MULBERRY

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2007

FINANCIAL HIGHLIGHTS

	2007	*2006 Restated see note 1*
Turnover	£45.1m	£43.4m
Operating profit	£6.7m	£6.2m
Profit before tax	£6.2m	£6.1m
Retained profit for the year	£4.0m	£4.8m
Basic earnings per ordinary share	8.14p	9.89p
Dividends proposed per share	1.5p	1.0p

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CHAIRMAN AND CHIEF EXECUTIVE'S REVIEW

The Group has continued to make progress building on the substantial sales and profit growth achieved last year. Operating profit increased by 8.5% to £6.7 million (restated 2006: £6.2 million).

Strong cash generation from operations of £7.9 million (2006: £8.0 million), resulted in cash balances increasing by £1.7 million. This was after financing capital expenditure of £3.8 million and the dividend on ordinary shares of £0.5 million (1 pence per share paid in August 2006).

A final dividend of 1.5 pence per share is being recommended (2006: 1.0 pence).

Sales for the year increased by 4% to £45.1 million (2006: £43.4 million).

Gross profit margin increased from 56.4% to 58.2%. Margins improved due to the increased proportion of sales at retail prices through the Group's own shops.

Operating expenses increased by £1.2 million reflecting the costs of the expanded retail network and increased investment in marketing, people and infrastructure to support the future growth of the business.

The associated company losses include the Group's share of the start up losses of Mulberry USA LLC which were $1 million (£0.5 million), the equivalent of the Group's investment.

At 31 March 2007, the Group had net cash on hand and at bank of £9.0 million (2006: £7.3 million). The Group has term loan and overdraft facilities of £7.5 million with its principal bankers HSBC Bank plc.

The Group made a profit on ordinary activities before tax for the year of £6.2 million (restated 2006: £6.1 million).

BUSINESS REVIEW

Accessories, which are our core business, continue to account for over 90% of Group sales.

The exceptional sales growth in the previous year to 31 March 2006 was fuelled by the huge success of the Roxanne and Bayswater handbags. In the year to 31 March 2007, we have consolidated the sales increase and developed a broader product base for the next stage of growth and to meet the specific requirements of new markets.

We continued to work to improve our control of the UK market. This involved a reduction in wholesale accounts and expansion of our own retail network where we have direct control over the presentation of our brand to the consumer. We opened a shop in Heathrow Terminal 3 and nine new concessions in House of Fraser department stores, taking the total to fifteen. In addition, as announced on 5 December 2006, we acquired the Mulberry shop in Brompton Road which had been run as a franchise.

For the 52 weeks to 31 March 2007 sales in our UK shops, which benefited from the full year trading of the shops opened last year and the new openings this year, increased by 28% and like for like sales, for the same period, increased by 10%.

In Europe, we acquired the lease on a shop of approximately 1,000 square feet, in Rue St Honoré, Paris, which opened at the beginning of March. The lease premium of Euro 2 million, with the associated purchase costs, is shown as an intangible asset in our balance sheet. In Scandinavia, our profitable associated company, Mulberry Oslo AS successfully relocated the Mulberry shop in Oslo.

In the USA, our associate company, Mulberry USA LLC, opened four shops between November 2006 and March 2007. The shops are at: 605 Madison Avenue and Bleeker Street in New York; Americana Mall, Long Island; and Melrose Place, Los Angeles. We demonstrated the opportunity for Mulberry in the American market in 2006, when we developed good sales at wholesale of our Roxanne and Bayswater bags. This justified the decision to pursue our strategy of opening our own shops to establish consumer demand for the whole Mulberry brand and not just a few selected products. This has resulted in a substantial reduction in our wholesale business in the USA this year. I believe our strategy is correct and the benefits of creating our own chain of Mulberry shops will come through in the years ahead.

CHAIRMAN AND CHIEF EXECUTIVE'S REVIEW
(continued)

In Asia, the shops run by our distribution partner, Club 21, continue to develop satisfactorily and the shop opened in Orchard Road, Singapore has made a good start. In Japan, there have been no significant developments.

The overall impact of these relatively complex changes in sales mix and focus during the year was that the sales of our own shops and website increased by 26% and our shipments to third parties reduced by 13%, compared to the previous year.

During the year, the Group's Somerset head office moved to new offices at the Rookery factory site. This move completed the rationalisation of the Group's UK facilities, significantly improving communication and providing space for future expansion.

CURRENT TRADING AND OUTLOOK

We are entering a new phase of development of the Mulberry brand with emphasis on international development. This will involve a material increase in marketing spend for the foreseeable future to increase customer awareness and desire for Mulberry globally. In the next year, the main focus will be the USA combined with additional expenditure in Asia and Europe. We have budgeted to increase our total expenditure on marketing from £3.0 million last year to £4.9 million. The Group has the resources to undertake this market development activity having generated substantial cash balances from profit over the last two years.

In the USA, our associate company opened a fifth shop in Atlantic City in May.

In Asia, our partners plan to open a second larger shop in Hong Kong. This remains on target to open before Christmas.

In Korea, our partner plans to open two department store shop in shops during the next year, bringing the total to three.

We plan to continue to expand our retail presence in the UK as opportunities arise. A new shop in Stansted airport will open in the next couple of months followed by a shop in Glasgow in the autumn. Our shop in Heathrow Terminal 5 is under construction and will start to trade in the next financial year when the terminal opens. Our retail sales in the UK, for the first ten weeks of the new financial year, are up by approximately 31% and like for like sales in the same period are up by approximately 9%.

B PREFERENCE SHARES

As announced on 17 April 2007 the 8,000,000 B preference shares, held by Challice Limited were converted to ordinary shares on a one for one basis as the conditions for conversion had been met.

DIVIDENDS

The Board is recommending the payment of a dividend on the ordinary shares of 1.5 pence per share (2006: 1.0 pence) which will be paid on 15 August 2007. The final dividend on the B preference shares for the period from 1 January 2007 up until they were converted of £56,000 will be paid on 30 June 2007.

STAFF

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

Godfrey Davis
Chairman and Chief Executive

20 June 2007

DIRECTORS, SECRETARY AND ADVISERS

Directors:	Godfrey Pawle Davis FCA (Chairman and Chief Executive) Guy Gibson Rutherford FCCA (Group Finance Director) Robert (Robin) Edward Graeme Gibson (Non-Executive Director and Chairman of the Remuneration Committee) Andrew Christopher Roberts FCCA (Non-Executive Director and Chairman of the Audit Committee) Steven Grapstein (Non-Executive Director) Bernard Lam Kong Heng (Non-Executive Director) Edward Vandyk (Non-Executive Director)
Registered Office:	The Rookery, Chilcompton, Bath, Somerset BA3 4EH
Secretary:	Guy Gibson Rutherford FCCA
Nominated Adviser and Nominated Broker:	Teather & Greenwood Limited Beaufort House 15 St. Botolph Street London EC3A 7QR
Registered Auditors:	Deloitte & Touche LLP Bristol
Solicitors:	Osborne Clarke 2 Temple Back East Temple Quay Bristol BS1 6EG
Principal Bankers:	HSBC Bank plc PO Box 120 49 Corn Street Bristol BS99 7PP
Registrars:	Computershare Investor Services plc PO Box 82 The Pavilions Bridgwater Road Bristol BS99 7NH

FINANCIAL REVIEW

PROFIT AND LOSS ACCOUNT

Turnover for the year rose by 4% to £45.1 million from £43.4 million last year.

