



MULBERRY

# ANNUAL REPORT AND ACCOUNTS

For the year ended  
31 March 2012

# Mulberry Annual Report and Accounts

Year ended 31 March 2012

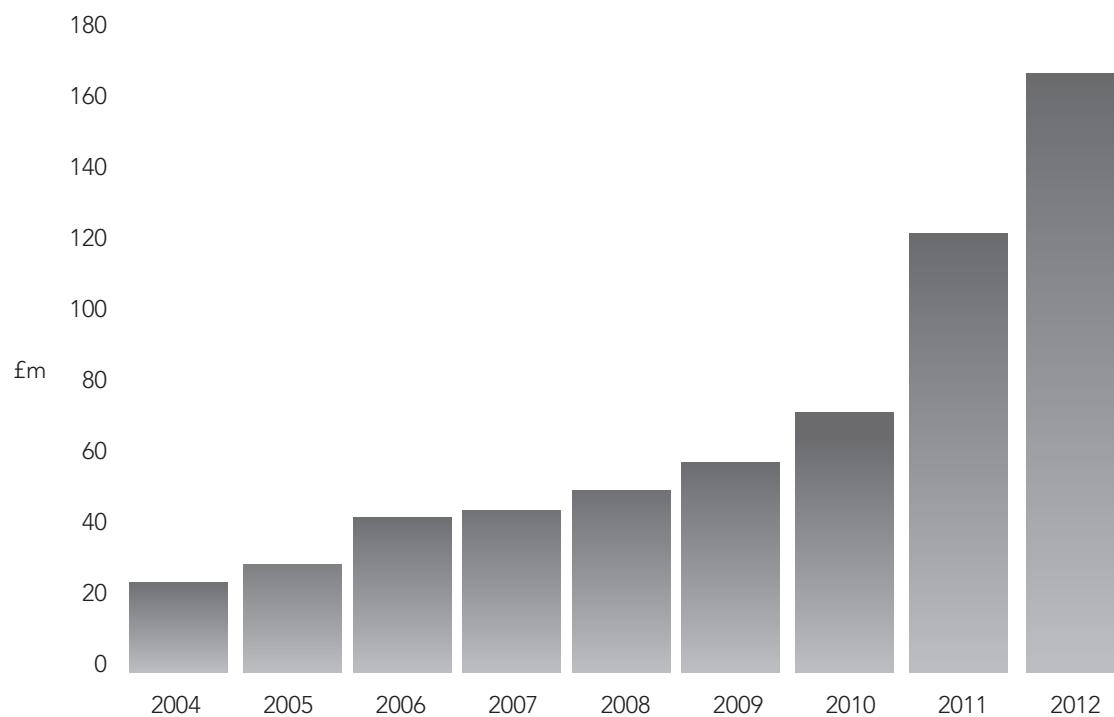
## FINANCIAL HIGHLIGHTS

- Total revenues increased by 38% to £168.5 million (2011: £121.6 million)
- Profit before tax up 54% to £36.0 million (2011: £23.3 million)
- Basic earnings per share up 47% to 43.9p (2011: 29.8p)
- Proposed dividend of 5.0p per share (2011: 4.0p per share)

## OPERATING HIGHLIGHTS

- Bruno Guillon appointed CEO, with Godfrey Davis moving to Non-Executive Chairman
- 14 new stores opened during the year in the UK, the Netherlands, the USA, Korea, Singapore, Thailand and Taiwan
- Global expansion continued with international revenues growing 61% to £65.2 million (2011: £40.5 million), accounting for 39% of Group revenues (2011: 33%)
- Online sales grew 58% to £14.5 million, accounting for 9% of Group revenues (2011: 8%)
- UK factory extension completed, increasing UK production capacity by 30% and creating 60 jobs

## 9 YEAR REVENUE GROWTH



# Mulberry Annual Report and Accounts

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## Contents

	Page
Chairman's review	3
Chief Executive's report	4
Financial review	5
Directors, secretary and advisers	6
Corporate governance	7
Directors' remuneration report	9
Directors' report	12
Directors' responsibilities statement	17
Independent auditor's report	18
Consolidated income statement	19
Consolidated statement of comprehensive income	19
Consolidated balance sheet	20
Consolidated statement of changes in equity	21
Consolidated cash flow statement	22
Notes to the consolidated financial statements	23
Independent auditor's report	51
Company balance sheet	52
Notes to the company financial statements	53
Notice of Annual General Meeting	59
Group five year summary	64

## Chairman's review

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Year ended 31 March 2012

The Group has continued to deliver strong sales and profit growth. Sales increased 38% to £168.5 million for the year to 31 March 2012 (2011: £121.6 million) and profit before tax increased 54% to £36.0 million (2011: £23.3 million). International sales were £65.2 million, 61% up on the prior year. Gross margin increased to 66.2% (2011: 65.4%). As a result of sustained investment over a number of years, we have been successful in developing international demand for the Mulberry brand. This investment in people, product design, marketing and new store openings is the driving force behind the growing international success of our business which continues to become less dependent upon customers in the UK or any other single market. Looking forward, we will continue our strategy of building the brand in international markets by opening new stores and progressively increasing our marketing activity to drive sales growth.

### RETAIL

Retail sales from our own stores, department store concessions and online have increased by 36% compared to the prior year to £99.7 million (like-for-like up 26%). UK retail sales in our own 45 stores and department store concessions increased for the year by 30% to £77.2 million (like-for-like up 27%). In December, we opened a store in the Westfield development in Stratford ahead of the 2012 London Olympics. Online sales grew by 58% to £14.5 million during the year, accounting for 9% of Group sales (2011: 8%). In addition to being a profitable and growing sales channel, the mulberry.com website is a key marketing tool for the brand. We are currently developing a new platform which will give us even greater functionality and creative freedom and this will be launched by the end of the 2012/13 financial year.

During the year we opened a flagship store on Spring Street, New York. This helped to increase North American retail sales to £5.4 million, up 69% compared to the prior year (like-for-like up 20%). In Europe, retail sales from France and the Netherlands were £2.6 million, up 53% compared to the prior year (like-for-like up 7%), reflecting the opening of a new full price store in Amsterdam during November and an outlet store in Roermond during March 2012.

### WHOLESALE

Wholesale shipments to customers during the year were £68.8 million, up 43% compared to the prior year. The wholesale business includes sales to our European franchise partners, UK, European and North American independent retailers and department stores, as well as sales to our international distribution partners in Asia-Pacific and the Middle East. In Asia-Pacific, sales to our partner stores and wholesale accounts grew by 70% to £25.1 million. Asia-Pacific is now our largest geographical segment for wholesale sales, representing 36% of the total. During the year, ten Mulberry stores have been opened by our partners in Singapore, Taiwan, Thailand and Korea (seven).

### PRODUCTS

Leather goods and accessories remain our core business, with women's and men's bags accounting for 77% of Group sales (2011: 76%). In Spring/Summer 2010 we launched the Alexa bag, which was an immediate success and added an extra dimension to sales growth in the year to 31 March 2011. A key challenge for the year to 31 March 2012 was to consolidate this bag family into our core business and build upon it. The results for the year show that this has been achieved and the Alexa has joined the Bayswater, Daria and Lily families of best-selling bags which underpin sales from one season to the next. We continue to develop the women's apparel and women's footwear businesses which were the fastest growing categories during the year.

### NEW CHIEF EXECUTIVE

One of the strengths of our business is the quality of our people. We pay particular attention to succession planning in order to meet the needs of the business as it grows and roles change. In keeping with this approach, Bruno Guillon joined Mulberry as Chief Executive on 1 March 2012. He brings with him a wealth of luxury goods experience, having previously worked for Hermès and LVMH. We have worked closely together for his first few months to ensure a smooth management transition and, from the end of June 2012, I will move to Non-Executive Chairman. On a personal note, I would like to thank all of the Mulberry team, our partners around the world and our shareholders for their enthusiasm, commitment and support over the last ten years whilst I have been Chief Executive. I would also like to wish Bruno every success in his new role.

Godfrey Davis  
Chairman  
13 June 2012

## Chief Executive's report

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Year ended 31 March 2012

I have joined Mulberry at a very exciting time. The team has produced another set of strong results for the year to 31 March 2012, continuing to build market share internationally, whilst generating positive cash flows that will allow us to invest for future growth. The opportunity for the Mulberry brand is significant, with the profits earned from its strong domestic position supporting the increasing pace of international expansion. The challenge for the next few years is to build upon the solid foundations that have been laid, seize the international opportunity in a way that maintains the careful positioning of the brand within the luxury market, whilst continuing to make the enduring quality of our products central to everything we do.

### UK MANUFACTURING

Mulberry is a luxury fashion brand, anchored by the quality of our products and our heritage of English craftsmanship. With this in mind, during the year we completed the extension of our Somerset factory allowing us to increase UK capacity by 30% and create 60 jobs. We are also delighted to announce that we will be opening a second factory in Somerset. This project will create 300 jobs and double our UK capacity. Our investment in the new factory will be approximately £7.5 million, with £2.5 million coming from the Regional Growth Fund to support the recruitment and training of new employees. We expect to open the new factory by December 2013.

### CURRENT TRADING

Demand for Mulberry products has continued since the year-end. During the 10 weeks to 1 June 2012 total retail sales were 12% above the same period last year (like-for-like up 3%). UK full price retail sales have grown by 14% like-for-like and the outlet business has decreased by 24% like-for-like largely due to the tough comparative figures during the same period last year when outlet sales increased by 56%. Within the 10 week period, April saw slower growth, but over the last six weeks UK full price sales have improved, up 21% like-for-like. However, we remain cautious as a result of the adverse macro-economic climate. The Autumn/Winter 2012 season has started well with the third-party wholesale order book 11% higher than the Autumn/Winter 2011 season at the same time last year.

### OUTLOOK

During May 2012, we launched the new Del Rey bag, inspired by the American artist Lana Del Rey. The product illustrates the elegance and timeless luxury of Mulberry and has been well received which is encouraging for the rest of the Autumn/Winter 2012 season. Sales of women's apparel and footwear remain strong. These categories remain central to our strategy and we will also expand other product categories, such as small leather goods, men's accessories and other fashion accessories. The Group's balance sheet remains strong with cash of £27.3 million and no debt at 31 March 2012. This means that we continue to have the capacity to invest in new retail opportunities and other projects.

In Europe, we opened a store in Zurich on 24 May. In Germany, we will be opening shop-in-shops within the KaDeWe and Oberpollinger department stores in Berlin and Munich respectively and a store in Frankfurt Airport. We have signed leases for stores in Cologne and Berlin which will open around the end of the financial year. In North America, a store opened in the Short Hills Mall, New Jersey on 23 May and our first West Coast store will open in San Francisco during June. We will open a store in Washington DC later in the year. Our partner in Korea, which started the current year with 19 stores, has already opened another store and is planning a further four before the end of March 2013. Club 21, our partner for the rest of Asia-Pacific, plans to open stores in Singapore, Japan and Shanghai.

