
			<hr/> <hr/>	<hr/> <hr/>

It is the Group's policy to lease certain of its fixtures and equipment under finance leases. The average lease term is usually for four years. For the year ended 31 March 2009, the average effective borrowing rate was 14.9% (2008: 14.9%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

All lease obligations are denominated in sterling. The assets under finance lease arrangements are secured against the assets to which they relate and guarantees provided by the Group.

The fair value of the Group's lease obligations approximates their carrying amount.

## 24 Other financial liabilities

### Trade and other payables

	<i>2009 £'000</i>	<i>2008 £'000</i>
Trade creditors	3,939	5,239
Accruals and deferred income	5,950	5,138
Other creditors	837	517
	<hr/>	<hr/>
	10,726	10,894
	<hr/> <hr/>	<hr/> <hr/>

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 32 days (2008: 32 days). For most suppliers no interest is charged on the trade payables for the first 60 days from the date of the invoice. Thereafter, interest is charged on the outstanding balances at various interest rates. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

The Directors consider that the carrying amount of trade payables approximates to their fair value.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

## 25 Share capital

	2009 £'000	2008 £'000
<b>Authorised</b>		
65,000,000 ordinary shares of 5p each (2008: 65,000,000)	3,250	3,250
	<u>          </u>	<u>          </u>
	£'000	£'000
<b>Issued and fully paid</b>		
57,419,505 ordinary shares of 5p each (2008: 57,419,505)	2,871	2,871
	<u>          </u>	<u>          </u>

The Company has granted 1,276,000 options in respect of 5p ordinary shares during the year (2008: nil).

No ordinary shares were allotted during the year due to the exercise of options (2008: 405,000 5p ordinary shares were allotted with a nominal value of £20,250 and a total consideration £207,474).

The 7% convertible redeemable B preference shares were converted into ordinary shares on 16 April 2007 at the request of the shareholder as the conditions for conversion had been met. The B preference shares were convertible into ordinary shares on the basis of one ordinary share for each one B preference share (equivalent to a conversion price of 35 pence) after the later of the second anniversary of their subscription and the opening of four outlets in the United States and the contracting for a fifth outlet, one of which was to be the flagship store in Manhattan, by Mulberry USA LLC. If Mulberry USA LLC had not opened the required number of outlets in the United States, the B preference shares would not have been converted into ordinary shares and would have been redeemed by the Company at 35 pence each on 11 September 2008 being the eighth anniversary of their subscription.

Until the date of conversion, the B preference shares had a right to receive a fixed cumulative dividend of 7% per annum on their subscription price in priority to all other dividends or distributions made by the Company.

As a result of the conversion of the preference shares on 16 April 2007, the overall authorised share capital of the Company remained the same but the amount of authorised 5p ordinary shares was increased by 8,000,000 to 65,000,000 and the amount of authorised 7% convertible redeemable B preference shares was reduced to nil.

## 26 Reserves

	Share capital £'000	Share premium £'000	Own share reserve £'000	Revaluation reserve £'000	Capital redemption reserve £'000	Special reserve* £'000	Foreign exchange reserve £'000	Profit and loss account £'000	Total £'000
Balance at 1 April 2007	2,474	4,633	–	49	154	1,467	(94)	8,186	16,869
Charge for employee share-based payments	–	–	–	–	–	–	–	(5)	(5)
New shares issued	20	187	–	–	–	–	–	–	207
Conversion of preference shares	377	2,187	–	–	–	–	–	–	2,564
Amortisation of revaluation surplus	–	–	–	(31)	–	–	–	31	–
Currency translation difference	–	–	–	–	–	–	309	–	309
Profit for the year	–	–	–	–	–	–	–	3,436	3,436
Ordinary dividends paid	–	–	–	–	–	–	–	(861)	(861)
Balance at 1 April 2008	2,871	7,007	–	18	154	1,467	215	10,787	22,519
Charge for employee share-based payments	–	–	–	–	–	–	–	203	203
Amortisation of revaluation surplus	–	–	–	(18)	–	–	–	18	–
Own shares	–	–	(49)	–	–	–	–	–	(49)
Currency translation difference	–	–	–	–	–	–	278	–	278
Profit for the year	–	–	–	–	–	–	–	2,581	2,581
Ordinary dividends paid	–	–	–	–	–	–	–	(1,148)	(1,148)
Balance at 31 March 2009	2,871	7,007	(49)	–	154	1,467	493	12,441	24,384

\* created as part of a capital restructuring of the Group in 2004.