Retail sales benefited from the full year trading of the shops opened last year and the new openings in the year under review. During the year a new shop opened in Heathrow Terminal 3 in February 2007 and nine new accessories concessions were opened in House of Fraser department stores. Additionally, the Group acquired the Mulberry shop in Brompton Road, London as explained below.

Gross profit as a percentage of turnover was 58.2% compared to 56.4% in the comparative period. The increase primarily reflected the increased proportion of retail sales, and in particular those sales through the full price shops, in the revenue mix.

Operating expenses as a percentage of turnover increased to 43.4% (restated 2006: 42.2%). The increase reflects increased investment in marketing, people and infrastructure to support the future growth of the business and the costs of the expanded retail network.

The associated company losses include the Group's share of the start up losses of Mulberry USA LLC which were $1 million (£0.5 million), which is the equivalent of the Group's investment.

The Board is proposing the payment of a final dividend of 1.5p per share, payable in August 2007 (2006: 1.0p). The aggregate amount of the dividend will be £0.86 million (2006: £0.49 million).

ADOPTION OF FRS20: SHARE BASED PAYMENTS

The requirements of FRS 20: 'Share based payments', which was adopted in the year, have been applied to all grants of options after 7 November 2002 that were unvested at 1 April 2006 and to all grants of options subsequent to that. This has resulted in a current year charge of £102,000 (2006: £82,000). The relevant prior year comparatives have been restated to reflect the new treatment. The basis for the charge is explained in more detail in note 1 to the financial statements.

ACQUISITION OF MULBERRY SHOP IN BROMPTON ROAD, LONDON

On 4 December 2006 a wholly owned subsidiary of Mulberry Group plc purchased the stock and shop fittings of the Mulberry shop in Brompton Road, London, and took over the lease by way of assignment.

The shop was operated by Mul 21 (UK) Limited ("Mul 21") an associated company of Challice Limited, the majority shareholder in Mulberry Group plc, furthermore Mul 21 had a sublease on the shop from Canbe Services Limited another associated company of Challice.

The total consideration consisted of the stock of £287,000 plus the fixed assets including shop fittings purchased for £100,000. The lease held by Canbe Services Limited, was assigned to the Group's subsidiary. The current rent is £475,000 per annum.

The Group decided to take control of the shop for marketing and operational reasons. The shopfit will be updated and a new retail system will be installed.

TAXATION

The Group reported a 35.8% effective tax rate (2006: 21.0%) on profit on ordinary activities resulting in a tax charge of £2.2 million (2006: £1.3 million). This is above the UK statutory rate of 30% due to items that are considered permanently non deductible for tax purposes. These include the FRS 20 charge for employee share incentive schemes of £0.1 million and the Group's share of the losses of Mulberry USA LLC of £0.5 million, both of which are explained above.

BALANCE SHEET

In the year the Group acquired the lease on a new shop in Rue St Honoré in Paris for a lease premium of £1.5m. This investment has been classified as an intangible asset in the balance sheet and is being amortised over twenty seven years.

Capital expenditure on tangible fixed assets for the year totalled £2.9 million (2006: £1.6 million) which included the majority of the costs of building the new offices at the Rookery factory in Somerset, which was completed in the year, the shop fit cost of the new shop in Rue St Honoré in Paris and various new shops in the UK as well as the initial investment in a new Group wide computer system from Prima Solutions. The depreciation charge was £1.05 million (2006: £1.12 million).

Stock levels increased by £0.7 million to £6.7 million resulting from the growth of the business and the additional retail outlets.

The balance sheet is underpinned by the substantial value of the brand name, copyrights and trademarks which are not valued. It is Group policy to expense all costs related to these as they are incurred.

A large proportion of the Group's production is pre-sold to a wide spread of customers. The Group's bad debt experience is satisfactory and it is the Group's policy to insure a large proportion of the UK and overseas debtors. Where this is not possible a careful commercial decision is taken with a specific credit limit established supported by regular monitoring of the position. Under the standard terms of the Group's credit insurance policy the Group cannot insure debts owed by associated companies.

There have been no changes of accounting policy during the year apart from the adoption of FRS 20 as explained earlier.

CASH FLOW

The principal source of funds was cash flow from operations which amounted to £7.9 million (2006: £8.0 million) in the year. This strong cash inflow was driven primarily by operating profits and resulted in net funds of £6.4 million at the end of the year (2006: £4.7 million). Net cash at the year end was £9.0 million compared to £7.3 million last year.

The Group paid a final dividend of 1.0p per ordinary share in respect of the prior year on 16 August 2006 which amounted to £0.5m. Additionally £196,000 of preference dividends were also paid in the year.

A property loan of £1.25 million, to fund the expansion of the Rookery factory site in Somerset, was fully drawn in January 2007 and is repayable over a five year term.

The Group had further committed but unutilised facilities of £6.25 million at the end of the year which comprise a £3.5 million multicurrency overdraft which is renewable annually, and a revolving credit facility of £2.75 million which expires in June 2009.

CONVERSION OF THE B PREFERENCE SHARES

Following satisfaction of the relevant conditions set out in the Company's articles of association and as announced on 17 April 2007, the Company converted the 8,000,000 B preference shares of 5p each, issued to Challice Limited under the subscription agreement announced on 17 August 2000, into 8,000,000 ordinary shares of 5p each. This increased Challice's holding to 34,212,144 shares which is 60.0% of the issued share capital of the Company. The issued share capital of the Company following this announcement is 57,014,505 ordinary shares of 5p each.

TREASURY AND FOREIGN EXCHANGE

The Group has continued its policy of balancing its currency exchange exposures which arise through normal trading. This is achieved by creating a natural hedge 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.

The Group also enters into forward foreign currency contracts as needed. The purpose of such transactions is to manage the currency risks arising from the Group's operations and its sources of finance not covered by the natural hedging process. There were no open financial instruments at the year end.

The Group's financial instruments, other than derivatives, comprise borrowings, long-term loans, cash and liquid resources and various items, such as trade debtors, trade creditors, etc., that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations, when required.

The Group's policy is, and has been throughout the period under review, that no trading in financial instruments shall be undertaken.

ADOPTION OF IFRS

In June 2002, the Council of the European Union adopted a Regulation requiring listed companies in Member States to prepare their consolidated financial statements in accordance with International Accounting Standards from 2005. For companies listed on AIM in the UK, a two year delay to 2007 was established. The Group has considered implementation of International Financial Reporting Standards (IFRS). The first Annual Report prepared under IFRSs will be that for the year ending 31 March 2008. The first financial results announcement prepared in accordance with IFRS will be those for the six months to 30 September 2007.

Guy Rutherford
Group Finance Director

20 June 2007

CORPORATE GOVERNANCE

In January 2003 the Higgs Report on the role and effectiveness of Non-Executive Directors and the Smith Report on the functioning of Audit Committees were issued. In July 2003 the Financial Reporting Council published a revised Combined Code, which incorporated certain recommendations from these two reports ("the Revised Code").

The Company is listed on the Alternative Investment Market and accordingly is not covered by the Revised Code. However, the Directors support the principles contained in the Revised Code and apply these where they consider they are appropriate to Mulberry Group plc.

THE BOARD OF DIRECTORS

The Board currently comprises 2 Executive Directors and 5 Non-Executive Directors. Details of the Directors are set out on page 13. Since the roles of Chairman and Chief Executive are not separated, as recommended by the Combined Code, the Directors consider it important that the Board should include Non-Executive Directors who bring strong independent judgement and considerable knowledge and experience to the Board's deliberations.

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

The Executive Directors are each employed under a contract of employment which can be terminated on not more than one year's notice.