In total, we are targeting 15 to 20 new international store openings for the current financial year (with three already opened and another 13 confirmed to date).

### DIVIDEND

The Board is recommending the payment of a dividend on the ordinary shares of 5.0p per ordinary share (2011: 4.0p) which will be paid on 17 September 2012 to shareholders on the register on 17 August 2012.

Bruno Guillon  
Chief Executive  
13 June 2012

Year ended 31 March 2012

#### **GROSS MARGIN**

The Group's gross profit as a percentage of revenue has increased to 66.2% from 65.4% for the prior year. This increase is due primarily to the economies of scale achieved from increased volume.

#### **NET OPERATING EXPENSES**

Net operating expenses for the year increased by £19.6 million to £76.1 million (2011: £56.5 million). The main elements of this increase were: £5.7 million increased employee costs; £4.3 million additional spend on advertising and promotion; £3.8 million variable rents and agents' commissions directly linked to the sales growth and £3.3 million costs relating to the operating costs of new stores.

#### **EXCEPTIONAL ITEMS**

There are no exceptional items in the current year. In the prior year, an exceptional cost of £1.0 million was incurred in relation to deferred consideration for the USA business and £0.9 million of exceptional income was recognised following the surrender of the lease on the former flagship store on New Bond Street.

#### **SHARE OF RESULTS OF ASSOCIATES**

Our associate in Norway had another successful year with our share of its results increasing to £0.6 million (2011: £0.3 million).

#### **FINANCE INCOME AND EXPENSE**

The decrease in net finance income to £22,000 (2011: £30,000) has resulted from the continued low rates of interest available in the market.

#### **TAXATION**

The Group has an effective tax rate of 29.7% for the year (2011: 26.9%) resulting in a tax charge of £10.7 million (2011: £6.3 million). We expect to see a future decrease in the effective tax rate in line with the announced reduction in the UK corporation tax rates over the next three years to 22%.

#### **BALANCE SHEET**

Investments in property, plant and equipment for the year totalled £10.0 million (2011: £12.8 million) and included £1.2 million investment in the extension of our existing Somerset factory and £8.2 million investment in new stores. The expenditure of £2.4 million on intangible assets reflects the on-going development of the Group's ERP system online capabilities.

Inventory levels have increased by £10.1 million to £32.5 million (2011: £22.4 million) which reflects the increased scale of the business and a build-up of inventory to meet Autumn/Winter orders.

#### **CASH FLOW**

The cash generated from operations for the year amounted to an inflow of £30.1 million (2011: inflow of £26.6 million). The net cash balance has increased to £27.3 million at 31 March 2012 (2011: £21.4 million) due to the operational performance of the Group.

#### **EARNINGS PER SHARE**

The basic earnings per share for the year increased by 47% to 43.9p (2011: 29.8p).

Roger Mather  
Group Finance Director  
13 June 2012

## Directors, secretary and advisers

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Year ended 31 March 2012

<b>Directors:</b>	Godfrey Pawle Davis FCA Bruno Daniel Thierry Guillon Roger Thomas Mather FCA Robert (Robin) Edward Graeme Gibson Andrew Christopher (Chris) Roberts FCCA Steven Grapstein CPA Bernard Lam Kong Heng Melissa Ong
<b>Registered Office:</b>	The Rookery Chilcompton Bath Somerset BA3 4EH
<b>Secretary:</b>	Kate Anthony Wilkinson LLB
<b>Nominated Adviser:</b>	Altium Capital Limited London
<b>Nominated Broker:</b>	Barclays Capital London
<b>Registered Auditor:</b>	Deloitte LLP Bristol
<b>Solicitors:</b>	Osborne Clarke Bristol
<b>Principal Bankers:</b>	HSBC Bank plc Bristol
<b>Registrars:</b>	Computershare Investor Services plc PO Box 82 The Pavilions Bridgwater Road Bristol BS99 7NH

The Company is listed on the Alternative Investment Market and is not required to comply with the provisions set out in the UK Combined Code. 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**

During the year the Board comprised of two Executive Directors and five Non-Executive Directors. Post year-end, following the appointment of Bruno Guillon, the Board comprised of three Executive Directors and five Non-Executive Directors. Details of the Directors and the changes during the year and subsequently are set out on page 9. Since the roles of Chairman and Chief Executive were not separated until April 2012, as recommended by the Combined Code, the Directors considered it important that the Board should include Non-Executive Directors who bring 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.

#### **NOMINATIONS AND REMUNERATION COMMITTEE**

The Nominations and Remuneration Committee is chaired by a Non-Executive Director, Robin Gibson. It is responsible for nominating Directors to the Board and then determining the remuneration and terms and conditions of employment of 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 the 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 auditor and legal advisers at any time without the 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. During the year, this has included issuing guidance and internal procedures following the introduction of the Bribery Act 2010.



## Corporate governance

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(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 auditor is 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.

## Directors' remuneration report

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Year ended 31 March 2012

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.

During the year, the Nominations and Remuneration Committee comprised:

- Robin Gibson (Chairman and Non-Executive Director)
- Chris Roberts (Non-Executive Director)
- Steven Grapstein (Non-Executive Director)
- Bernard Heng (Non-Executive Director)
- Melissa Ong (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. As an exception, on becoming Non-Executive Chairman in June 2012, Godfrey Davis will retain his outstanding options and share awards as they relate to his position as Chief Executive. No new options or share awards will be issued to him. In the current year due to the additional time spent on the recruitment of the new Chief Executive additional fees were awarded.

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 Director's 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 annual bonuses and share-based incentive schemes;
- provide post-retirement benefits through contributions to individual'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 Nominations 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 set up by the Nominations and Remuneration Committee to include a balance of benefits to reward current performance and long-term commitment. The strategy comprises of the following:

- an unapproved share option scheme which was introduced in April 2008. Options granted in this scheme vest after three years.
- a Deferred Bonus Plan which 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 for a period of two years. 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.
- a Co-ownership Equity Incentive Plan where participants are granted an interest in shares which are co-owned by the Mulberry Group Plc Employee Share Trust and participate in the value to the extent that the Mulberry share price exceeds 20% above the market price at the date of grant. The vesting period is generally three years, after which the employee has the right to sell the beneficial interest in the shares. This plan was established in August 2009.

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

	Basic salary/fees £'000	Bonus £'000	Taxable benefits £'000	Pension contributions £'000	2012 Total £'000	2011 Total £'000
<i>Executive Directors</i>						
Godfrey Davis	350	280	27	–	657	613
Bruno Guillon <sup>(1)</sup>	52	836	2	–	890	–
Roger Mather <sup>(2)</sup>	220	200	21	31	472	428
<i>Non-Executive Directors</i>						
Robin Gibson	75	–	1	–	76	19
Chris Roberts	75	–	1	–	76	19
Steven Grapstein	75	–	–	–	75	18
Bernard Heng	75	–	1	–	76	18
Melissa Ong	35	–	–	–	35	10
<i>Previous Directors</i>						
Edward Vandyk <sup>(3)</sup>	–	–	–	–	–	9
<b>Total</b>	<b>957</b>	<b>1,316</b>	<b>53</b>	<b>31</b>	<b>2,357</b>	<b>1,134</b>

#### Notes:

- (1) The bonus awarded to Bruno Guillon represents the monies paid to him to enable him to purchase his share of the jointly owned shares held under the Co-ownership Equity Incentive Plan (see section c below for details of the grant made on joining the Group).
- (2) Half of the bonus awarded to Roger Mather (£100,000) has been awarded in deferred shares under the Deferred Bonus Plan. The post-tax element of this cost is being charged to the income statement over a three-year period (being the length of service the award relates to). An expense of £67,000 has been recognised for this half of his bonus in respect of the year ended 31 March 2012.
- (3) Edward Vandyk resigned from the Board on 7 September 2010.

The emoluments disclosed above do not include any amounts for the value of share options or share awards granted to or held by the Directors. These are detailed as follows:

a) Options granted under the unapproved share option schemes

	31 March 2011	Granted	Exercised	31 March 2012	Exercise price (£)	Date of exercise	Market price on exercise (£)
Godfrey Davis	100,000	–	100,000	–	1.455	24 Jan 12	16.00
Godfrey Davis	150,000	–	60,000	90,000	1.445	24 Jan 12	16.00
Roger Mather	250,000	–	{ 130,000 30,000 90,000	–	1.447	14 Apr 11	12.75
				–	1.447	18 Jul 11	17.53
				–	1.447	24 Jan 12	16.00

The outstanding options are exercisable between 25 July 2011 and 25 July 2018.

b) Matching shares granted under the Deferred Bonus Plan

	31 March 2011	Granted	Exercised	31 March 2012	Exercise price (£)	Date of exercise	Market price on exercise (£)
Godfrey Davis	53,969	–	24,602	29,367	Nil	24 Jan 12	16.00
Roger Mather	39,104	–	12,140	26,964	Nil	24 Jan 12	16.00

The matching shares vest between 30 June 2012 and 30 June 2013. Each of the matching shares relates to vested and unvested shares held in the Mulberry Group Plc Employee Share Trust.

c) Jointly owned shares under the Co-ownership Equity Incentive Plan

	31 March 2011	Granted	Exercised	Forfeited	31 March 2012	Exercise price (£)
Godfrey Davis	300,000	–	–	–	300,000	1.458
Roger Mather	250,000	–	–	–	250,000	1.458
Bruno Guillon	–	200,670	–	–	200,670	23.02

For the awards held by Godfrey Davis and Roger Mather, the right to exercise their interest in the shares will vest on 9 October 2012 and remain exercisable until 9 October 2019. The market price of these shares at the date of the award was £1.21½.

For Bruno Guillon, the beneficial interest will vest in three equal tranches on 6 March 2014, 6 March 2015 and 6 March 2016 respectively and remain exercisable for ten years from the date of grant. The market price of the shares on the date of the award was £18.89½.

Share price information

The market price of Mulberry Group plc ordinary shares at 31 March 2012 was £20.04 (2011: £13.72) and the range during the year was £12.95 to £20.04 (2011: £1.85 to £14.15).

## Directors' report

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Year ended 31 March 2012

The Directors present their report on the affairs of the Group, together with the financial statements and independent auditor's report, for the year ended 31 March 2012.

### BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The Group's principal activities are the design and manufacture or sourcing of luxury accessories, clothing and footwear and their subsequent sale through wholesale channels or the Group's own stores and concessions 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 accessory, clothing and footwear collections for Spring/Summer and Autumn/Winter each 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.