The own share reserve represents the cost of £49,000 (2008: £nil) of shares in Mulberry Group plc purchased in the market and held by the Mulberry Group Plc Employee Share Trust to satisfy the deferred shares under the Deferred Share Plan.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

## 27 Operating lease arrangements

	2009 £'000	2008 £'000
Minimum lease payments under operating leases recognised as an expense in the year	3,197	2,931

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	£'000	£'000
Within one year	2,800	2,795
In the second to fifth years inclusive	10,382	9,744
After five years	11,842	12,996
	<u>25,024</u>	<u>25,535</u>

Operating lease payments represent rentals payable by the Group for certain of its retail stores, warehouse and offices. The leases are for a varied length of time with the longest lease running until 2023. Leases are typically subject to rent reviews at specified intervals and some payments are contingent upon levels of revenue above minimum thresholds. The amount paid under this contingent element in the year was £204,000 (2008: £282,000).

## 28 Share-based payments

The Group operated the following schemes during the year.

### The Mulberry Group plc 1996 Company Share Option Scheme

The scheme was open to all employees. The exercise price is equal to the market value of the shares on the date of grant. The vesting period is three years. If the options remain unexercised after a period of ten years from the date of grant, the options expire. Options may be forfeited if the employee leaves the Group. This scheme expired in 2006.

### Mulberry Group plc 2008 Unapproved Share Option Scheme

The scheme was established on 14 April 2008 and is open to all employees of Mulberry Group plc and its subsidiaries. The exercise price is equal to the market value of the shares on the date of grant. The vesting period is three years. If the options remain unexercised after a period of ten years from the date of grant the options expire. Options may be forfeited if the employee leaves the Group.

Details of the share options outstanding for both schemes during the year are as follows:

	2009		2008	
	<i>Number of share options</i>	<i>Weighted average exercise price (in p)</i>	<i>Number of share options</i>	<i>Weighted average exercise price (in p)</i>
Outstanding at beginning of year	225,000	146.0	880,000	100.1
Granted during the year	1,276,000	144.7	–	–
Forfeited during the year	(20,000)	140.2	(250,000)	140.2
Exercised during the year	–	–	(405,000)	51.5
	<u>1,481,000</u>	144.7	<u>225,000</u>	146.0
Outstanding at the end of the year	<u>1,481,000</u>	144.7	<u>225,000</u>	146.0
Exercisable at the end of the year	<u>225,000</u>	146.0	<u>–</u>	–

## 28 Share-based payments (continued)

The weighted average share price at the date of exercise for share options exercised during the period was nil (2008: 263.0p). The options outstanding at 31 March 2009 had a weighted average remaining contractual life of 2.1 years (2008: 0.3 years).

The inputs into the Black–Scholes model are as follows:

	2009	2008
Share price	50.0p - 145.5p	50.0p - 145.5p
Exercise price	50.0p - 145.5p	50.0p - 145.5p
Expected volatility	33.57% - 58.52%	33.57% - 35.15%
Expected life	3.25 years to 5 years	5 years
Risk-free rate	3.94% - 5.05%	4.09% - 5.05%
Expected dividend yields	0% - 1.23%	0% - 0.7%

Expected volatility was based on historical volatility over the expected life of the schemes. The expected life is based upon historical data and has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions, and behavioural considerations.

### Mulberry Group plc 2008 Deferred Bonus Plan

The plan was established on 8 August 2008 and is open to all employees of Mulberry Group plc and its subsidiaries. The share-based payments charge relates to the cost of matching shares awarded to employees participating in this plan. The vesting period is two years. If the matching shares remain unexercised after a period of ten years from the date of grant the award expires. The matching shares may be forfeited if the employee leaves the Group.