The Non-Executive Directors provide their services under 12 month agreements renewed annually in January.

REMUNERATION COMMITTEE

The Remuneration Committee is chaired by a Non-Executive Director, Robin Gibson. The Committee is responsible for determining the remuneration and terms and conditions of employment of Executive Directors and senior employees of the Group. The report of the Board on the remuneration of the Directors is set out on pages 10 and 11.

AUDIT COMMITTEE

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

INTERNAL FINANCIAL CONTROL

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

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

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

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

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

GOING CONCERN

Based upon its review of the Group's working capital requirements for the next twelve months and borrowing facilities expected to be available, the Board considers that the Group has adequate cash resources to continue in operational existence for the foreseeable future. Accordingly, the financial statements set out on pages 18 to 46 have been prepared on the going concern basis.

REPORT OF THE BOARD ON THE REMUNERATION OF THE DIRECTORS

Mulberry Group plc is listed on the Alternative Investment Market and therefore is not required to prepare a directors' remuneration report. The following disclosures are prepared on a voluntary basis and are not subject to audit.

The Remuneration Committee comprises:

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

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

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

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

Full details of Directors' remuneration and share options are given in note 8.

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.

The Non-Executive Directors are appointed for a twelve month term. Non-Executive Directors 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 bonus, incentive or share option schemes.

REMUNERATION POLICY FOR EXECUTIVE DIRECTORS

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

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

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 Remuneration Committee. The base salary reflects job responsibility, market value and the sustained level of individual performance.

The incentive bonus scheme for the Executive Directors and management team is being revised by the Remuneration Committee to include a balance of benefits to reward current performance and long term commitment. The two Executive Directors who served in the year will each receive a bonus in respect of the financial year ended 31 March 2007.

DIRECTORS' REPORT

For the year ended 31 March 2007

The Directors present their report on the affairs of the Group, together with the financial statements and independent auditors' report, for the year ended 31 March 2007.

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The Group undertakes the design, production and distribution of the Mulberry brand.

The Group's principal activities are the design and manufacture or sourcing of fashion accessories, clothing and interior design products and their subsequent sale through wholesale channels or the Group's own shops in home and export markets. There have not been any significant changes in these activities in 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 in the next year.

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

As shown in the Consolidated Profit and Loss Account on page 18, sales have increased by 4% over the prior year and operating profit has further improved. The Chairman and Chief Executive's review on page 3 and the Financial Review on page 6 provide a review of the business for the year and future developments.

The Consolidated Balance Sheet on page 19 of the financial statements shows that the Group's financial position at the year end is stronger, in both net assets and cash terms, compared with the prior year.

As explained in note 27 of the financial statements, the 8,000,000 B preference shares were converted into ordinary shares on 16 April 2007 after the satisfaction of the relevant conditions for conversion.

There are no significant events since the balance sheet date apart from the conversion of the B preference shares and proposed final dividend which will be put to shareholders at the Annual General Meeting in August 2007.

As explained above, the Group undertakes all design, production, sourcing and distribution for the Mulberry brand. This includes retailing through the Group's own shops, which are mainly in the United Kingdom. The same product range is sold to all markets and the key performance indicators for the Group are sales, gross profit and overheads all of which are shown in the financial statements. For this reason, the Directors believe that further key performance indicators are not necessary or appropriate for an understanding of the development, performance or position of the business beyond those discussed in the Chairman and Chief Executive's review.

PRINCIPAL RISKS AND UNCERTAINTIES

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

Competitive pressure and changes in consumer demand and fashion are continuing risks, which could result in the loss of sales to key competitors. The Group manages this risk by the continuous investment in the design of new products and marketing to stimulate customer interest, having fast response times not only in supplying products but in handling all customer queries, and by maintaining strong relationships with customers.

An economic downturn could affect sales. A significant amount of our sales are generated in the UK. As a result a downturn that reduced spending by consumers in the UK on luxury goods could materially affect our trading results. Success of the Group's strategy to increase penetration of international markets is expected to reduce this risk.

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

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

The Group's sales are made in Pounds Sterling, Euros and US Dollars it is therefore exposed to the movement in the Euro/US Dollars to Pound exchange rates. The Group manages this risk by building a natural hedge of Euro and US Dollar denominated sales and purchases whereby the in and outflows of Euros and Dollars are similar.

With the conversion of the 'B' preference shares into ordinary shares on 17 April 2007 the only material third party debt is the property loan of £1.25 million. Accordingly, the Group has no material interest rate exposure.

RESULTS AND DIVIDENDS

The consolidated profit and loss account for the year is set out on page 18. The Directors are recommending the payment of a final dividend of 1.5p per ordinary share (2006: 1.0p), to be paid on 15 August 2007 to ordinary shareholders on the register on 20 July 2007.

DIRECTORS AND THEIR INTERESTS

The Directors who served during the year are shown below.

Executive Directors

Godfrey Davis FCA, 58, is Chairman and Chief Executive. He is a fellow of the Institute of Chartered Accountants in England and Wales and joined Mulberry as Group Finance Director in 1987 after 15 years at Arthur Andersen, where he was an international partner. He became Chairman and Chief Executive in November 2002.

Guy Rutherford FCCA, 42, is the Group Finance Director. He is a fellow of the Chartered Association of Certified Accountants and joined Mulberry in January 1999, being appointed Group Finance Director in September 1999. Previously he held senior financial and commercial roles with a number of organisations, latterly Hays Commercial Services. At Mulberry he is responsible for the IT systems, finance, warehousing and distribution.

Non-Executive Directors

Robin Gibson, 65, is Chairman of the Remuneration Committee. He was appointed on 1 May 1996.

Andrew Christopher Roberts FCCA, 43, is Chairman of the Audit Committee. He was appointed on 6 June 2002. Chris is Finance Director of Blue Oar plc, an AIM quoted financial services group. He is a fellow of the Chartered Association of Certified Accountants and is also on the Board of Albany Capital plc.

Steven H. Grapstein, 49, was appointed on 17 November 2003. He is presently the Chief Executive Officer of Kuo Investment Company (USA), an international investment group with extensive interests in the retail and hotel industries; Chairman of Presidio International dba A/X Armani Exchange, a fashion retail company, and serves as the Lead Director on the Board of Directors of Tesoro Petroleum Corporation, a US publicly held Fortune 500 company engaged in the oil and gas industry. He is a certified public accountant.

DIRECTORS' REPORT
(continued)

Bernard Lam Kong Heng, 61, was appointed on 17 November 2003. He is presently the Chief Executive of Como Holdings (UK) Ltd. a Singapore based company which has extensive retail, hotel and real estate operations in the UK and internationally.

Edward Vandyk, 59, was appointed on 6 June 2002. Until earlier this year he was Chief Executive of Corporate Synergy Group plc, now Blue Oar plc, an AIM quoted financial services group.

Directors' interests in the shares of the Company

	5p ordinary shares 2007	*5p ordinary shares 2006*
Godfrey Davis	1,669,558	1,669,558
Guy Rutherford	36,938	36,938
Robin Gibson	17,029	17,029

The other Directors had no interests in the shares of the Company.

Details of Directors' share options are disclosed in note 8 to the financial statements.

SUBSTANTIAL SHAREHOLDINGS

At 18 June 2007 the Company had been notified of the following interest in 3% or more of the share capital of the Company, other than those of the Directors above:

Ordinary Shares		
Challice Limited	34,212,144	60.0%
Kevin Stanford	13,755,000	24.1%

SUPPLIER PAYMENT POLICY

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

(a) settle the terms of payment with those suppliers when agreeing the terms of each transaction;

(b) ensure that those suppliers are made aware of the terms of payment; and

(c) 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 (2006: nil). For Mulberry Company (Design) Limited, the main trading subsidiary, it was 37 days (2006: 35 days).