The Chairman's review, Chief Executive's report and the Financial review 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. The principal risks are listed below:

- **Economic climate.** During the current year, the Group has shown continued resilience to the wider global economic climate but any further deterioration could affect sales both in the UK and internationally. A significant amount of Mulberry sales are generated in the UK. As a result, a decline in the UK economy that reduced consumer spending on luxury goods could materially affect trading results. The Group's continuing strategy to increase the penetration of international markets is expected to reduce the impact of this risk over time. The impact on current trading is discussed further in the Chairman's review and Chief Executive's report.
- **Currency risk.** 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, wherever possible, building a natural hedge of Euro and US Dollar denominated sales and purchases whereby the inflows and outflows of Euros and US Dollars are roughly equal. If significant currency positions were to develop, forward foreign exchange contracts would be used to mitigate the exposure.

In particular, with the current uncertainty in Europe and the potential impact on the Euro, possible risk of sovereign default and banking instability, the Group is continuing to monitor the situation closely and ensure that risk is mitigated where possible. This includes only depositing funds with large financial institutions and minimising any Euro exposures. A relatively small part of the business is in the countries at the centre of the Euro crises. During the current year, Greece, Spain and Portugal, account for only 0.4% of Group revenue.

- **Competition.** Competitive pressures, changes in luxury fashion and hence consumer demand are continuing risks which could result in the loss of sales. 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.
- **Loss of people.** The risk of the loss of key personnel is mitigated by regular reviews of remuneration packages (including long-term incentive schemes) and succession planning within the management team.
- **Trademarks.** As with all brands, the Group is exposed to risk from unauthorised use of the Group's trademarks and other intellectual property. These are not included on the balance sheet but any infringement could lead to a loss in profits and have a negative impact on image and continued success. Trademarks are registered and where any infringements are identified, appropriate legal action is taken.

- **Terrorist activity.** A major terrorist attack, particularly in central London, could seriously affect the Group's operations, as would a fire or significant disruption to the Group's warehouse. The Group has developed a business continuity plan to mitigate the impact, as well as making sure that adequate insurance is in place.
- **Systems.** The Group continues to engage in a substantial programme of change. Over the next year, the Group plans to implement the remaining modules of its ERP system covering product development and manufacturing and to complete the implementation of a new internet platform and retail EPOS system throughout the rest of its stores. If these projects were to be unsuccessful, it could have an impact on operations. Senior management involvement and significant pre-implementation testing are part of the carefully designed project to minimise the risks of the roll-out.
- **Cash.** The management of cash is of fundamental importance. The large growth in sales has led to a significant cash inflow. This has partly been offset by the capital expenditure programme during the year, so that at the year end the Group had a cash balance of £27.3 million (2011: £21.4 million). As discussed in the Chief Executive's report, the Group has agreed various capital expenditure plans for the coming year which will be financed by the Group's operating cash flow. The Group currently has no debt but nonetheless has organised facilities of £4.5 million (including £2.0 million of a multi-currency overdraft facility). These banking facilities are in place until 31 May 2013. As such, the Group is on a firm financial footing and confident of its ability to continue as a going concern.

## GOING CONCERN

As discussed under principal risks and uncertainties, the Group has considerable financial resources together with a customer base split across different geographic areas and between own retail stores, partner stores and wholesale accounts. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully despite the uncertain economic outlook.

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.

## RESULTS AND DIVIDENDS

The results for the year are set out in the Consolidated income statement. The Directors are recommending the payment of a final dividend of 5.0p per ordinary share (2011: 4.0p), to be paid on 17 September 2012 to ordinary shareholders on the register on 17 August 2012.

## 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 would enter 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 items such as trade debtors and trade creditors that arise directly from its operations.

## Directors' report

(continued)

### DIRECTORS AND THEIR INTERESTS

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

#### *Executive Directors*

**Godfrey Davis FCA, 63**, is currently Executive Chairman, having been joint Chairman and Chief Executive until 25 April 2012. He will become Non-Executive Chairman on 30 June 2012 on completion of the handover to Bruno Guillon. 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. He is also a Director of Hestercombe Gardens Limited, a Trustee of Hestercombe Gardens Trust and a Director of Woodard Schools (Taunton) Limited.

**Bruno Guillon, 46**, joined the Group as Chief Executive on 1 March 2012 and was appointed to the Board on 25 April 2012. Bruno joined Mulberry from Hermès Sellier SARL where he was Managing Director of French subsidiary Hermès France, a position he held for four years. He joined Hermès in 2001, having previously worked at LVMH and Nina Ricci.

**Roger Mather FCA, 47**, 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 a Director on 7 May 2008, and resigned as the Company Secretary on 17 August 2011.

#### *Non-Executive Directors*

**Robin Gibson, 70**, is Chairman of the Nominations and Remuneration Committee. He was appointed on 1 May 1996.

**Andrew Christopher Roberts FCCA, 48**, is Chairman of the Audit Committee. He was appointed on 6 June 2002. He is a fellow of the Chartered Association of Certified Accountants. He was previously Finance Director of Astaire Group plc, an AIM listed financial services group, and is currently a Director of Como Holdings (UK) Ltd, which has retail, hotel and real estate operations in the UK. Como Holdings (UK) Ltd is a company ultimately owned by Mr Ong Beng Seng and Mrs Christina Ong.

**Steven Grapstein CPA, 54**, was appointed on 17 November 2003. He is presently the Chief Executive Officer of Como Holdings USA Inc., 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 Chairman of the Board of Directors of Tesoro Petroleum Corporation, a US publicly held Fortune 150 company engaged in the oil and gas industry. Como Holdings USA Inc is ultimately owned by, and Presidio International is 50% owned by, Mr Ong Beng Seng.

**Bernard Lam Kong Heng, 66**, was appointed on 17 November 2003. He is presently the Chief Executive of Como Holdings (UK) Ltd. a company which has extensive retail, hotel and real estate operations in the UK and internationally. Como Holdings (UK) Ltd is a company ultimately owned by Mr Ong Beng Seng and Mrs Christina Ong.

**Melissa Ong, 38**, was appointed on 7 September 2010. She is also a Director of Club 21 (Singapore) Pte Ltd, which is ultimately owned by Mr Ong Beng Seng and Mrs Christina Ong.

Directors' beneficial interests in the shares of the Company at year-end were as follows:

	5p Ordinary Shares 2012	5p Ordinary Shares 2011
Godfrey Davis	689,160	916,404
Roger Mather	13,538	43,282
Robin Gibson	7,029	5,029

Melissa Ong does not hold any shares directly in the Company. However, she is the daughter of Mr Ong Beng Seng and Mrs Christina Ong, who together are beneficially interested in 56.32% of the Company's total voting rights.

The other Directors had no interests in the shares of the Company. Details of Directors' share options, share awards (including jointly owned shares issued under the Co-ownership Equity Incentive Plan) and other interests in shares are disclosed in the Directors' remuneration report.

#### **COMPANY SECRETARY**

On 17 August 2011, Roger Mather resigned as Company Secretary and was replaced by Kate Anthony Wilkinson.

#### **SUBSTANTIAL SHAREHOLDINGS**

At 13 June 2012 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 – 56.32%
- Banque Havilland SA – 24.46%

#### **SUPPLIER PAYMENT POLICY**

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

- 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 (2011: nil). The Group uses its cash resources to take advantage of early payment terms with suppliers. As such, for Mulberry Company (Design) Limited, the main purchasing subsidiary, it was 20 days (2011: 16 days).

#### **CORPORATE SOCIAL RESPONSIBILITY**

Our approach is to make a positive difference to our people, environment and communities we work in. For example, we ensure that our suppliers adhere to our Global Sourcing Principles and therefore create the right environment for their workers. We have reviewed our packaging and are continuously looking for other ways to reduce our waste and the impact we have on the environment. In 2006 we started an apprenticeship programme in our Somerset Factory which has been extremely successful and is complemented by our investment in graduate internships and training for NVQ qualifications within our UK retail and production sites.

#### **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.



## Directors' report

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(continued)

### 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 £30,000 (2011: £44,000) during the year. The Group made no political donations.

### AUDITOR

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 of which the Company's auditor is unaware; and
- each of the Directors has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue as auditor and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

By order of the Board

Roger Mather  
Director  
13 June 2012

## Directors' responsibilities statement

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Year ended 31 March 2012

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. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and 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). Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- 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; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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 auditor's 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 2012 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and the related notes 1 to 33. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent misstatements or inconsistencies we consider the implications for our report.

### OPINION ON FINANCIAL STATEMENTS

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 March 2012 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Directors' report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

### MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### OTHER MATTERS

We have reported separately on the parent company financial statements of Mulberry Group plc for the year ended 31 March 2012.

In our opinion the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the provisions of the Companies Act 2006 that would have applied were the Company a quoted company.

David Hedditch (Senior statutory auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Bristol, United Kingdom  
13 June 2012

## Consolidated income statement

Year ended 31 March 2012

	Note	2012 £'000	2011 £'000
Revenue	5	168,451	121,645
Cost of sales		(56,964)	(42,144)
<b>Gross profit</b>		<u>111,487</u>	<u>79,501</u>
Administrative expenses		(76,565)	(58,147)
Other operating income	5	495	1,656
<b>Operating profit</b>		<u>35,417</u>	<u>23,010</u>
<b>Operating profit before exceptional items</b>			
	7	35,417	23,110
Share of results of associate	19	562	305
Finance income	11	72	74
Finance expense	12	(50)	(44)
<b>Profit before tax</b>		<u>36,001</u>	<u>23,345</u>
Tax	13	(10,700)	(6,282)
<b>Profit for the year</b>	8	<u>25,301</u>	<u>17,063</u>
<b>Attributable to:</b>			
Equity holders of the parent		<u>25,301</u>	<u>17,063</u>
		<b>pence</b>	<b>pence</b>
Basic earnings per share	15	43.9	29.8
Diluted earnings per share	15	43.4	29.1

All activities arise from continuing operations.