Details of the share options outstanding during the year are as follows:

	<i>Number of matching shares</i>
Outstanding at beginning of year	–
Granted during the year	31,129
	<hr/>
Outstanding at the end of the year	31,129
	<hr/> <hr/>
Exercisable at the end of the year	–
	<hr/> <hr/>

The options outstanding at 31 March 2009 had a weighted average remaining contractual life of 1.4 years and have an exercise price of nil.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

## 28 Share-based payments (continued)

The inputs into the Black–Scholes model are as follows:

	2009
Share price	147p
Exercise price	–
Expected volatility	43.93%
Expected life	2 years 3 months
Risk-free rate	4.52%
Expected dividend yields	1.23%

Expected volatility was based on historical volatility over the expected life of the scheme. The expected life is based upon historical data and has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The Group recognised the following expense/(income) related to share-based payments:

	2009	2008
	£'000	£'000
Mulberry Group plc 1996 Share Option Scheme	(2)	(5)
Mulberry Group plc 2008 Unapproved Share Option Scheme	193	–
Mulberry Group plc 2008 Deferred Bonus Plan	12	–
	<u>203</u>	<u>(5)</u>

## 29 Retirement benefit schemes

The Group contributes to personal pension plans for all qualifying employees. The total cost charged to income of £354,000 (2008: £307,000) represents contributions payable to these schemes by the Group at rates specified in the rules of the plans. As at 31 March 2009, there were no contributions due in respect of the current reporting period which had not been paid over to the schemes (2008: nil).

### 30 Financial instruments

#### *Capital risk management*

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 25 and 26.

#### *Externally imposed capital requirement*

The Group is not subject to externally imposed capital requirements.

#### *Significant accounting policies*

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3 to the financial statements.

#### *Categories of financial instruments*

	<i>Carrying values</i>	
	<i>2009</i>	<i>2008</i>
	<i>£'000</i>	<i>£'000</i>
<b>Financial assets</b>		
Loans and receivables (including cash and cash equivalents)	7,334	13,796
<b>Financial liabilities</b>		
Amortised cost	10,726	10,910

#### *Financial risk management objectives*

The Group's Finance Director is responsible to the Board for the Group's financial risk management. This includes analysing the Group's exposure by degree and magnitude of risks. These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

The Group seeks to minimise the effects of these risks where possible. It does this by maintaining bank accounts in all of the major currencies in which it trades and it operates its own internal hedging by offsetting currency receipts on sales against purchases in related currencies. Where there is significant risk remaining, and the Group deems it necessary, it uses derivative financial instruments to hedge these risk exposures. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

#### *Market risk*

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group reviews the need to enter into financial instruments on a regular basis but has not entered into any during the current or previous periods. As the Group has no debt, it is not significantly exposed to interest rate risk on its financial liabilities and continues to seek to maximise the returns from its bank deposits.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

## 30 Financial instruments (continued)

### Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	<i>Liabilities</i>		<i>Assets</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Euro	773	1,163	1,489	1,795
US dollar	952	193	1,554	1,429

### Foreign currency sensitivity analysis

The Group is mainly exposed to the US dollar and euro currencies.

The following table details the Group's sensitivity to a 10% increase and decrease in sterling against the relevant foreign currencies. 10% is the sensitivity rate which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit and other equity where sterling strengthens 10% against the relevant currency. For a 10% weakening of sterling against the relevant currency, there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative or positive.

	<i>Euro currency impact</i>		<i>US dollar currency impact</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Profit or loss	(65)	(12)	(55)	(63)

### Interest rate risk management and sensitivity analysis

The Group's exposure to interest rate risk on borrowings is limited as there is no outstanding debt within the Group. The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

The Group's sensitivity to changes in interest rates has been illustrated based on a 1% increase or decrease in interest rates. For floating rate deposits and liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 1% increase or decrease has been applied to represent management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1% higher and all other variables were held constant, the Group's profit for the year ended 31 March 2009 would have increased by £41,000 (2008: increase by £66,000). This is mainly attributable to the Group's exposure to interest rates on its cash deposits.

The Group's sensitivity to interest rates has decreased during the current period mainly due to the net decrease in the funds on which interest is received and the reduction in bank base rates.



### 30 Financial instruments (continued)

#### **Credit risk management**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient credit insurance, as a means of mitigating the risk of financial loss from defaults.