EQUAL OPPORTUNITIES

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

DISABLED EMPLOYEES

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

EMPLOYEE CONSULTATION

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

On 20 May 1996, the Company introduced The Mulberry Group plc 1996 Company Share Option Scheme, under which all employees are eligible to participate at the discretion of the Board. The scheme expired on the tenth anniversary of its inception 20 May 2006.

CHARITABLE AND POLITICAL DONATIONS

The Group made charitable donations of £13,340 (2006: £1,984) during the year. The only donations in excess of £750 were as follows:

Dorothy House Hospice	£1,000
Cancer Research	£5,000

The Group made no political donations during the year.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the statement of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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.

DIRECTORS' REPORT
(continued)

The Directors are responsible for keeping proper accounting records which 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 1985. They are also responsible for the system of internal control, safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

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

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

A resolution to re-appoint Deloitte & Touche LLP as the Company's auditor will be proposed at the forthcoming Annual General Meeting.

The Rookery
Chilcompton
Bath
Somerset
BA3 4EH

By order of the Board

G G Rutherford
Secretary

20 June 2007

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF MULBERRY GROUP PLC

We have audited the Group and parent Company financial statements (the "financial statements") of Mulberry Group plc for the year ended 31 March 2007 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated Note of Historical Cost Profits and Losses and the related notes numbered 1 to 28. These financial statements have been prepared under the accounting policies set out therein.

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman and Chief Executive's Review and the Financial Review that is cross referred from the Business Review section of the Directors' Report. We also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specific by law regarding Directors' remuneration and other transactions is not disclosed.

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

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and the parent Company's affairs as at 31 March 2007 and of the Group's profit for the year then ended;
- and have been properly prepared in accordance with the Companies Act 1985; and
- the Directors' Report is consistent with the financial statements

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors

Bristol
United Kingdom

20 June 2007

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 March 2007

	Note	2007 £'000	2006 £'000 Restated see note 1
Turnover	2	45,078	43,406
Cost of sales		(18,818)	(18,912)
Gross profit		26,260	24,494
Other operating expenses (net)	3	(19,578)	(18,337)
Operating profit		6,682	6,157
Group share of (loss)/profit of associated undertakings	14	(498)	95
Interest receivable and similar income	4	324	163
Finance costs on preference shares		(249)	(249)
Other interest payable and similar charges		(49)	(31)
Interest payable	5	(298)	(280)
Profit on ordinary activities before taxation	6	6,210	6,135
Taxation on profit on ordinary activities	10	(2,222)	(1,304)
Profit on ordinary activities after taxation, being profit for the financial year	22	3,988	4,831
Earnings per ordinary share – basic	11	8.14p	9.89p
– diluted	11	7.38p	8.77p

A statement of movements on reserves is given in note 22.

All activities derive from continuing operations.

The accompanying notes form an integral part of this consolidated profit and loss account.

CONSOLIDATED BALANCE SHEET
31 March 2007

	Note	2007 £'000	2006 £'000 Restated see note 1
Fixed assets			
Intangible assets	12	1,499	–
Tangible assets	13	7,085	5,228
Investments	14	152	730
		8,736	5,958
Current assets			
Stocks	15	6,688	5,967
Debtors	16	3,869	5,239
Cash at bank and in hand		10,271	7,282
		20,828	18,488
Creditors: Amounts falling due within one year	17	(8,619)	(8,415)
Net current assets		12,209	10,073
Total assets less current liabilities		20,945	16,031
Creditors: Amounts falling due after more than one year	18	(3,841)	(2,579)
Provisions for liabilities	19	(53)	–
Net assets		17,051	13,452
Capital and reserves			
Called-up share capital	21	2,474	2,467
Share premium account	22	4,633	4,547
Revaluation reserve	22	49	80
Capital redemption reserve	22	154	154
Special reserve	22	1,467	1,467
Profit and loss account	22	8,274	4,737
Shareholders' funds	23	17,051	13,452

The accompanying notes form an integral part of this consolidated balance sheet.

Approved by the Board of Directors on 20 June 2007.

G P Davis

G G Rutherford

COMPANY BALANCE SHEET
31 March 2007

	Note	2007 £'000	2006 £'000 Restated see note 1
Fixed assets			
Tangible assets	13	2,762	2,043
Investments	14	13,202	12,413
		15,964	14,456
Current assets			
Debtors	16	2,142	2,067
Cash at bank and in hand		–	44
		2,142	2,111
Creditors: Amounts falling due within one year	17	(624)	(1,514)
Net current assets		1,518	597
Total assets less current liabilities		17,482	15,053
Creditors: Amounts falling due after more than one year	18	(3,814)	(2,514)
Provisions for liabilities	19	(104)	(65)
Net assets		13,564	12,474
Capital and reserves			
Called-up share capital	21	2,474	2,467
Share premium account	22	4,633	4,547
Revaluation reserve	22	49	80
Capital redemption reserve	22	154	154
Special reserve	22	4,187	4,187
Profit and loss account	22	2,067	1,039
Shareholders' funds	23	13,564	12,474

The accompanying notes form an integral part of this balance sheet.

Approved by the Board of Directors on 20 June 2007.

G P Davis

G G Rutherford

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2007

	Note	2007 £'000	2006 £'000
Net cash inflow from operating activities	24a	7,926	7,958
Returns on investments and servicing of finance	24b	85	(655)
Taxation		(1,987)	(550)
Capital expenditure	24b	(3,842)	(1,543)
Equity dividends paid		(490)	–
Cash inflow before financing		1,692	5,210
Financing	24b	1,297	(111)
Increase in cash in the year	24c	2,989	5,099

Reconciliation of net cash flow to movement in net funds/(debt)

	Note	2007 £'000	2006 £'000
Increase in cash in the year		2,989	5,099
Cash (outflow)/inflow from increase in debt and lease financing	24c	(1,207)	145
		1,782	5,244
Other non-cash changes			
Inception of finance leases	24c	–	(73)
Preference shares	24c	(50)	(50)
Movement in net funds		1,732	5,121
Net funds/(debt), beginning of year	24c	4,661	(460)
Net funds, end of year	24c	6,393	4,661

The accompanying notes form an integral part of this consolidated cash flow statement.

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 March 2007

	2007 £'000	2006 £'000
Profit for the financial year	3,988	4,913
Currency translation differences on foreign currency net investments	(94)	(9)
Total recognised gains in the year	3,894	4,904
Total recognised gains related to the year as above	3,894	
Prior period adjustment (as explained in note 1)	(82)	
Total gains recognised since the last annual report	3,812	

CONSOLIDATED NOTE OF HISTORICAL COST PROFITS AND LOSSES

For the year ended 31 March 2007

	2007 £'000	2006 £'000 Restated see note 1
Reported profit on ordinary activities before taxation	6,210	6,135
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	31	31
Historical cost profit on ordinary activities before taxation	6,241	6,166
Historical cost profit for the year after taxation	4,019	4,862

The accompanying notes form an integral part of this consolidated statement of total recognised gains and losses, and this consolidated note of historical cost profits and losses.

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 March 2007

1 Accounting policies

The financial statements for the year ended 31 March 2007 have been drawn up using the same accounting policies as for the year ended 31 March 2006 subject to the adoption of FRS 20 'Share based payments' this year.