## Consolidated statement of comprehensive income

Year ended 31 March 2012

		2012 £'000	2011 £'000
Profit for the year		25,301	17,063
Exchange differences on translation of foreign operations		(207)	1
<b>Total comprehensive income for the year</b>		<u>25,094</u>	<u>17,064</u>
<b>Attributable to:</b>			
Equity holders of the parent		<u>25,094</u>	<u>17,064</u>

## Consolidated balance sheet

At 31 March 2012

	Note	2012 £'000	2011 £'000
<b>Non-current assets</b>			
Intangible assets	16	3,984	2,134
Property, plant and equipment	17	24,212	18,207
Interests in associates	19	357	210
Deferred tax asset	23	–	69
		28,553	20,620
<b>Current assets</b>			
Inventories	20	32,546	22,408
Trade and other receivables	21	14,912	12,186
Cash and cash equivalents	21	27,293	21,373
		74,751	55,967
<b>Total assets</b>		103,304	76,587
<b>Current liabilities</b>			
Trade and other payables	24	(34,627)	(30,476)
Current tax liabilities		(6,188)	(4,079)
		(40,815)	(34,555)
<b>Non-current liabilities</b>			
Deferred tax liability	23	(26)	–
<b>Total liabilities</b>		(40,841)	(34,555)
<b>Net assets</b>		62,463	42,032
<b>Equity</b>			
Share capital	25	2,982	2,943
Share premium account		11,578	7,007
Own share reserve	26	(3,966)	(621)
Capital redemption reserve		154	154
Special reserve		1,467	1,467
Foreign exchange reserve		179	386
Retained earnings		50,069	30,696
<b>Total equity</b>		62,463	42,032

The financial statements of Mulberry Group plc (company number 01180514) were approved by the Board of Directors and authorised for issue on 13 June 2012. They were signed on its behalf by:

Bruno Guillon  
Director

Roger Mather  
Director

## Consolidated statement of changes in equity

Year ended 31 March 2012

	Share capital £'000	Share premium account £'000	Own share reserve £'000	Capital redemption reserve £'000	Special reserve* £'000	Foreign exchange reserve £'000	Retained earnings £'000	Total £'000
<b>Balance at 1 April 2010</b>	2,943	7,007	(107)	154	1,467	385	14,616	26,465
Total comprehensive income for the year	–	–	–	–	–	1	17,063	17,064
Charge for employee share-based payments	–	–	–	–	–	–	701	701
Exercise of share options	–	–	–	–	–	–	(418)	(418)
Own shares	–	–	(514)	–	–	–	–	(514)
Ordinary dividends paid	–	–	–	–	–	–	(1,266)	(1,266)
<b>Balance at 31 March 2011</b>	2,943	7,007	(621)	154	1,467	386	30,696	42,032
Total comprehensive (expense)/income for the year	–	–	–	–	–	(207)	25,301	25,094
Issue of share capital	10	3,782	–	–	–	–	–	3,792
Charge for employee share-based payments	–	–	–	–	–	–	701	701
Exercise of share options	29	789	–	–	–	–	(4,319)	(3,501)
Own shares	–	–	(3,345)	–	–	–	–	(3,345)
Ordinary dividends paid	–	–	–	–	–	–	(2,310)	(2,310)
<b>Balance at 31 March 2012</b>	2,982	11,578	(3,966)	154	1,467	179	50,069	62,463

\* The special reserve was created as part of a capital restructuring of the Group in 2004.

## Consolidated cash flow statement

Year ended 31 March 2012

	2012 £'000	2011 £'000
<b>Operating profit for the year</b>	35,417	23,010
<b>Adjustments for:</b>		
Depreciation and impairment of property, plant and equipment	3,992	2,261
Amortisation of intangible assets	494	837
Loss on sale of property, plant and equipment	(8)	152
Effects of foreign exchange	(109)	24
Share-based payments charge	701	701
<b>Operating cash flows before movements in working capital</b>	40,487	26,985
Increase in inventories	(10,151)	(13,318)
Increase in receivables	(2,750)	(3,848)
Increase in payables	2,530	16,805
<b>Cash generated from operations</b>	30,116	26,624
Corporation taxes paid	(8,495)	(3,856)
Interest paid	(50)	(44)
<b>Net cash inflow from operating activities</b>	21,571	22,724
<b>Investing activities:</b>		
Interest received	96	47
Dividend received from associate	408	308
Purchases of property, plant and equipment	(8,632)	(11,176)
Proceeds from sales of property, plant and equipment	33	–
Acquisition of intangible fixed assets	(2,153)	(503)
<b>Net cash used in investing activities</b>	(10,248)	(11,324)
<b>Financing activities:</b>		
Dividends paid	(2,310)	(1,266)
Proceeds on issue of shares	818	–
Settlement of share awards	(4,358)	(418)
Investment in own shares	447	(514)
<b>Net cash used in financing activities</b>	(5,403)	(2,198)
<b>Net increase in cash and cash equivalents</b>	5,920	9,202
Cash and cash equivalents at beginning of year	21,373	12,171
<b>Cash and cash equivalents at end of year</b>	27,293	21,373

# Notes to the consolidated financial statements

Year ended 31 March 2012

## 1. GENERAL INFORMATION

Mulberry Group plc is a company incorporated in England and Wales. The address of the registered office is given on page 6. 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

During the current year the following new and revised Standards and Interpretations have been adopted but have not had an impact on the Group:

- IAS 24: Related party disclosures

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 9: Financial instruments
- IFRS 10: Consolidated Financial Statements
- IFRS 11: Joint Arrangements
- IFRS 12: Disclosure of Interests in Other Entities
- Amendment to IAS 27: Separate Financial Statements
- Amendment to IAS 28: Investments in Associates and Joint Ventures
- IFRS 13: Fair Value Measurement
- IAS 19: Employee Benefits

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.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### Basis of accounting

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

For the year ended 31 March 2012, the financial year runs for the 53 weeks to 31 March 2012 (2011: 52 weeks ended 26 March 2011).

The financial statements are prepared under the historical cost convention. The principal accounting policies adopted are set out below.

### Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are given in the Chairman's review and Chief Executive's report. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in the Financial review and Directors' report. In addition, notes 21, 22, 24 and 31 to the consolidated financial statements include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; and its exposures to credit risk and liquidity risk.



## Notes to the consolidated financial statements

Year ended 31 March 2012

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Going concern (continued)

The Group has considerable financial resources together with a customer base split across different geographic areas and between own retail stores, partner stores and wholesale accounts. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully despite the uncertain economic outlook.

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. Further details are contained 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.

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 (typically four to five years).

#### 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. Assets in the course of construction are carried at cost less any recognised impairment loss. Cost includes professional fees.

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 and assets under the course of construction are not depreciated. Depreciation on assets commences when the assets are ready for intended use.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Property, plant and equipment (continued)

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.

#### 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.

The 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.

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 net 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.

Where a Group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

#### 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.

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Taxation**

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

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.

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.

**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.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Provisions (continued)

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

#### Share-based payments

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 the proportion 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.

#### 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.

#### 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 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. This 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 recognised on an accruals basis in accordance with the substance of the relevant agreement and is disclosed as other operating income.

#### Operating profit

Operating profit is stated before the share of results of associates, finance income and finance expense.

#### 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Foreign currencies (continued)**

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 purposes 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.

*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.

*Derecognition of financial assets*

The Group derecognises financial assets when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all of the risks and rewards of ownership of the asset to another entity.

*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.

*Trade payables*

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

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *Derecognition of financial liabilities*

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

### 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. Provisions for raw materials are calculated based upon expected future usage and for finished goods upon the saleability of finished goods and age and condition of the items.

## Notes to the consolidated financial statements

Year ended 31 March 2012

### 5. REVENUE

	2012 £'000	2011 £'000
Sale of goods	168,451	121,645
Royalty income	200	385
Other income	295	1,271
Finance income	72	74
<b>Total revenue</b>	<b>169,018</b>	<b>123,375</b>

Included within other income in 2011 is £900,000 received on the exit of the former flagship store lease on New Bond Street, London (see note 7).

### 6. BUSINESS AND GEOGRAPHICAL SEGMENTS

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Operating decision maker, defined as the Chief Executive to allocate resources to the segments and to assess their performance.

#### (A) Business segments

For management purposes, the Group is currently organised into two operating divisions – the Retail business and Design business. 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, clothing and footwear 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.

	Design 2012 £'000	Retail 2012 £'000	Eliminations 2012 £'000	Group 2012 £'000
<b>Revenue</b>				
External sales	68,845	99,606	–	168,451
Inter-segment sales	39,770	–	(39,770)	–
<b>Total revenue</b>	<b>108,615</b>	<b>99,606</b>	<b>(39,770)</b>	<b>168,451</b>
<b>Segment result</b>	<b>17,834</b>	<b>18,606</b>	<b>–</b>	<b>36,440</b>
Central administration costs				(1,023)
Share of results of associate				562
Net finance income				22
<b>Profit before tax</b>				<b>36,001</b>

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

	Design 2011 £'000	Retail 2011 £'000	Eliminations 2011 £'000	Group 2011 £'000
<b>Revenue</b>				
External sales	48,148	73,497	–	121,645
Inter-segment sales	27,113	–	(27,113)	–
<b>Total revenue</b>	<u>75,261</u>	<u>73,497</u>	<u>(27,113)</u>	<u>121,645</u>
<b>Segment result</b>	<u>15,817</u>	<u>8,283</u>	<u>–</u>	<u>24,100</u>
Central administration costs				(1,090)
Share of results of associate				305
Net finance income				30
<b>Profit before tax</b>				<u>23,345</u>

	2012 Design £'000	2012 Retail £'000	2012 Total £'000	2011 Design £'000	2011 Retail £'000	2011 Total £'000
<b>Other information</b>						
Capital expenditure	<u>2,629</u>	<u>8,062</u>	<u>10,691</u>	<u>1,236</u>	<u>4,373</u>	<u>5,609</u>
Depreciation and amortisation	<u>1,254</u>	<u>1,968</u>	<u>3,222</u>	<u>1,456</u>	<u>1,439</u>	<u>2,895</u>

In addition, £1,752,000 (2011: £7,646,000) of capital expenditure and £1,263,000 (2011: £203,000) of depreciation was incurred by the parent company which is not included in the segments above.

	2012 Design £'000	2012 Retail £'000	2012 Total £'000	2011 Design £'000	2011 Retail £'000	2011 Total £'000
<b>Balance sheet</b>						
Segment assets	<u>43,437</u>	<u>48,644</u>	<u>92,081</u>	<u>42,962</u>	<u>22,917</u>	<u>65,880</u>
Interests in associates			357			210
Unallocated corporate assets			<u>10,866</u>			<u>10,497</u>
<b>Consolidated assets</b>			<u>103,304</u>			<u>76,587</u>
Segment liabilities	<u>16,782</u>	<u>10,052</u>	<u>26,834</u>	<u>16,792</u>	<u>7,581</u>	<u>24,373</u>
Unallocated corporate liabilities			<u>14,007</u>			<u>10,182</u>
<b>Consolidated liabilities</b>			<u>40,841</u>			<u>34,555</u>



## Notes to the consolidated financial statements

Year ended 31 March 2012

### 6. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

#### (B) Geographical segments

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

	Sales revenue by geographical market		Non-current assets by geographical market	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
UK	103,285	81,051	21,620	18,005
Rest of Europe	27,628	18,100	2,313	2,134
Asia	26,042	15,503	–	–
North America	8,367	5,200	4,620	481
Rest of World	3,129	1,791	–	–
	168,451	121,645	28,553	20,620

### 7. EXCEPTIONAL INCOME AND EXPENSES

There were no exceptional income or expenses in the current year.