Trade receivables consist of a large number of customers. Credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit insurance cover is purchased.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics, other than as disclosed in note 20. The Group defines counterparties as having similar characteristics if they are connected entities.

#### **Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 21 is a description of additional undrawn facilities that the Group has at its disposal to reduce further liquidity risk.

#### **Liquidity and interest risk tables**

The Group's financial assets all contractually mature within the next year. Trade receivables do not accrue interest. The weighted average interest rate on cash and cash equivalents was 4.4% (2008: 5.6%).

The following tables detail the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

2009	Weighted average interest rate	Less than 1	1 to 2	2 to 3	3 to 4	4 to 5	Total £'000
		year £'000	years £'000	years £'000	years £'000	years £'000	
Trade and other payables	–	10,726	–	–	–	–	10,726
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
2008	Weighted average interest rate	Less than 1	1 to 2	2 to 3	3 to 4	4 to 5	Total £'000
		year £'000	years £'000	years £'000	years £'000	years £'000	
Trade and other payables	–	10,894	–	–	–	–	10,894
Leases	14.9%	11	4	–	–	–	15
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
		10,905	4	–	–	–	10,909
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

#### **Fair value of financial instruments**

The carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate to their fair values.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(continued)

## 31 Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its associates are disclosed below and in note 32.

### Trading transactions

During the year, Group companies entered into the following transactions with related parties who are not members of the Group:

	Sale of goods		Amounts owed by related parties	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Mulberry Oslo AS	638	498	102	97
Mulberry USA LLC	900	1,319	826	313
Club 21 Retail (Hong Kong) Limited*	1,288	971	77	141
Club 21 Pte Limited*	649	629	11	260
Club 21 (Thailand) Co Limited*	339	239	38	49
Club 21 Pte Limited Taiwan Branch*	135	158	16	43
Club 21 Distribution (S) Pte Limited*	45	–	–	–
Club Twenty-One Retail (M) Sdn Bhd*	89	–	20	–

\*These are related parties of the Group as they are all associated companies of Challice Limited, the majority shareholder of the Group.

All sales of goods have been made on an arm's length basis. The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

### Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 'Related Party Disclosures'. Further information about the remuneration of individual Directors is provided within the audited part of the Directors' remuneration report.

	2009 £'000	2008 £'000
Short-term employee benefits	578	445
Post-employment benefits	70	64
Share-based payments	81	(1)
	<u>729</u>	<u>508</u>

### **32 Post balance sheet event**

On 14 May 2009 Mulberry Group plc reached an agreement with its US partner, Mulberry USA LLC to terminate the existing joint venture arrangements allowing Mulberry to take full control of the trade and assets of the retail and wholesale businesses in the US.

As part of this restructuring Mulberry Group plc will sell its shares in Mulberry USA LLC and acquire the following:

- \$0.5 million of inventories held at the two retail stores; and
- The leases and fixed assets within the two shops for \$1.

In addition, Mulberry Group plc agreed to deferred consideration of up to £1 million based on the level of sales achieved by the US operations after three years. The consideration will be payable in cash or at Mulberry's option new shares in Mulberry Group plc.

The arrangement has been agreed in principle but has not yet been completed. In the meantime Mulberry have assumed the management control of these US operations from 1 April 2009.

### **33 Controlling party**

At the year end, Challice Limited controlled 59.6% of the issued share capital of the Company.

# Mulberry Group plc

## Company financial statements

Year ended 31 March 2009

### CONTENTS

	Page
Independent auditors' report	51
Company balance sheet	52
Notes to the Company financial statements	53

# INDEPENDENT AUDITORS' REPORT

## TO THE MEMBERS OF MULBERRY GROUP PLC

We have audited the parent company financial statements of Mulberry Group plc for the year ended 31 March 2009 which comprise the Company balance sheet and the related notes 34 to 44. These parent company financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the Group financial statements of Mulberry Group plc for the year ended 31 March 2009.

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 auditors' 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 parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' responsibilities.

Our responsibility is to audit the parent company financial statements 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 parent company financial statements give a true and fair view and whether they have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the Directors' report is consistent with the parent company financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited parent company financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

## 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 parent company financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the parent company financial statements, and of whether the accounting policies are appropriate to the 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 parent company financial statements 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 parent company financial statements.