The effects of this change in policy are summarised below:

Group	2007 £'000	2006 £'000
Profit and loss account		
Administrative expenses	102	82
Decrease in profit for the financial year	102	82

As the charge taken in the profit and loss account is allocated to the profit and loss reserve there is no impact on net assets.

Company	2007 £'000	2006 £'000
Profit and loss account		
Administrative expenses	47	39
Decrease in profit for the financial year	47	39
Balance Sheet		
Increase in amounts due from Group undertakings	55	43
Increase in net assets	55	43

As the charge to the profit and loss account in respect of staff employed by the Company is allocated to the profit and loss reserve there is no impact on net assets.

a) Basis of accounting

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and in accordance with applicable United Kingdom law and Accounting Standards.

b) Basis of consolidation

The Group financial statements consolidate the financial statements of Mulberry Group plc and its subsidiary undertakings. The results of subsidiaries acquired or disposed of in any year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Any goodwill arising on consolidation (representing the excess of the consideration given over the fair value of the separable net assets acquired) on acquisitions in the year ended 31 March 1998 and earlier periods was written off against reserves on acquisition in accordance with the accounting standard then in force. Subsequent goodwill arising on acquisitions is capitalised and amortised over its estimated useful life. As permitted by the current accounting standard the goodwill previously written off to reserves has not been reinstated in the balance sheet.

In the Group financial statements investments in associates are accounted for using the equity method. The consolidated profit and loss account includes the Group's share of associates' profits less losses while the Group's share of the net assets of the associates is shown in the consolidated balance sheet. Goodwill arising on the acquisition of associates is accounted for in accordance with the policy set out above. Any unamortised balance of goodwill is included in the carrying value of the investment in associates.

On disposal or closure of a previously acquired business, the attributable amount of goodwill previously written off to reserves is included in determining the profit and loss on disposal.

NOTES TO FINANCIAL STATEMENTS
(continued)

1 Accounting policies (continued)

The profit for the financial year dealt with in the financial statements of the parent company was £1,385,000 (2006: restated profit £4,359,000). As permitted by Section 230 of the Companies Act 1985 no separate profit and loss account is presented in respect of the parent company.

c) Intangible fixed assets

Intangible fixed assets are shown at cost and amortised over their expected useful lives.

d) Tangible fixed assets

The Group has taken advantage of the transitional provisions of FRS 15 'Tangible Fixed Assets' and retained the book amounts of freehold and leasehold properties which were revalued prior to implementation of that standard. The properties were last revalued at November 1989 and the valuations have not subsequently been updated.

Tangible fixed assets are shown at cost or valuation, net of depreciation and any provision for impairment.

Depreciation is provided on all tangible fixed assets other than freehold land, at rates calculated to write off the cost or valuation of fixed assets to their estimated residual value, over their expected useful lives, using the following annual rates, on a straight line basis:

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

The revaluation reserve is amortised to the profit and loss account at similar rates to the depreciation of the related properties.

e) Fixed asset investments and associated undertakings

Shares in subsidiary companies and associated undertakings are included in the Company's balance sheet at original cost to the Company less any provision for impairment. Only dividends received or receivable are included in the Company's profit and loss account for the year.

In the Group accounts associated undertakings are accounted for using the equity method. The consolidated profit and loss account includes the Group's share of these undertakings' profits less losses, while the Group's share of the net assets is shown in the consolidated balance sheet.

f) Stocks

Stocks are stated at the lower of cost and net realisable value. Cost represents materials, direct labour and production overheads.

Production overheads include the costs incurred in bringing each product to its present location and condition and is based on purchase cost including transport, plus a reasonable proportion of appropriate overheads based on normal levels of activity. Provision is made for obsolete, slow moving or defective items where appropriate.

g) Taxation

Current tax, including UK corporation tax and foreign 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 Group'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.

1 Accounting policies (continued)

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Deferred tax is recognised in respect of the retained earnings of overseas subsidiaries and associates only to the extent that, at the balance sheet date, dividends have been accrued as receivable or a binding agreement to distribute past earnings in future has been entered into by the subsidiary or associate.

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 of certain Group undertakings are reduced wholly or in part by the surrender of losses by fellow Group undertakings for which payment is made.

h) Derivative financial instruments

The Group uses derivative financial instruments to reduce exposure to foreign exchange risk. The Group does not hold or issue derivative financial instruments for speculative purposes.

For a forward foreign exchange contract to be treated as a hedge, the instrument must be related to actual foreign currency assets or liabilities or to a probable commitment. It must involve the same currency or similar currencies as the hedged item and must also reduce the risk of foreign currency exchange movements on the Group's operations. Gains and losses arising on these contracts are deferred and recognised in the profit and loss account, or are shown as adjustments to the carrying amount of fixed assets, only when the hedged transaction has itself been reflected in the Group's financial statements.

i) Pension costs

The Group operates money purchase schemes for Directors and employees. The employee schemes are available to all employees after a qualifying period of service. The amount charged to the profit and loss account in respect of pension costs is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

j) Foreign currency

Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the balance sheet date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

The profit and loss accounts and the assets and liabilities of foreign subsidiaries are translated at the rates ruling at the balance sheet date. Exchange differences which arise from the retranslation of the opening net assets of foreign subsidiaries are taken directly to reserves.

k) Turnover

Turnover comprises the value of sales (excluding VAT and similar taxes, trade discounts and intra Group transactions) of goods and services in the normal course of business. Income is recognised at the point of sale although provision is made for sales returns where appropriate.

l) Royalty income

Royalties are credited to the profit and loss account as the income is earned and is included in other operating income.

m) Leases

Assets held under finance leases, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

Operating lease rentals are charged to the profit and loss account on a straight line basis over the term of the lease. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the market rate is shorter than the full lease term, in which case the shorter period is used.

NOTES TO FINANCIAL STATEMENTS
(continued)

1 **Accounting policies (continued)**

n) Share based payments

The Group has applied the requirements of FRS20 to all grants of equity instruments after 7 November 2002 that were unvested at 1 April 2006 and to all grants of equity instruments subsequent to that. The Group issues equity-settled share based payments to certain employees. Equity-settled share based payments are measured at fair value (excluding the effect on non market based vesting conditions) at the date of grant. The fair value as determined at the grant date of the equity-settled share based payments is expensed on a straight line basis over the vesting period or the period to which the service relates, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market based vesting conditions. Fair value is measured by use of the Black-Scholes Option Pricing 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. The prior year comparatives have been restated to reflect the new treatment.

2 **Turnover**

Segmental disclosures have been omitted, as in the opinion of the Directors they would be seriously prejudicial to the Group.

3 **Sales, cost of sales, gross profit and other operating expenses (net)**

	2007 Total £'000	*2006 Total £'000 Restated see note 1*
Sales	45,078	43,406
Cost of sales	(18,818)	(18,912)
Gross profit	26,260	24,494
Distribution costs	(1,234)	(1,108)
Selling and marketing costs	(12,989)	(12,303)
Administrative expenses	(5,686)	(5,213)
	(19,909)	(18,624)
Other operating income	331	287
Other operating expenses (net)	(19,578)	(18,337)
Operating profit	6,682	6,157

4 **Interest receivable and similar income**

	2007 £'000	*2006 £'000*
On bank deposits	324	163

5 **Interest payable and similar charges**

	2007 £'000	*2006 £'000*
Finance costs on preference shares	249	249
On bank loans and overdrafts	44	18
On finance leases and hire purchase contracts	5	13
	298	280

6 Profit on ordinary activities before taxation

The profit on ordinary activities before taxation is stated after charging the following:

	2007 *£'000*	*2006* *£'000*
Depreciation, impairment and amounts written off of tangible fixed assets		
– owned	885	935
– held under finance leases and hire purchase contracts	162	188
Amortisation of intangible assets	18	–
Operating lease rentals:		
– plant and machinery	169	181
– other including land and buildings	2,431	1,782
Auditors' remuneration		
– audit services for the Company	6	5
– audit services for the Group	40	38
– other services	16	16
Loss on disposal of fixed assets	2	59

In 2007 the non-audit fees of £16,000 charged by the Auditors were in respect of work on the audit of the pension scheme, preparation for the adoption of IFRS and advice on VAT recovery.