On 5 October 2009, a transaction to assume operational control of the two New York stores and the distribution rights to the North American market previously held by our joint venture partner, Mulberry USA LLC, was completed. As part of this agreement, deferred consideration of up to £1,000,000 would become payable to Challice Limited (the remaining shareholder of Mulberry USA LLC and the majority shareholder of Mulberry Group plc) on a stepped basis if sales generated from the USA operations during the third year post-completion exceeded certain agreed thresholds. The consideration was to be payable in cash or, at Mulberry Group plc's option, new Mulberry shares, the number of shares being calculated at the then prevailing share price. Following the growth in the USA operations, as at 31 March 2011 the Directors concluded that it was probable that the deferred consideration would become payable and as such a provision for £1,000,000 was made and disclosed as an exceptional cost. This has subsequently been paid in full during April 2012.

As part of the Group's future growth strategy, the decision was made during the year ended 31 March 2010 to relocate the flagship New Bond Street store to an alternative site on New Bond Street. An agreement was made with the landlord to take back the lease of the old New Bond Street store in return for a payment to the Group of £900,000. This was received during January 2011 and disclosed as exceptional income.

### 8. PROFIT FOR THE YEAR

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

	2012 £'000	2011 £'000
Net foreign exchange loss	77	76
Depreciation and impairment of property, plant and equipment:		
Owned assets	3,992	2,261
Amortisation of intangible assets	494	837
Write-downs of inventories recognised as an expense	823	353
Cost of inventories recognised as expense	56,642	42,583
Staff costs (see note 10)	28,053	21,847
Impairment of trade receivables	295	183
(Profit)/loss on disposal of property, plant and equipment	(8)	152
	77	76

## 9. AUDITOR REMUNERATION

The analysis of auditor's remuneration is as follows:

	2012 £'000	2011 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	19	16
The audit of the Company's subsidiaries	40	37
<b>Total audit fees</b>	<u>59</u>	<u>53</u>
	<b>£'000</b>	<b>£'000</b>
Corporate finance services	30	–
Other taxation advisory services	51	85
Other services	3	3
<b>Total non-audit fees</b>	<u>84</u>	<u>88</u>

In 2012, the corporate finance services relate to work in connection with the Regional Growth Fund for our new Somerset factory. Tax services in both years include advice in relation to international structuring and company share schemes.

## 10. STAFF COSTS

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

	2012 Number	2011 Number
Production	362	313
Sales and distribution	465	436
Administration	116	72
	<u>943</u>	<u>821</u>
	<b>£'000</b>	<b>£'000</b>
Their aggregate remuneration comprised:		
Wages and salaries	24,634	18,726
Social security costs	2,197	1,964
Other pension costs (see note 30)	521	456
Share-based payments (see note 29)	701	701
	<u>28,053</u>	<u>21,847</u>

Details of Directors' remuneration and interests are provided in the audited section of the Directors' remuneration report and should be regarded as part of these financial statements.

## Notes to the consolidated financial statements

Year ended 31 March 2012

### 11. FINANCE INCOME

	2012 £'000	2011 £'000
Interest income on cash balances	72	74
	72	74

### 12. FINANCE EXPENSE

	2012 £'000	2011 £'000
Interest on bank overdraft	50	44
	50	44

### 13. TAX

	2012 £'000	2011 £'000
Current tax	9,915	6,416
Adjustment to prior year corporation tax	690	(103)
Deferred tax (note 23)	123	(13)
Adjustment to prior year deferred tax	(28)	(18)
	10,700	6,282

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

	2012 £'000	2011 £'000
Profit before tax	36,001	23,345
Tax at the UK corporation tax rate of 26% (2011: 28%)	9,360	6,537
Tax effect of items that are not deductible/(deductible) in determining taxable profit	316	(360)
Tax effect of expenses not deductible for tax purposes – fixed assets	343	156
Profits offset against prior year losses	(56)	(74)
Losses carried forward to offset against future profits	67	–
Chargeable gain on disposal of lease	13	–
Short-term timing differences	–	23
Effect of change in corporation tax rate	(5)	–
Prior year adjustments	662	–
Tax expense for the year	10,700	6,282

In the Budget on 21 March 2012 the UK Government announced that legislation will be introduced in the Finance Bill 2012 to reduce the main rate of corporation tax from 26% to 24% from 1 April 2012, to 23% from 1 April 2013 and to 22% by April 2014. On 26 March 2012 a resolution approving the rate change to 24% was passed and therefore 24% has been used to calculate the position on deferred tax at 31 March 2012 (2011: 26%). The further phased reduction to 22% has not yet been enacted. The Directors are not aware of any other factors that will materially affect the future tax charge.

#### 14. DIVIDENDS

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

	2012 £'000	2011 £'000
Final dividend for the year ended 31 March 2011 of 4p per share paid in August 2011 (2011: 2.2p)	2,310	1,266
Proposed final dividend for the year ended 31 March 2012 of 5p per share (2011: 4p)	2,982	2,367

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.

#### 15. EARNINGS PER SHARE ('EPS')

	2012 pence	2011 pence
Basic earnings per share	43.9	29.8
Diluted earnings per share	43.4	29.1
Adjusted basic earnings per share	43.9	30.4
Adjusted diluted earnings per share	43.4	29.7

Earnings per share is calculated based on the following data:

	2012 £'000	2011 £'000
Profit for the year for basic and diluted earnings per share	25,301	17,063
Deferred consideration	–	1,000
Lease income	–	(900)
Tax impact of exceptional lease income	–	252
Adjusted profit for the year for adjusted basic and diluted earnings per share	25,301	17,415

	2012 million	2011 million
Weighted average number of ordinary shares for the purpose of basic EPS	57.6	57.3
Effect of dilutive potential ordinary shares: share options	0.7	1.4
Weighted average number of ordinary shares for the purpose of diluted EPS	58.3	58.7

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

Notes to the consolidated financial statements

Year ended 31 March 2012

16. INTANGIBLE ASSETS

	Software £'000	Lease costs £'000	Total £'000
<b>Cost</b>			
At 1 April 2010	1,192	1,992	3,184
Additions	503	–	503
Exchange differences	–	(35)	(35)
	<hr/>	<hr/>	<hr/>
At 1 April 2011	1,695	1,957	3,652
Additions	2,425	–	2,425
Disposals	(48)	–	(48)
Exchange differences	–	(98)	(98)
	<hr/>	<hr/>	<hr/>
At 31 March 2012	4,072	1,859	5,931
<b>Amortisation</b>			
At 1 April 2010	440	245	685
Charge for the year	768	69	837
Exchange differences	–	(4)	(4)
	<hr/>	<hr/>	<hr/>
At 1 April 2011	1,208	310	1,518
Charge for the year	422	72	494
Disposals	(48)	–	(48)
Exchange differences	–	(17)	(17)
	<hr/>	<hr/>	<hr/>
At 31 March 2012	1,582	365	1,947
<b>Carrying amount</b>			
At 31 March 2012	2,490	1,494	3,984
	<hr/>	<hr/>	<hr/>
At 31 March 2011	487	1,647	2,134
	<hr/>	<hr/>	<hr/>
At 31 March 2010	752	1,747	2,499
	<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 27 years.

At 31 March 2012, the Group had entered into contractual commitments for the acquisition of software of £467,000 (2011: £615,000). Included within software is £1,074,000 of projects still in development and where depreciation will not commence until the projects are complete and the assets come into use (2011: £128,000).

## 17. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings £'000	Short leasehold land and buildings £'000	Plant and equipment £'000	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Total £'000
<b>Cost</b>						
At 1 April 2010	3,848	3,573	4,691	8,922	99	21,133
Additions	752	8,581	511	2,907	1	12,752
Disposals	–	(3,051)	–	(2,179)	–	(5,230)
Exchange differences	–	–	–	(14)	–	(14)
At 1 April 2011	4,600	9,103	5,202	9,636	100	28,641
Additions	1,362	4,978	2,256	1,312	111	10,019
Disposals	–	–	(1,873)	(2,302)	(72)	(4,247)
Exchange differences	–	11	–	(30)	–	(19)
At 31 March 2012	5,962	14,092	5,585	8,616	139	34,394
<b>Accumulated depreciation</b>						
At 1 April 2010	1,295	2,894	3,266	5,762	40	13,257
Charge for the year	109	262	500	1,366	24	2,261
Disposals	–	(2,978)	–	(2,100)	–	(5,078)
Exchange differences	–	–	–	(6)	–	(6)
At 1 April 2011	1,404	178	3,766	5,022	64	10,434
Charge for the year	178	1,432	801	1,555	26	3,992
Disposals	–	–	(1,873)	(2,288)	(61)	(4,222)
Exchange differences	–	1	–	(23)	–	(22)
At 31 March 2012	1,582	1,611	2,694	4,266	29	10,182
<b>Carrying amount</b>						
At 31 March 2012	4,380	12,481	2,891	4,350	110	24,212
At 31 March 2011	3,196	8,925	1,436	4,614	36	18,207
At 31 March 2010	2,553	679	1,425	3,160	59	7,876

Included within the table above, are the following assets under the course of construction which are not being depreciated:

At 31 March 2012	–	1,219	13	1,018	–	2,250
At 31 March 2011	752	–	–	–	–	752

The Group has the following contractual commitments:

At 31 March 2012	50	2,653	–	190	–	2,893
At 31 March 2011	748	–	–	–	–	748

Freehold land of £997,000 (2011: £997,000) has not been depreciated.

## Notes to the consolidated financial statements

Year ended 31 March 2012

### 18. SUBSIDIARIES

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

### 19. INTERESTS IN ASSOCIATES

	2012 £'000	2011 £'000
Total assets	2,031	1,177
Total liabilities	(1,961)	(1,040)
Total net assets	70	137
Total revenue	3,884	2,060
Profit for the year	1,125	610
Group's share of profit of associate	562	305

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

### 20. INVENTORIES

	2012 £'000	2011 £'000
Raw materials	2,475	1,684
Work-in-progress	758	655
Finished goods	29,313	20,069
	32,546	22,408

### 21. OTHER FINANCIAL ASSETS

#### Trade and other receivables

	2012 £'000	2011 £'000
Amount receivable for the sale of goods	11,047	8,977
Allowance for doubtful debts	(698)	(403)
	10,349	8,574
Amounts owed by associate undertakings	155	386
Other debtors	998	696
Prepayments and accrued income	3,410	2,530
	14,912	12,186

## 21. OTHER FINANCIAL ASSETS (continued)

### Trade receivables

The average credit period taken on the sale of goods is 42 days (2011: 39 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 assesses the potential customer's credit quality and defines individual credit limits by customer.