## OPINION

In our opinion:

- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 March 2009;
- the parent company financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' report is consistent with the parent company financial statements.

Deloitte LLP  
Chartered Accountants and Registered Auditors  
Bristol, United Kingdom

# COMPANY BALANCE SHEET

At 31 March 2009

	Note	2009 £'000	2008 £'000
<b>Fixed assets</b>			
Tangible assets	37	2,595	2,770
Investments	36	13,202	13,202
		<u>15,797</u>	<u>15,972</u>
<b>Current assets</b>			
Debtors	38	1,416	1,610
Creditors: amounts falling due within one year	39	(510)	(646)
<b>Net current assets</b>		<u>906</u>	<u>964</u>
<b>Total assets less current liabilities</b>		<u>16,703</u>	<u>16,936</u>
<b>Net assets</b>		<u>16,703</u>	<u>16,936</u>
<b>Capital and reserves</b>			
Called up share capital	42	2,871	2,871
Share premium account	43	7,007	7,007
Revaluation reserve	43	–	18
Capital redemption reserve	43	154	154
Special reserve	43	4,187	4,187
Profit and loss account	43	2,484	2,699
<b>Shareholders' funds</b>	44	<u>16,703</u>	<u>16,936</u>

The financial statements were approved by the Board of Directors and authorised for issue on 17 June 2009. They were signed on its behalf by:

Godfrey Davis  
Director

Roger Mather  
Director

# NOTES TO THE COMPANY FINANCIAL STATEMENTS

Year ended 31 March 2009

## 34 Significant accounting policies

### *Basis of accounting*

The separate financial statements of the Company are presented as required by the Companies Act 1985 and have been prepared in accordance with applicable United Kingdom Accounting Standards and law. They have been prepared under the historical cost convention and under the going concern assumption. Further details of the Directors' considerations in relation to going concern are included in the Directors' report.

The principal accounting policies are summarised below. These have been applied consistently throughout the year and the preceding year.

### *Tangible fixed assets*

Fixed assets are shown at cost less accumulated depreciation and any provision for impairment.

Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life at the following rates per annum:

Freehold buildings	5%
Short leasehold property	term of the lease
Fixtures, fittings and equipment	10% to 33% per annum

Freehold land is not depreciated.

### *Investments*

Fixed asset investments in subsidiaries and associates are shown at cost less provision for impairment.

### *Financial liabilities and equity*

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

### *Bank borrowings*

Interest-bearing bank loans are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in profit or loss using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

### *Equity instruments*

Equity instruments issued by the Company are recorded as the proceeds received, net of direct issue costs.

### *Foreign exchange*

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account.

### *Pension costs*

Payments to employees' personal pension plans are charged as an expense as they fall due.

# NOTES TO THE COMPANY FINANCIAL STATEMENTS

(continued)

## 34 Significant accounting policies (continued)

### Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements. A net 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 measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis. The taxation liabilities are reduced wholly or in part by the surrender of tax losses by fellow Group undertakings for which payment is made.

### Cash flow statement

A cash flow statement has not been prepared as the consolidated financial statements include a consolidated cash flow statement.

## 35 Profit for the year

As permitted by section 230 of the Companies Act 1985 the Company has elected not to present its own profit and loss account for the year. Mulberry Group plc reported a profit for the financial year ended 31 March 2009 of £712,000 (2008: £1,467,000).

The auditors' remuneration for audit and other services is disclosed within note 8 to the consolidated financial statements. The only employees of the Company are the Directors whose emoluments are disclosed in the Directors' remuneration report.

## 36 Fixed asset investments

	<i>Subsidiaries</i> <i>shares</i> <i>£'000</i>	<i>Subsidiaries</i> <i>loans</i> <i>£'000</i>	<i>Associates</i> <i>shares</i> <i>£'000</i>	<i>Total</i> <i>£'000</i>
<b>Cost</b>				
At 1 April 2008 and 31 March 2009	2,858	11,804	571	15,233
<b>Provision for impairment</b>				
At 1 April 2008 and 31 March 2009	(1,460)	–	(571)	(2,031)
<b>Net book value</b>				
End and beginning of year	<u>1,398</u>	<u>11,804</u>	<u>–</u>	<u>13,202</u>



### 36 Fixed asset investments (continued)

The Company has investments in the following subsidiaries and associates which principally contributed to the profits or net assets of the Group.