In 2006 the non-audit fees of £16,000 charged by the Auditors were in respect of work on the audit of the pension scheme, review of the interim announcement and advice on VAT recovery.

7 Staff costs

Particulars of employees (including Executive Directors) are shown below:

	2007 *£'000*	*2006* *£'000* *Restated see note 1*
Employee costs during the year amounted to:		
Wages and salaries	8,826	8,809
Social security costs	862	892
Other pension costs (note 25)	299	307
Share based payments (see note 9)	102	82
	10,089	10,090

The average monthly number of persons employed by the Group during the year, including those on a part time basis, was as follows:

	2007 *Number*	*2006* *Number*
Production	221	209
Sales and distribution	262	234
Administration	41	37
	524	480

The only employees of the Company are the Directors whose emoluments are disclosed in note 8.

NOTES TO FINANCIAL STATEMENTS
(continued)

8 Directors' remuneration and transactions

Directors' remuneration

	2007 £'000	2006 £'000
Emoluments	504	886
Money purchase pension contributions	66	88
	570	974

Name of Director	Fees/Basic salary £'000	Bonus £'000	Taxable benefits £'000	Money purchase pension contributions £'000	2007 Total £'000	2006 Total £'000
Executive						
Godfrey Davis	195	25	22	48	290	377
Guy Rutherford	130	25	12	18	185	312
John Rogers	2	–	12	–	14	207
Non-Executive						
Robin Gibson	16	–	1	–	17	16
Christopher Roberts	16	–	–	–	16	16
Steven Grapstein	16	–	–	–	16	16
Bernard Heng	16	–	–	–	16	15
Edward Vandyk	16	–	–	–	16	15
Total	407	50	47	66	570	974

Annual bonuses are determined by the Remuneration Committee based on personal performance and the increase in Group profit before interest and tax.

John Rogers retired on 7 April 2006.

Two (2006: two) Directors are members of money purchase pension schemes.

Directors' share options

Emoluments disclosed above do not include any amounts for the value of options to subscribe for ordinary shares in the Company granted to or held by the Directors. Details of the options are as follows:

	31 March 2006	Granted during period	Exercised during period	31 March 2007	Exercise price £
Godfrey Davis	105,000	–	–	105,000	0.495
Godfrey Davis	100,000	–	–	100,000	1.455
Guy Rutherford	100,000	–	–	100,000	0.495
Guy Rutherford	100,000	–	–	100,000	1.455

Options held by Godfrey Davis and Guy Rutherford are exercisable between 29 June 2007 and 4 August 2015.

The market price of the ordinary shares at 31 March 2007 was 186p and the range during the year was 228.5p to 162.5p.

9 Share based payments

The Group operated the following share scheme:

The Mulberry Group plc 1996 Company Share Option Scheme

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

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

	2007 Number of share options	*2007* Weighted average exercise price (in p)	*2006* Number of share options	*2006* Weighted average exercise price (in p)
Outstanding at beginning of period	1,057,428	96.9	748,715	61.6
Granted during the period	–	–	425,000	145.5
Forfeited during the period	(37,385)	134.5	(30,880)	68.5
Exercised during the period	(140,043)	64.2	(85,407)	39.5
Outstanding at the end of the period[1]	880,000	100.1	1,057,428	96.9
Exercisable at the end of the period	200,000	53.0	152,428	83.3

[1] Included within this balance are nil (2006: 92,428) options that have not been recognised in accordance with FRS 20 as the options were granted on or before 7 November 2002. These options have not been subsequently modified and therefore do not need to be accounted for in accordance with FRS 20. Their exercise prices range from nil (2006: 39.5p to 134.5p).

The Company recognised the following expenses related to share based payments:

	2007 *£'000*	*2006* *£'000*
1996 Company Share Option scheme	102	82
	102	82

The weighted average share price at the date of exercise for share options exercised during the period was 198.2p (2006: 125.5p).

The options outstanding at 31 March 2007 had a weighted average exercise price of 100.1p (2006: 96.9p).

No options were granted in the year ended 31 March 2007. In the year ended 31 March 2006, options were granted on 4 August 2005 in respect of the Company Share Option Scheme. The aggregate of the estimated fair values of the options granted on that date is £217,000.

The fair value of options is measured by use of the Black-Scholes models.

NOTES TO FINANCIAL STATEMENTS
(continued)

9 Share based payments (continued)

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

	2007	*2006*
Share price (p)	49.5p - 145.5p	49.5p - 145.5p
Exercise price (p)	49.5p - 145.5p	49.5p - 145.5p
Expected volatility (%)	22.58% - 35.15%	22.58% - 35.15%
Expected life (years)	5	5
Risk-free rate (%)	4.09% - 5.05%	4.09% - 5.05%
Expected dividends (%)	0% - 0.7%	0% - 0.7%

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

10 Tax on profit on ordinary activities

	2007 *£'000*	*2006* *£'000*
Current year corporation tax	1,908	1,537
Adjustment to prior year corporation tax	(16)	–
Deferred tax	330	(233)
	2,222	1,304

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax are as follows:

	2007 *£'000*	*2006* *£'000* *Restated see note 1*
Profit on ordinary activities before tax	6,210	6,135
Tax on Group profit on ordinary activities at standard UK corporation tax rate of 30% (2006: 30%)	1,863	1,841
Effects of:		
Preference dividends payable	75	75
Expenses not deductible for tax purposes	287	379
Depreciation in excess of capital allowances	–	40
Capital allowances in excess of depreciation	(56)	–
Short term timing differences	(278)	(264)
Utilisation of tax losses	–	(534)
Losses carried forward to offset against future profits	17	–
Group current tax charge for period	1,908	1,537

10 Tax on profit on ordinary activities (continued)

The tax charge in future periods may be affected by the following:

- As a result of increased capital investment the Group has recognised a deferred tax liability of £53,000. At the balance sheet date, the brought forward tax losses have been fully utilised and therefore the prior year tax asset has been utilised (2006: £277,000).
- The amount of deferred tax that has not been provided for on revalued fixed assets is £17,000 (2006: £24,000), this has not been provided for as the Directors have no intention to sell the revalued assets.
- In March 2007 the Chancellor announced plans which may affect the Group's future tax position. These changes have yet to be enacted and so no impact assessment has been undertaken at this stage. The main changes include:

– a reduction in the corporation tax rate from 30% to 28% with effect from 1 April 2008;

– a reduction in the rate of tax writing down allowances from 25% to 20% on plant and machinery and from 25% to 10% on fixtures and fittings;

– the withdrawal of the industrial buildings allowance regime from 1 April 2011. The withdrawal of the industrial building pool must be recognised on 1 April 2007.