The Group's receivables comprise primarily department stores, franchisee partners and associates, and wholesale customers. Those customers who represented more than 10% of the total balance of trade receivables at the year-end were Club 21, House of Fraser (Stores) Limited and SHK Holdings (franchisee partner in Korea).

Included in the Group's trade receivables balance are debtors with a carrying amount of £1,804,000 (2011: £1,494,000) 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 ageing of past due but not impaired receivables were:

	2012 £'000	2011 £'000
0 to 30 days overdue	1,804	1,494
31 to 60 days overdue	–	–
	<u>1,804</u>	<u>1,494</u>

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

### Cash and cash equivalents

	2012 £'000	2011 £'000
Cash and cash equivalents	<u>27,293</u>	<u>21,373</u>

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.

## 22. BORROWINGS

The Group's borrowing facilities comprise bank overdrafts which would be repayable on demand. The multi-currency overdraft facilities of £2,000,000 (2011: £2,000,000) have been secured by a charge over the Group's assets. The interest rates are determined based on 1% over the bank base rate. In addition the Group has available trade facilities of £2,500,000 (2011: £2,500,000).

No borrowings were outstanding at the year-end (2011: nil).



## Notes to the consolidated financial statements

Year ended 31 March 2012

### 23. 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.

	Accelerated tax depreciation £'000	Short-term timing differences £'000	Total £'000
At 1 April 2010	170	(208)	(38)
Charge/(credit) to income	14	(45)	(31)
At 1 April 2011	184	(253)	(69)
Charge to income	20	75	95
Net deferred tax liability/(asset) as at 31 March 2012	204	(178)	26

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:

	2012 £'000	2011 £'000
Deferred tax liability	204	184
Deferred tax asset	(178)	(253)
	26	(69)

### 24. OTHER FINANCIAL LIABILITIES

#### Trade and other payables

	2012 £'000	2011 £'000
Trade payables	12,696	9,171
Accruals and deferred income	18,644	18,527
Other payables	3,287	2,778
	34,627	30,476

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 20 days (2011: 16 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.

Included within accruals is the £1,000,000 provision for the USA deferred consideration (2011: £1,000,000) (note 7), £5,890,000 relating to deferred income for lease incentives (2011: £4,717,000), £2,600,000 relating to management bonuses (2011: £2,000,000) and £1,374,000 accruals for fixed assets (2011: £1,537,000).

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

## 25. SHARE CAPITAL

	2012 £'000	2011 £'000
<b>Authorised</b>		
65,000,000 ordinary shares of 5p each (2011: 65,000,000)	3,250	3,250
	<u>          </u>	<u>          </u>
	£'000	£'000
<b>Issued and fully paid</b>		
59,635,175 ordinary shares of 5p each (2011: 58,869,505)	2,982	2,943
	<u>          </u>	<u>          </u>

The following share issues have been made during the year:

- On 14 April 2011, 300,000 5p ordinary shares were issued at a premium of £1.40 per share for the exercise of share options;
- On 25 January 2012, 265,000 5p ordinary shares were issued at a premium of £1.39½ per share for the exercise of share options; and
- On 6 March 2012, 200,670 5p ordinary shares were issued at a premium of £18.84½ per share to the Mulberry Group Plc Employee Share Trust for share awards.

The Company has not granted any options in respect of 5p ordinary shares during the year (2011: 80,000).

## 26. RESERVES

The own share reserve represents 1,715,893 5p ordinary shares (2011: 1,634,857) at a cost of £3,966,000 (2011: £621,000). The shares have been purchased in the market or issued as new shares by the Company, and are held by the Mulberry Group Plc Employee Share Trust to satisfy the deferred and matching shares under the Deferred Bonus Plan and Co-ownership Equity Incentive Plan.

During the year, the reserve increased due to the purchase of 200,670 5p ordinary shares following an issue of share capital by the Company at the open market value of £3,390,000 and reduced by the vesting of 119,634 shares with a value of £45,000.

## 27. OPERATING LEASE ARRANGEMENTS

	2012 £'000	2011 £'000
Minimum lease payments under operating leases recognised as an expense in the year	8,339	7,387
	<u>          </u>	<u>          </u>
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	9,937	7,565
In the second to fifth years inclusive	41,575	32,905
After five years	46,481	43,688
	<u>          </u>	<u>          </u>
	97,993	84,158
	<u>          </u>	<u>          </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 2035. 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 £2,098,000 (2011: £1,383,000).

## Notes to the consolidated financial statements

Year ended 31 March 2012

### 28. CONTINGENT LIABILITIES

Mulberry Group plc has acted as a guarantor on various property leases entered into between its subsidiaries and third-party lessors. No amounts were outstanding at the year-end in respect of such guarantees (2011: nil).

### 29. SHARE-BASED PAYMENTS

The Group operated the following schemes during the year.

#### 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:

	2012		2011	
	Number of share options	Weighted average exercise price (in £)	Number of share options	Weighted average exercise price (in £)
Outstanding at beginning of the year	1,361,000	2.13	1,366,000	1.46
Granted during the year	–	–	80,000	12.05
Forfeited during the year	–	–	(20,000)	1.45
Exercised during the year	(920,000)	1.45	(65,000)	1.45
Outstanding at the end of the year	<u>441,000</u>	3.40	<u>1,361,000</u>	2.13
Exercisable at the end of the year	<u>186,000</u>	1.45	<u>100,000</u>	1.46

The weighted average share price at the date of exercise for share options exercised during the period was £13.77 (2011: £1.45). The options outstanding at 31 March 2012 had a weighted average remaining contractual life of 0.6 years (2011: 0.5 years). The weighted average fair value of options granted during the year was nil (2011: £3.41).

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

	2012	2011
Share price	£1.44½ to £12.05	£0.50 to £12.05
Exercise price	£1.44½ to £12.05	£0.50 to £12.05
Expected volatility	50.21% to 62.41%	33.57% to 62.41%
Expected life	3.25 years	3.25 years
Risk-free rate	1.88% to 4.93%	1.88% to 5.05%
Expected dividend yields	0.3% to 1.6%	0% to 1.88%

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.

## 29. SHARE-BASED PAYMENTS (continued)

### 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:

	2012 Number of matching shares	2011 Number of matching shares
Outstanding at beginning of the year	238,717	216,685
Granted during the year	–	33,270
Exercised during the year	(58,594)	(11,238)
Outstanding at the end of the year	<u>180,123</u>	<u>238,717</u>
Exercisable at the end of the year	<u>18,210</u>	<u>10,034</u>

The options outstanding at 31 March 2012 had a weighted average remaining contractual life of 0.4 years (2011: 1.3 years) and have an exercise price of nil. The weighted average fair value of options granted during the year was nil (2011: £12.84).

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

	2012	2011
Share price	£1.21½ to £13.72	£1.21 to £1.94
Exercise price	nil	nil
Expected volatility	65% to 76.07%	43.93% to 76.07%
Expected life	2 years 6 months	2 years 6 months
Risk-free rate	1.59% to 1.96%	1.59% to 4.52%
Expected dividend yields	0.3% to 1.6%	1.23% to 1.6%

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.

## Notes to the consolidated financial statements

Year ended 31 March 2012

### 29. SHARE-BASED PAYMENTS (continued)

#### Mulberry Group plc 2009 Co-ownership Equity Incentive Plan

The plan was established on 20 August 2009. The vesting period is generally three years. The jointly owned shares may be forfeited if the employee leaves the Group prior to vesting and the rights of the participants lapse if the award has not been exercised after a period of seven years from the date of vesting.

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

	2012		2011	
	Number of share options	Weighted average exercise price (in £)	Number of share options	Weighted average exercise price (in £)
Outstanding at beginning of the year	1,325,000	1.46	1,325,000	1.46
Granted during the year	200,670	23.02	–	–
Outstanding at the end of the year	<u>1,525,670</u>	4.29	<u>1,325,000</u>	1.46
Exercisable at the end of the year	<u>–</u>	–	<u>–</u>	–

The co-owned share rights outstanding at 31 March 2012 had a weighted average remaining contractual life of 0.8 years (2011: 1.5 years). The weighted average fair value of awards granted during the year was £4.57 (2011: nil).

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

	2012	2011
Share price	£1.21½ to £18.89½	£1.21½
Exercise price	£1.46 to £23.02	£1.46
Expected volatility	47.96% to 53.79%	53.79%
Expected life	2 years 3 months to 4 years	2 years 3 months
Risk-free rate	0.41% to 2.16%	2.16%
Expected dividend yields	0.4% to 1.6%	1.6%

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 expenses related to share-based payments:

	2012 £'000	2011 £'000
Mulberry Group plc 2008 Unapproved Share Option Scheme	187	440
Mulberry Group plc 2008 Deferred Bonus Plan	348	107
Mulberry Group plc 2009 Co-ownership Equity Incentive Plan	166	154
	<u>701</u>	<u>701</u>

### 30. RETIREMENT BENEFIT SCHEMES

The Group contributes to personal pension plans for all qualifying employees. The total cost charged to income of £521,000 (2011: £456,000) represents contributions payable to these schemes by the Group at rates specified in the rules of the plans. As at 31 March 2012, contributions due in respect of the current reporting period which had not been paid over to the schemes were £65,000 (2011: £69,000).

### 31. 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 shareholders 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 the consolidated statement of changes in equity and 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

	Carrying values	
	2012 £'000	2011 £'000
<b>Financial assets</b>		
Loans and receivables (including cash and cash equivalents)	37,797	30,333
<b>Financial liabilities</b>		
Amortised cost	12,696	9,171

#### 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

Year ended 31 March 2012

### 31. 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:

	Liabilities		Assets	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Euro	2,972	2,045	5,947	3,822
US Dollar	506	522	5,745	3,933

#### *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 or 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.

	Euro currency impact		US Dollar currency impact	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Profit or loss	270	161	476	309

#### *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 2012 would have increased by £87,500 (2011: increase by £118,000). This is mainly attributable to the Group's exposure to interest rates on its cash deposits.

The Group's sensitivity to interest rates has increased during the current period mainly due to the net increase in the funds on which interest is received.

### 31. 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 letters of credit where deemed appropriate, 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 21. 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 22 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 0.7% (2011: 0.5%).

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.