	<i>Country of incorporation</i>	<i>Principal activity</i>	<i>Holding of ordinary shares</i>
<b>Subsidiaries</b>			
Mulberry Company (Design) Limited	England and Wales	Design and manufacture of clothing and fashion accessories in the UK	100%
Mulberry Company (France) SARL	France	Establishment and operation of retail shops in France	100%
Mulberry Company (Sales) Limited	England and Wales	Establishment and operation of retail shops in the UK	100%*
Kilver Street Inc	USA	Holding Company	100%
Mulberry Group plc Employee Share Trust	Guernsey	Operation of an employee share Trust	100%
<b>Associates</b>			
Mulberry USA LLC	USA	Establishment and operation of retail shops in the USA and distributor for the USA	50%**
Mulberry Oslo AS***	Norway	Operation of a retail shop in Oslo	50%*

\* Owned by Mulberry Company (Europe) Limited

\*\* Owned through Kilver Street Inc

\*\*\* Accounting reference date changed during the year from 31 December to 30 September

### 37 Tangible fixed assets

	<i>Freehold land and buildings</i>	<i>Short leasehold land and buildings</i>	<i>Fixtures, fittings and equipment</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Cost</b>				
At 1 April 2008	3,729	314	528	4,571
Additions	34	10	–	44
Disposals	–	–	(528)	(528)
At 31 March 2009	3,763	324	–	4,087
<b>Depreciation</b>				
At 1 April 2008	1,084	189	528	1,801
Charge for the year	104	115	–	219
Disposals	–	–	(528)	(528)
At 31 March 2009	1,188	304	–	1,492
<b>Net book value</b>				
End of year	2,575	20	–	2,595
Beginning of year	2,645	125	–	2,770

Freehold land of £997,000 (2008: £997,000) has not been depreciated.

## NOTES TO THE COMPANY FINANCIAL STATEMENTS

(continued)

### 38 Debtors

	2009 £'000	2008 £'000
Amounts falling due within one year:		
Amounts owed by Group undertakings	1,402	1,485
Amounts owed by associate undertakings	–	94
Prepayments and accrued income	1	1
Other debtors (see note 40)	13	30
	<u>1,416</u>	<u>1,610</u>

### 39 Creditors

	2009 £'000	2008 £'000
Amounts falling due within one year:		
Amounts owed to Group undertakings	356	478
Other creditors - corporation tax	–	38
Accruals and deferred income	154	130
	<u>510</u>	<u>646</u>

### 40 Deferred tax

	2009 £'000	2008 £'000
Excess of capital allowances over depreciation on fixed assets	3	13
Short-term timing differences	10	17
	<u>13</u>	<u>30</u>
At 1 April 2008	30	
Charge for the year	(17)	
	<u>13</u>	
At 31 March 2009	<u>13</u>	

### 41 Related party transactions

Details of related party transactions are provided in note 31 of the consolidated financial statements. The Company has taken advantage of the exemption in FRS 8 not to disclose details of transactions with other Group companies.

#### 42 Called up share capital

	2009 £'000	2008 £'000
<b>Authorised</b>		
65,000,000 ordinary shares of 5p each (2008: 65,000,000)	3,250	3,250
	<u>          </u>	<u>          </u>
	£'000	£'000
<b>Issued and fully paid</b>		
57,419,505 ordinary shares of 5p each (2008: 57,419,505)	2,871	2,871
	<u>          </u>	<u>          </u>

#### 43 Reserves

	Share premium £'000	Revaluation reserve £'000	Capital redemption reserve £'000	Special reserve* £'000	Profit and loss account £'000
Balance at 1 April 2008	7,007	18	154	4,187	2,699
Charge for share-based payments	–	–	–	–	203
Amortisation of revaluation surplus	–	(18)	–	–	18
Profit for the year	–	–	–	–	712
Ordinary dividends paid	–	–	–	–	(1,148)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Balance at 31 March 2009	7,007	–	154	4,187	2,484
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

\* created as part of a capital restructuring of the Group in 2004.