11 Earnings per ordinary share

Basic earnings per ordinary share has been calculated by dividing the profit on ordinary activities after taxation for each financial year by 48,974,442 (2006: 48,833,591) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

Diluted earnings per share has been calculated by dividing the profit on ordinary activities after taxation excluding the interest and finance costs relating to the preference shares for each financial year by 57,381,528 (2006: 57,909,182) potential ordinary shares, taking account of the potential conversion of the preference shares and exercise of unexercised options.

12 Intangible fixed assets

	£'000
Cost	
Beginning of year	–
Additions	1,517
End of year	1,517
Amortisation	
Beginning of year	–
Charge for year	18
End of year	18
Net book value	
End of year	1,499

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

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(continued)

13 Tangible fixed assets

a) Group

	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*
Cost or valuation						
Beginning of year	2,728	3,107	2,554	4,769	110	13,268
Additions	868	7	654	1,389	–	2,918
Disposals	–	–	–	(966)	–	(966)
End of year	3,596	3,114	3,208	5,192	110	15,220
Depreciation						
Beginning of year	906	1,080	2,304	3,703	47	8,040
Charge for year	82	242	135	535	18	1,012
Impairment losses	–	37	–	–	–	37
Disposals	–	–	–	(954)	–	(954)
End of year	988	1,359	2,439	3,284	65	8,135
Net book value						
End of year	2,608	1,755	769	1,908	45	7,085
Beginning of year	1,822	2,027	250	1,066	63	5,228

Included in short leaseholds, plant and equipment, motor vehicles and fixtures and fittings at 31 March 2007 are items acquired under hire purchase contracts and finance lease agreements with a net book value of £268,000 (2006: £431,000).

Freehold land of £997,000 (2006: £997,000) has not been depreciated.

The assets under hire purchase contracts and finance lease arrangements are secured against the assets to which they relate and guarantees provided by the Company.

Included within plant and equipment is £154,000 of assets in the course of construction in respect of the new computer system from Prima Solutions Limited which has not been put into operation at the balance sheet date and so has not been depreciated.

13 Tangible fixed assets (continued)

b) Company

	Freehold land and buildings £'000	Short leasehold land and buildings £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost or valuation				
Beginning of year	2,728	298	528	3,554
Additions	868	6	–	874
End of year	3,596	304	528	4,428
Depreciation				
Beginning of year	906	112	493	1,511
Charge for year	82	38	35	155
End of year	988	150	528	1,666
Net book value				
End of year	2,608	154	–	2,762
Beginning of year	1,822	186	35	2,043

Freehold land of £997,000 (2006: £997,000) has not been depreciated.

c) Tangible fixed assets at valuation

Certain freehold and leasehold land and buildings are included at valuation with subsequent additions at cost. The freehold land and buildings were revalued at £2,189,000 in November 1989 by Cooper and Tanner Limited, Surveyors and Valuers. The revaluation was based on the open market value of the freehold interest with vacant possession.

The original cost and aggregate depreciation of those assets included above at valuation is set out below:

Group and Company	Freehold land and buildings		Short leaseholds	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Original cost	1,582	1,582	66	66
Depreciation based on cost	(512)	(468)	(66)	(66)
Net book value	1,070	1,114	–	–

14 Fixed asset investments

a) Group

Group investments in Mulberry Oslo AS and Mulberry USA LLC are classified as associated undertakings as in both instances, taking account of the proportion of directors appointed by each shareholder and the terms of the operating agreements, the management control rests with the other 50% shareholder.

Group investments in associated undertakings comprise:

(i) 50% of the ordinary share capital of Mulberry Oslo AS, a Company incorporated in Norway. The principal activity of the Company is the operation of a retail shop in Norway. The Company's year end is 31 December which is not coterminous with that of the Group.

NOTES TO FINANCIAL STATEMENTS
(continued)

14 Fixed asset investments (continued)

(ii) 50% of the ordinary share capital of Mulberry USA LLC, a limited liability corporation incorporated in the USA. The principal activity of the Company is acting as a distributor for the USA and the establishment and operation of retail shops in the USA.

The movement in the year was as follows:

	Oslo *£'000*	*USA* *£'000*	*2007 Total* *£'000*
Beginning of year	112	618	730
Share of profit/(losses) for the year	45	(543)	(498)
Exchange adjustment	(5)	(75)	(80)
End of year	152	–	152

b) Company
The Company's principal investments comprise shareholdings in the following entities:

Name	*Shareholding*	*Principal activity*	*Country of registration*
Subsidiary undertakings			
Mulberry Company (Design) Limited	100% ordinary shares	Design and manufacture of clothing and fashion accessories in the UK	England and Wales
Mulberry Company (France) SARL	100% ordinary shares	Establishment and operation of retail shops in France	France
Mulberry Company (Sales) Limited	100% ordinary shares*	Establishment and operation of retail shops in the UK	England and Wales
Kilver Street Inc	100% ordinary shares	Holding Company	USA
Mulberry Company (Europe) Limited	100% ordinary shares	Dormant	England and Wales
Mulberry (UK) Limited	100% ordinary shares	Dormant	England and Wales
Mulberry Company (Holdings) Limited	100% ordinary shares	Dormant	England and Wales
Mulberry Company (Shoes) Limited	100% ordinary shares	Dormant	England and Wales
Mulberry Company (Far East) Limited	100% ordinary shares	Dormant	Hong Kong
Mulberry Fashions Limited	100% ordinary shares**	Dormant	England and Wales
Mulberry Leathers Limited	100% ordinary shares**	Dormant	England and Wales
Associated undertakings			
Mulberry USA LLC	50% ordinary shares***	Establishment and operation of retail shops in the USA and distributor for the USA	USA
Mulberry Oslo AS	50% ordinary shares*	Operation of a retail shop in Oslo	Norway

*owned through Mulberry Company (Europe) Limited.
**owned through Mulberry Company (Holdings) Limited.
***owned through Kilver Street Inc.

The movement in the year was as follows:

Cost	*Subsidiaries shares* *£'000*	*Subsidiaries loans* *£'000*	*Associates shares* *£'000*	*2007 Total* *£'000*
Beginning of year	1,498	11,804	571	13,873
Additions	1,360	–	–	1,360
End of year	2,858	11,804	571	15,233
Provision for impairment				
Beginning of year	(1,460)	–	–	(1,460)
Charge in year	–	–	(571)	(571)
End of year	(1,460)	–	(571)	(2,031)
Net book value				
End of year	1,398	11,804	–	13,202
Beginning of year	38	11,804	571	12,413

15 Stocks

	Group	
	2007	*2006*
	£'000	*£'000*
Raw materials and consumables	472	669
Work-in-progress	254	544
Finished goods and goods for resale	5,962	4,754
	6,688	5,967

In the opinion of the Directors, there is no material difference between the balance sheet value of stocks and their replacement cost.