	Weighted average interest rate	Less than 1 year £'000	1 to 2 years £'000	2 to 3 years £'000	3 to 4 years £'000	4 to 5 years £'000	Total £'000
2012							
Current liabilities	–	40,815	–	–	–	–	40,815

	Weighted average interest rate	Less than 1 year £'000	1 to 2 years £'000	2 to 3 years £'000	3 to 4 years £'000	4 to 5 years £'000	Total £'000
2011							
Current liabilities	–	34,555	–	–	–	–	34,555

#### 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

Year ended 31 March 2012

### 32. 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.

#### USA transaction

On 5 October 2009, a transaction to assume operational control of the two New York stores and the distribution rights to the North American market previously held by our joint venture partner, Mulberry USA LLC, was completed. As part of this agreement, deferred consideration of up to £1,000,000 became payable to Challice Limited (the remaining shareholder of Mulberry USA LLC and the majority shareholder of Mulberry Group plc) on a stepped basis if sales generated from the USA operations during the third year post completion exceeded certain agreed thresholds. The consideration was to be payable in cash or, at Mulberry Group plc's option, new Mulberry shares, the number of shares being calculated at the then prevailing share price. Following the growth in the USA operations, as at 31 March 2011 the Directors concluded that it was probable that the deferred consideration would become payable and as such a provision for £1,000,000 was made and disclosed as an exceptional cost. This has subsequently been paid in full during April 2012.

#### Trading transactions

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

	Sale of goods		Amounts owed by related parties	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Mulberry Oslo AS	1,744	1,433	155	386 <sup>†</sup>
Club 21 Retail (Hong Kong) Limited*	5,688	3,103	632	343
Club 21 Pte Limited*	1,521	1,038	369	186
Club 21 (Thailand) Co Limited*	921	454	77	41
Club 21 Pte Limited Taiwan Branch*	474	227	35	13
Club 21 Distribution (S) Pte Limited*	–	–	(9)	–
Club Twenty-One Retail (M) Sdn Bhd*	415	375	13	66
Club 21 Australia Pty Ltd*	578	396	25	110
Club 21 Japan Company Ltd*	872	–	3	–

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

<sup>†</sup> Includes £nil of dividend income outstanding at the year-end (2011: £214,000).

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.

### 32. RELATED PARTY TRANSACTIONS (continued)

#### 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.

	2012 £'000	2011 £'000
Short-term employee benefits	2,326	1,057
Post-employment benefits	31	77
Share-based payments	215	302
	<u>2,572</u>	<u>1,436</u>

### 33. CONTROLLING PARTY

At the year-end, Challice Limited controlled 56.53% of the issued share capital of the Company. The ultimate controlling parties of Challice Limited are Mr Ong Beng Seng and Mrs Christina Ong. As at the date of signing the financial statements, Challice Limited controlled 56.32% of the issued share capital of the Company.

## Company financial statements

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### Contents

	Page
Independent auditor's report	51
Company balance sheet	52
Notes to the company financial statements	53
Notice of Annual General Meeting	59
Group five year summary	64

## Independent auditor's 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 2012 which comprise the parent company balance sheet and the related notes 34 to 45. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### OPINION ON FINANCIAL STATEMENTS

In our opinion the parent company financial statements:

- give a true and fair view of the state of the parent company's affairs as at 31 March 2012;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

### MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### OTHER MATTERS

We have reported separately on the Group financial statements of Mulberry Group plc for the year ended 31 March 2012.

David Hedditch (Senior statutory auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Bristol, United Kingdom  
13 June 2012

## Company balance sheet

At 31 March 2012

	Note	2012 £'000	2011 £'000
<b>Fixed assets</b>			
Tangible fixed assets	37	10,660	10,171
Investments	36	13,242	13,202
		23,902	23,373
<b>Current assets</b>			
Debtors	38	17,087	11,211
Creditors: amounts falling due within one year	39	(14,364)	(9,615)
		2,723	1,596
<b>Net current assets</b>		2,723	1,596
<b>Total assets less current liabilities</b>		26,625	24,969
Provision for liabilities	40	(174)	(178)
		26,451	24,791
<b>Net assets</b>		26,451	24,791
<b>Capital and reserves</b>			
Called up share capital	43	2,982	2,943
Share premium account	44	11,578	7,007
Own share reserve	44	(3,966)	–
Capital redemption reserve	44	154	154
Special reserve	44	4,187	4,187
Profit and loss account	44	11,516	10,500
		26,451	24,791
<b>Shareholders' funds</b>	45	26,451	24,791

The financial statements of Mulberry Group plc (company number 01180514) were approved by the Board of Directors and authorised for issue on 13 June 2012. They were signed on its behalf by:

Bruno Guillon  
Director

Roger Mather  
Director

## Notes to the company financial statements

Year ended 31 March 2012

### 34. SIGNIFICANT ACCOUNTING POLICIES

#### Basis of accounting

The separate financial statements of the Company are presented as required by the Companies Act 2006 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 and fittings	10% to 33%

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.

#### 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.

#### Share-based payments

The Company participates in a number of executive and employee share schemes. For all grants of share options, the fair value as at the date of grant is calculated using the Black-Scholes model and the corresponding expense is recognised on a straight-line basis over the vesting period based on the Company's estimate of the proportion of the shares that will actually vest.

## Notes to the company financial statements

Year ended 31 March 2012

### 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 408 of the Companies Act 2006 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 2012 of £6,944,000 (2011: £8,836,000).

The auditor's remuneration for audit and other services is disclosed within note 9 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

	Subsidiaries shares £'000	Subsidiaries loans £'000	Total £'000
<b>Cost</b>			
At 1 April 2011	2,858	11,804	14,662
Additions	40	–	40
At 31 March 2012	2,898	11,804	14,702
<b>Provision for impairment</b>			
At 1 April 2011	1,460	–	1,460
Charge for the year	–	–	–
At 31 March 2012	1,460	–	1,460
<b>Net book value</b>			
End of year	1,438	11,804	13,242
Beginning of year	1,398	11,804	13,202

During the year, the Company established subsidiaries in Germany and Switzerland.

### 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:

	Country of incorporation	Principal activity	Holding of ordinary shares
<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 stores in France	100%
Mulberry Company (Sales) Limited	England and Wales	Establishment and operation of retail shops in the UK	100%*
Mulberry Company (Europe) Limited	England and Wales	Intermediary holding company	100%
Kilver Street Inc	USA	Establishment and operation of retail stores in the USA	100%
Mulberry Group Plc Employee Share Trust	Guernsey	Operation of an employee share trust	100%
Mulberry Company (Germany) GmbH	Germany	Establishment and operation of retail stores in Germany	100%
Mulberry Company (Switzerland) GmbH	Switzerland	Establishment and operation of retail stores in Switzerland	100%
<b>Associates</b>			
Mulberry Oslo AS†	Norway	Operation of a retail store in Oslo	50%*

\* Owned by Mulberry Company (Europe) Limited

† Accounting reference date of 30 September

### 37. TANGIBLE FIXED ASSETS

	Freehold land and buildings £'000	Short leasehold land and buildings £'000	Fixtures and fittings £'000	Total £'000
<b>Cost</b>				
At 1 April 2011	4,600	6,288	805	11,693
Additions	1,309	408	35	1,752
At 31 March 2012	5,909	6,696	840	13,445
<b>Depreciation</b>				
At 1 April 2011	1,404	118	–	1,522
Charge for the year	178	954	131	1,263
At 31 March 2012	1,582	1,072	131	2,785
<b>Net book value</b>				
End of year	4,327	5,624	709	10,660
Beginning of year	3,196	6,170	805	10,171



## Notes to the company financial statements

Year ended 31 March 2012

### 37. TANGIBLE FIXED ASSETS (continued)

Freehold land of £997,000 (2011: £997,000) has not been depreciated.

At 31 March 2012, the Company had entered into contractual commitments for the acquisition of property of £nil (2011: £748,000). There are no assets under the course of construction where depreciation has not yet commenced (2011: £752,000 of freehold land and buildings).

### 38. DEBTORS

	2012 £'000	2011 £'000
<b>Amounts falling due within one year:</b>		
Amounts owed by Group undertakings	16,827	11,185
Prepayments and accrued income	260	26
	17,087	11,211
	17,087	11,211

### 39. CREDITORS

	2012 £'000	2011 £'000
<b>Amounts falling due within one year:</b>		
Amounts owed to Group undertakings	6,877	4,439
Accruals and deferred income	7,487	5,176
	14,364	9,615
	14,364	9,615

### 40. PROVISION FOR LIABILITIES

	2012 £'000	2011 £'000
Deferred tax – accelerated capital allowances	174	178
	174	178
		<b>£'000</b>
Deferred tax liability at 1 April 2011		178
Credit for the year		(4)
		174
Deferred tax liability at 31 March 2012		174

#### 41. RELATED PARTY TRANSACTIONS

Details of related party transactions are provided in note 32 of the consolidated financial statements. The Company has taken advantage of the exemption in FRS 8 not to disclose details of transactions with other wholly owned Group companies.

#### 42. CONTINGENT LIABILITIES

Mulberry Group plc has acted as a guarantor on various property leases entered into between its subsidiaries and third-party lessors. No amounts were outstanding at the year-end in respect of such guarantees (2011: nil).

#### 43. CALLED UP SHARE CAPITAL

	2012 £'000	2011 £'000
<b>Authorised</b>		
65,000,000 ordinary shares of 5p each (2011: 65,000,000)	3,250	3,250
	<u>£'000</u>	<u>£'000</u>
<b>Issued and fully paid</b>		
59,635,175 ordinary shares of 5p each (2011: 58,869,505)	2,982	2,943
	<u>£'000</u>	<u>£'000</u>

The following share issues have been made during the year:

- On 14 April 2011, 300,000 5p ordinary shares were issued at a premium of £1.40 per share for the exercise of share options;
- On 25 January 2012, 265,000 5p ordinary shares were issued at a premium of £1.39½ per share for the exercise of share options; and
- On 6 March 2012, 200,670 5p ordinary shares were issued at a premium of £18.84½ per share to the Mulberry Group Plc Employee Share Trust for share awards.

The Company has not granted any options in respect of 5p ordinary shares during the year (2011: 80,000).

## Notes to the company financial statements

Year ended 31 March 2012

### 44. RESERVES

	Share capital £'000	Share premium £'000	Own share reserve £'000	Capital redemption reserve £'000	Special reserve* £'000	Profit and loss account £'000
Balance at 1 April 2011	2,943	7,007	–	154	4,187	10,500
Profit for the year	–	–	–	–	–	6,944
Ordinary dividends paid	–	–	–	–	–	(2,310)
Charge for share-based payments	–	–	–	–	–	701
Exercise of share options	–	–	–	–	–	(4,319)
Issued share capital	39	4,571	–	–	–	–
Own shares	–	–	(3,966)	–	–	–
Balance at 31 March 2012	<u>2,982</u>	<u>11,578</u>	<u>(3,966)</u>	<u>154</u>	<u>4,187</u>	<u>11,516</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 (2011: £165,000).