The cumulative amount of goodwill resulting from acquisitions in earlier financial years which has been written off is £165,000 (2008: £165,000).

#### 44 Reconciliation of movements in shareholders' funds

	£'000
Balance at 1 April 2008	16,936
Credit for share-based payments	203
Ordinary dividends paid	(1,148)
Profit for the financial year	712
	<u>          </u>
Balance at 31 March 2009	16,703
	<u>          </u>

# NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting of Mulberry Group plc will be held at Mulberry Group plc's offices, 4<sup>th</sup> Floor, Shepherds Building, Rockley Road, London, W14 0DA on 19 August 2009 at 11 am for the following purposes:

## Ordinary Business:

To consider and, if thought fit, pass the following resolutions, which will be proposed as ordinary resolutions:

### *Adoption of financial statements*

1. That the report of the Directors and the financial statements for the year ended 31 March 2009 together with the independent auditors' report be received and adopted.

### *Dividend declaration*

2. To declare a final dividend of 2.0 pence per ordinary share for the year ended 31 March 2009.

### *Re-election of retiring Directors*

3. That Mr R E G Gibson who retires as a Director by rotation in accordance with the Company's Articles of Association be re-elected as a Director.
4. That Mr A C Roberts who retires as a Director by rotation in accordance with the Company's Articles of Association be re-elected as a Director.

### *Appointment of auditors*

5. That Deloitte LLP be re-appointed as auditors of the Company until the conclusion of the next general meeting before which accounts are laid and, that their remuneration be agreed by the Directors.

## Special Business:

To consider and, if thought fit, pass the following resolution, which will be proposed as an ordinary resolution:

### *Directors' power to allot securities*

6. That in substitution for any equivalent authorities and powers granted to the Directors prior to the passing of this resolution, the Directors be and they are generally and unconditionally authorised pursuant to Section 80 of the Companies Act 1985 ("the Act") to allot relevant securities (as defined in that section) up to an aggregate nominal amount of £379,024 to such persons at such times and on such terms as they think proper during the period expiring at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or such earlier date (if any) on which this authority is revoked, save that the Company may prior to the expiry of such period make any offer or agreement which would or might require relevant securities to be allotted after the expiry of this period and the Directors may allot relevant securities in pursuance of any such offer or agreement notwithstanding the expiry of the authority given by this resolution.

To consider and, if thought fit, pass the following resolutions, which will be proposed as special resolutions:

### *Waiver of statutory pre-emption rights*

7. That in substitution for any equivalent authorities and powers granted to the Directors prior to the passing of this resolution, the Directors be and they are empowered pursuant to Section 95(1) of the Act to allot equity securities (as defined in Section 94(2) of the Act) of the Company for cash pursuant to the authority of the Directors under Section 80 of the Act conferred by Resolution 6 set out in the Notice of Annual General Meeting convened on 19 August 2009 and/or by way of a sale of treasury shares (by virtue of Section 94(3A) of the Act), in each case as if Section 89(1) of the Act did not apply to such allotment and at any time prior to the expiry of the power conferred by this resolution to make any offer or agreement which would or might require equity securities to be allotted after the expiry of such power notwithstanding the expiry of such power provided that such power shall, subject as aforesaid, cease to have effect at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or such earlier date (if any) on which the said authority is revoked, and provided that the power conferred by this resolution shall be limited to the allotment of ordinary shares up to a maximum amount of £143,548 representing less than 5% of the issued share capital of the Company.

### *Adoption of new Articles of Association*

8. That the Articles of Association produced to the meeting and initialled by the Chairman of the meeting for the purposes of identification be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association of the Company.

By order of the Board

Roger Mather  
Secretary

Registered office:  
The Rookery  
Chilcompton  
Bath  
BA3 4EH

17 June 2009

Notes:

1. All members holding ordinary shares are entitled to attend, speak and vote at the meeting. Such members may appoint a proxy to attend, speak and vote instead of them. A proxy need not also be a member of the Company but must attend the Annual General Meeting in order to represent you. A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares (so a member must have more than one share to be able to appoint more than one proxy). A form of proxy is enclosed. The notes to the form of proxy include instructions on how to appoint the Chairman of the Annual General Meeting or another person as proxy and how to appoint a proxy electronically or by using the CREST proxy appointment service. To be effective the form must reach the Company's registrar, Computershare Investor Services PLC at The Pavilions, Bridgwater Road, Bristol BS99 6ZY by 11 am on 17 August 2009.
2. In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (a) if a corporate shareholder has appointed the Chairman of the meeting as its corporate representative to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (b) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the Chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives ([www.icsa.org.uk](http://www.icsa.org.uk)) for further details of this procedure. The guidance includes a sample form of appointment letter if the Chairman is being appointed as described in (a) above.
3. The following documents are available for inspection at the registered office of the Company during the usual business hours on any weekday (Saturday, Sunday or public holidays excluded) from the date of this notice until the conclusion of the Annual General Meeting and will also be available for inspection at the place of the Annual General Meeting from 10.45 am on the day of the Annual General Meeting until its conclusion:
  - (a) the register of Directors' interests in the shares of the Company;
  - (b) copies of the Executive Directors' service contracts with the Company and letters of appointment of the Non-Executive Directors; and
  - (c) a copy of the proposed new Articles of Association of the Company, and a copy of the existing Articles of Association marked to show the changes being proposed pursuant to resolution 8.

Explanation of proposed resolution 8:

It is proposed that the Company adopt new Articles of Association (the "New Articles") in order to update the Company's existing Articles ("Existing Articles") to take account of changes in English company law relating to Directors' conflicts of interest brought about by the Companies Act 2006 (the "2006 Act"). The 2006 Act is being implemented in stages and the final implementation of such changes is expected to be on 1 October 2009. Apart from the change to the Existing Articles relating to Directors' conflicts of interest, the Directors consider it is appropriate to wait for the 2006 Act to be implemented in full before seeking the approval of the shareholders for any other changes to the Existing Articles.

The 2006 Act sets out Directors' general duties which largely codified the pre-existing law but with some changes. Under the 2006 Act a Director must avoid a situation where they have, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the Company's interests. The requirement is very broad and could apply, for example, if a Director becomes a Director of another company or a trustee of another organisation. The 2006 Act allows Directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the Articles of Association contain a provision to this effect. The 2006 Act also allows the Articles of Association to contain other provisions for dealing with Directors' conflicts of interest to avoid a breach of duty. The New Articles give the Directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

There are safeguards which will apply when Directors decide whether to authorise a conflict or potential conflict. First, only Directors who have no interest in the matter being considered will be able to take the relevant decision, and secondly, in taking the decision the Directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. The Directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

It is also proposed that the New Articles should contain provisions relating to confidential information, attendance at board meetings and availability of board papers to protect a Director being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the position giving rise to the potential conflict has previously been authorised by the Directors.

There may be other changes to the Existing Articles which the Company may wish to introduce in the light of the 2006 Act. It is likely that any such changes will be introduced once the whole of the 2006 Act has come into force (which is expected to be in October this year).

A copy of the New Articles marked to show the proposed changes is available for inspection as stated in note 3 to the Notice of Annual General Meeting.

## GROUP FIVE YEAR SUMMARY

	2005 £'000	2006 £'000	2007 £'000	2008 £'000	2009 £'000
<b>Results</b>					
Revenue	30,064	43,406	45,078	51,174	58,585
Operating profit	2,137	6,157	6,672	4,774	3,930
Profit before tax	1,705	6,135	6,200	5,186	4,177
Profit attributable to equity holders	1,738	4,831	3,981	3,436	2,581
<b>Assets employed</b>					
Non-current assets	4,964	5,958	8,910	10,791	11,694
Current assets	11,084	18,488	20,828	23,570	24,572
Current liabilities	(4,383)	(8,415)	(8,879)	(11,821)	(11,750)
Non-current liabilities	(53)	(2,579)	(3,990)	(21)	(132)
<b>Net assets</b>	11,612	13,452	16,869	22,519	24,384
<b>Key statistics</b>					
Earnings per share	3.6p	9.9p	8.1p	6.0p	4.5p
Diluted earnings per share	3.5p	8.8p	7.4p	6.0p	4.5p

The amounts disclosed for 2005 and 2006 are stated on the basis of UK GAAP because it is not practicable to restate amounts for periods prior to the date of transition to IFRSs.