The own share reserve represents 1,715,893 5p ordinary shares (2011: 1,634,857) at a cost of £3,966,000 (2011: £621,000). The shares have been purchased in the market or issued as new shares by the Company, and are held by the Mulberry Group Plc Employee Share Trust to satisfy the deferred and matching shares under the Deferred Bonus Plan and Co-ownership Equity Incentive Plan.

### 45. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	£'000
Balance at 1 April 2011	24,791
Profit for the year	6,944
Ordinary dividends paid	(2,310)
Charge for share-based payments	701
Exercise of share options	(4,319)
Issued share capital	4,610
Own shares	(3,966)
Balance at 31 March 2012	<u>26,451</u>

## Notice of Annual General Meeting

Year ended 31 March 2012

Notice is given that the Annual General Meeting of Mulberry Group plc will be held at Mulberry Group plc's offices, 30 Kensington Church Street, London, W8 4HA on 12 September 2012 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 2012 together with the independent auditor's report be received and adopted.

#### Dividend declaration

2. To declare a final dividend of 5.0 pence per ordinary share for the year ended 31 March 2012.

#### Election of Directors

3. To elect Mr B D T Guillon as a Director who, having been appointed since the last Annual General Meeting, offers himself for re-election in accordance with the Company's Articles of Association.

#### Re-election of retiring Directors

4. That Mr G P Davis who retires as a Director by rotation in accordance with the Company's Articles of Association be re-elected as a Director.
5. That Mr R T Mather 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

6. 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 resolutions, of which resolution 7 will be proposed as an ordinary resolution, and resolutions 8 and 9 will be proposed as special resolutions:

#### Directors' power to allot relevant securities

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 generally and unconditionally authorised pursuant to Section 551 of the Companies Act 2010 ("the Act") to exercise all powers of the Company to allot shares in the Company, and grant rights to subscribe for or to convert any security into shares of the Company (such shares, and rights to subscribe for or to convert any security into shares of the Company being "relevant securities") up to an aggregate nominal amount of £993,920, provided that, unless previously revoked, varied or extended, this authority shall expire on the conclusion of the Annual General Meeting of the Company to be held in 2013, except that the Company may at any time before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such an offer or agreement as if this authority had not expired.

#### Waiver of statutory pre-emption rights

8. That the Directors be and they are empowered pursuant to Section 570(1) of the Act to allot equity securities (as defined in Section 560(1) of the Act) of the Company wholly for cash pursuant to the authority of the Directors under Section 551 of the Act conferred by resolution 7 above, and/or by way of a sale of treasury shares (by virtue of Section 573 of the Act), in each case as if Section 561(1) of the Act did not apply to such allotment, provided that:

## Notice of Annual General Meeting

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(continued)

- (a) the power conferred by this resolution shall be limited to:
  - (i) the allotment of equity securities in connection with an offer of equity securities to the holders of ordinary shares in the capital of the Company in proportion as nearly as practicable to their respective holdings of such shares, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements or legal or practical problems arising under the laws or requirements of any overseas territory or by virtue of shares being represented by depository receipts or the requirements of any regulatory body or stock exchange or any other matter whatsoever; and
  - (ii) the allotment, otherwise than pursuant to sub-paragraph (i) above, of equity securities up to an aggregate nominal value equal to £149,088; and
- (b) unless previously revoked, varied or extended, this power shall expire on the conclusion of the Annual General Meeting of the Company to be held in 2013 except that the Company may before the expiry of this power make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if this power had not expired.

### Authority to purchase ordinary shares (market purchases)

9. That the Company be and is hereby unconditionally and generally authorised for the purposes of Section 701 of the Act to make market purchases (within the meaning of Section 693(4) of the Act) of its ordinary shares of 5p each ("Ordinary Shares") provided that:

- (a) the maximum number of Ordinary Shares authorised to be purchased is 2,981,759;
- (b) the minimum price which may be paid for any such Ordinary Share is 5p;
- (c) the maximum price which may be paid for an Ordinary Share shall be an amount equal to 105% of the average middle market prices for an Ordinary Share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the Ordinary Share is contracted to be purchased; and
- (d) this authority shall, unless previously renewed, revoked or varied, expire on the earlier of the date falling 18 months after the date of the passing of this resolution and the conclusion of the Annual General Meeting of the Company to be held in 2013, but the Company may enter into a contract for the purchase of Ordinary Shares before the expiry of this authority which would or might be completed (wholly or partly) after its expiry.

By order of the Board

Kate Anthony Wilkinson  
Secretary  
13 June 2012

Registered office: The Rookery, Chilcompton, Bath, Somerset, BA3 4EH

**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 AGM in order to represent his appointer. 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 AGM 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 10 September 2012.
2. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those persons registered in the register of members of the Company at 6.00 pm on 10 September 2012 (or if the AGM is adjourned, 48 hours before the time fixed for the adjourned AGM) shall be entitled to attend and vote at the AGM in respect of the number of shares registered in their name at that time. Any changes to the register of members after such time shall be disregarded in determining the rights of any person to attend or vote at the AGM.
3. Please note that communications regarding the matters set out in this Notice of Annual General Meeting will not be accepted in electronic form other than as specified in the enclosed form of proxy.
4. As at 13 June 2012 (being the last business day prior to the publication of this Notice) the Company's issued share capital consists of 59,635,175 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 13 June 2012 are 59,635,175.
5. 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 AGM and will also be available for inspection at the place of the AGM from 10.45 am on the day of the AGM until its conclusion:
  - (a) the register of Directors' interests in the shares of the Company; and
  - (b) copies of the Executive Directors' service contracts with the Company and letters of appointment of the Non-Executive Directors.

## Notice of Annual General Meeting

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(continued)

### Explanatory notes to the Special Business to be transacted at the meeting

#### **Resolution 7 – Directors' power to allot relevant securities**

Resolution 7, which will be proposed as an ordinary resolution, grants the Directors authority to allot shares in the capital of the Company and other relevant securities up to an aggregate nominal value of £993,920, representing approximately one-third of the nominal value of the issued ordinary share capital of the Company as at 13 June 2012, being the latest practicable date before publication of this Notice. The Directors do not have any present intention of exercising the authorities conferred by this resolution but they consider it desirable that the specified amount of unissued share capital is available for issue so that they can more readily take advantage of possible opportunities in the future.

Unless revoked, varied or extended, this authority will expire at the conclusion of the next Annual General Meeting of the Company or the date falling 18 months from the passing of the resolution, whichever is the earlier.

#### **Resolution 8 – waiver of statutory pre-emption rights**

Resolution 8, which will be proposed as a special resolution, authorises the Directors in certain circumstances to allot equity securities for cash other than in accordance with statutory pre-emption rights (which require a company to offer all allotments for cash first to existing shareholders in proportion to their holdings). The relevant circumstances are either where the allotment takes place in connection with a rights issue or the allotment is limited to a maximum nominal amount of £149,088, representing approximately 5% of the nominal value of the issued ordinary share capital of the Company as at 13 June 2012, being the latest practicable date before publication of this Notice. Unless revoked, varied or extended, this authority will expire at the conclusion of the next AGM of the Company or 18 months after the passing of the resolution, whichever is the earlier.

The Company may hold any shares it buys back "in treasury" and then sell them at a later date for cash rather than simply cancelling them. Any such sales are required to be made on a pre-emptive, pro-rata basis to existing shareholders unless shareholders agree by special resolution to disapply such pre-emption rights. Accordingly, in addition to giving the Directors power to allot unissued ordinary shares on a non pre-emptive basis, resolution 8 will also give the Directors power to sell ordinary shares held in treasury on a non pre-emptive basis, subject always to the limitations noted above.

The Directors consider that the power proposed to be granted by resolution 8 is necessary to retain flexibility in relation to the management of the Company's share capital, although they do not have any intention at the present time of exercising such power.

#### **Resolution 9 – authority to purchase ordinary shares (market purchases)**

Resolution 9, which will be proposed as a special resolution, authorises the Directors to make market purchases of up to 2,981,759 ordinary shares (representing approximately 5% of the Company's issued ordinary shares as at 13 June 2012, being the latest practicable date before publication of this Notice). Shares so purchased may be cancelled or held as treasury shares as noted above. The authority will expire at the end of the next Annual General Meeting of the Company or 18 months from the passing of the resolution, whichever is the earlier. The Directors intend to seek renewal of this authority at subsequent Annual General Meetings.

The minimum price that can be paid for an ordinary share is 5p, being the nominal value of an ordinary share. The maximum price that can be paid is 5% over the average of the middle market prices for an ordinary share, derived from the Daily Official List of the London Stock Exchange, for the five business days immediately before the day on which the share is contracted to be purchased.

The Directors intend to exercise this right only when, in light of the market conditions prevailing at the time and taking into account all relevant factors (for example, the effect on earnings per share), they believe that such purchases are in the best interests of the Company and shareholders generally. The overall position of the Company will be taken into account before deciding upon this course of action. The decision as to whether any such shares bought back will be cancelled or held in treasury will be made by the Directors on the same basis at the time of the purchase.





## Group five year summary

Year ended 31 March 2012

	2008 £'000	2009 £'000	2010 £'000	2011 £'000	2012 £'000
<b>Results</b>					
Revenue	51,174	58,585	72,052	121,645	168,451
Operating profit	<u>4,774</u>	<u>3,930</u>	<u>4,856</u>	<u>23,010</u>	<u>35,417</u>
Profit before tax	<u>5,186</u>	<u>4,177</u>	<u>5,096</u>	<u>23,345</u>	<u>36,001</u>
Profit attributable to equity holders	<u>3,436</u>	<u>2,581</u>	<u>2,972</u>	<u>17,063</u>	<u>25,301</u>
<b>Assets employed</b>					
Non-current assets	10,791	11,694	10,760	20,620	28,553
Current assets	23,570	24,572	29,524	55,967	74,751
Current liabilities	(11,821)	(11,750)	(13,819)	(34,555)	(40,815)
Non-current liabilities	(21)	(132)	–	–	(26)
Net assets	<u>22,519</u>	<u>24,384</u>	<u>26,465</u>	<u>42,032</u>	<u>62,463</u>
<b>Key statistics</b>					
Earnings per share	6.0p	4.5p	5.2p	29.8p	43.9p
Diluted earnings per share	6.0p	4.5p	5.2p	29.1p	43.4p