16 Debtors

	Group		Company	
	2007	*2006*	*2007*	*2006*
	£'000	*£'000*	*£'000*	*£'000*
				Restated see note 1
Amounts falling due within one year:				
Trade debtors	3,036	3,352	–	–
Amounts owed by Group undertakings	–	–	1,958	2,067
Amounts owed by associated undertakings	297	800	167	–
Other debtors	13	194	–	–
Prepayments and accrued income	523	616	17	–
Deferred tax asset (see note 19)	–	277	–	–
	3,869	5,239	2,142	2,067

17 Creditors: Amounts falling due within one year

	Group		Company	
	2007	*2006*	*2007*	*2006*
	£'000	*£'000*	*£'000*	*£'000*
Obligations under hire purchase contracts and finance lease agreements	37	42	–	–
Trade creditors	3,399	2,886	–	–
Amounts owed to Group undertakings	–	–	380	380
Other creditors				
– Social security and PAYE	257	231	–	–
– VAT	66	223	–	–
– Corporation tax	892	987	63	88
– Other	2	44	–	44
Accruals and deferred income	3,966	4,002	181	1,002
	8,619	8,415	624	1,514

NOTES TO FINANCIAL STATEMENTS
(continued)

18 Creditors: Amounts falling due after more than one year

	Group		*Company*	
	2007 *£'000*	*2006* *£'000*	*2007* *£'000*	*2006* *£'000*
Bank loans	1,250	–	1,250	–
Preference shares	2,564	2,514	2,564	2,514
Obligations under hire purchase contracts and finance lease agreements, all payable within five years	27	65	–	–
	3,841	2,579	3,814	2,514

The maturity profile of the Group's financial liabilities at 31 March 2007 was as follows:

	Group		*Company*	
	2007 *£'000*	*2006* *£'000*	*2007* *£'000*	*2006* *£'000*
Bank loans and overdrafts				
In more than two years but not more than five years	1,250	–	1,250	–
Preference shares				
In more than one year but not more than two years	2,564	–	2,564	–
In more than two years but not more than five years	–	2,514	–	2,514
Finance leases				
In more than one year but not more than two years	27	37	–	–
In more than two years but not more than five years	–	28	–	–
	27	65	–	–
In one year or less	37	42	–	–
	64	107	–	–
Total borrowings including finance leases				
In more than one year but not more than two years	2,591	37	2,564	–
In more than two years but not more than five years	1,250	2,542	1,250	2,514
	3,841	2,579	3,814	2,514
In one year or less	37	42	–	–
	3,878	2,621	3,814	2,514

Under the terms of the relevant facility agreements, the bank loans and overdrafts are secured by fixed and floating charges over the assets of the Group, and the Company and its subsidiary undertakings have given cross-guarantees in respect of the borrowings.

Details of interest rates on borrowings are given in note 20. As explained in note 27, the preference shares were converted into ordinary shares on 16 April 2007.

19 Deferred taxation

	Group		*Company*	
	2007 *£'000*	*2006* *£'000*	*2007* *£'000*	*2006* *£'000*
Deferred taxation				
Short term timing differences	(57)	(25)	–	–
Excess of tax allowances over book depreciation of fixed assets	110	43	104	65
Tax losses available	–	(295)	–	–
Deferred tax provision/(asset)	53	(277)	104	65

The movement during the year was as follows:	*Group*		*Company*	
	2007 *£'000*	*2006* *£'000*	*2007* *£'000*	*2006* *£'000*
Beginning of year	(277)	(44)	65	61
Charge/(credit) to profit and loss account	330	(233)	39	4
End of year	53	(277)	104	65

20 Derivatives and other financial instruments

The Group utilises derivative financial instruments to manage risk relating to foreign currency exposures to give greater certainty of future income and costs. There were no financial instruments open at the end of the current and prior years.

The Group maintains bank accounts in all of the major currencies in which it trades and operates its own internal hedging by offsetting currency receipts on sales against purchases in related currencies. Forward currency contracts for periods of approximately 0 to 6 months are used to hedge any exposures which are not covered internally.

Transactions are only undertaken with counterparties which meet pre-determined credit risk criteria. The Group does not hedge balance sheet or profit and loss account translation exposures.

The numerical disclosures in this note deal with financial assets and financial liabilities as defined in Financial Reporting Standard 13 "Derivatives and Other Financial Instruments: Disclosures". Certain financial assets such as investments in subsidiaries and associated companies are excluded from the scope of these disclosures. Further details of the Group's policy for managing financial risk are described in the Financial Review on pages 6 and 7.

As permitted by FRS13, short term debtors and creditors have been excluded from the disclosures, other than the currency disclosures.

Interest rate profile

The Group has no financial assets other than cash deposits of £10,271,000 (2006: £7,282,000) which are part of the financing arrangements of the Group. The interest on these financial assets is a floating rate based on either LIBOR or the rate set by the ECB for the Euro zone area.

NOTES TO FINANCIAL STATEMENTS
(continued)

20 Derivatives and other financial instruments (continued)

The interest rate profile of the Group's financial liabilities at 31 March 2007 was as follows:

	Fixed rate		*Floating rate*	
	2007 £'000	*2006 £'000*	*2007 £'000*	*2006 £'000*
Sterling borrowings	64	107	1,250	–
Sterling non-equity shares – B preference shares	2,800	2,800	–	–

	2007 Weighted average interest rate	*2007 Weighted average period for which rate is fixed Years*	*2006 Weighted average interest rate*	*2006 Weighted average period for which rate is fixed Years*
Preference shares	7%	1	7%	2

The interest rate on floating rate sterling financial liabilities is linked to HSBC Bank base rate.

Currency exposures

The table below shows the Group's currency exposures; in other words, those transactional exposures that give rise to the net currency gains and losses recognised in the profit and loss account. Such exposures comprise the monetary assets and monetary liabilities of the Group that are not denominated in the operating (or "functional") currency of the operating unit involved. As at 31 March 2007 these exposures were as follows:

	Functional currency of Group operation	
	2007 Sterling £'000	*2006 Sterling £'000*
Net foreign currency monetary assets/(liabilities)		
– Euro	(4)	165
– Scandinavian currencies	(18)	(4)
– US dollar	259	1,281
– Japanese yen	(4)	–
– Swiss franc	(60)	(16)
– Singapore dollar	–	(3)
	173	1,423

Borrowing facilities

The Group's bank borrowing facilities comprise a revolving credit loan of £2,750,000 (2006: £2,750,000) of which £nil was drawn at 31 March 2007 (2006: £nil), a property loan of £1,250,000 (2006: £nil) which was fully drawn at 31 March 2007 and a multi-currency overdraft facility which is renewed annually in June.

20 Derivatives and other financial instruments (continued)

The Group had undrawn committed facilities at 31 March 2007 in respect of which all conditions precedent had been met as follows:

	2007	*2006*
	£'000	*£'000*
Expiring in one year or less	3,500	7,500
Expiring in more than one year but not more than three years	2,750	–
	6,250	7,500

Fair values
Set out below is a comparison by category of book values and fair values of the Group's financial assets and liabilities at 31 March 2006 and 31 March 2007.

	2007		*2006*	
	Book value	*Fair value*	*Book value*	*Fair value*
	£'000	*£'000*	*£'000*	*£'000*
Primary financial instruments held or issued to finance the Group's operations				
Financial liabilities due within one year	(37)	(37)	(42)	(42)
Financial liabilities due after more than one year	(3,841)	(3,841)	(2,579)	(2,579)
Cash at bank and in hand	10,271	10,271	7,282	7,282

The book value of borrowings approximates to fair value as the debt is floating rate and payments are reset to market rate on a monthly basis.

The book value of the preference shares at 31 March 2007 was £2,800,000 (2006: £2,800,000) and their approximate fair value was £2,800,000 (2006: £2,800,000).

Gains and losses on hedges
The Group enters into forward foreign currency contracts to eliminate the currency exposures that arise on sales and purchases denominated in foreign currencies immediately those sales and purchases are transacted. Changes in the fair value of instruments used as hedges are not recognised in the financial statements until the hedged position matures.

At 31 March 2007 there were no unrecognised losses on forward foreign currency contracts (2006: £nil).

21 Called-up share capital

	2007 £'000	2006 £'000
Authorised		
57,000,000 (2006: 57,000,000) ordinary shares of 5p each	2,850	2,850
8,000,000 7% convertible redeemable B preference shares of 5p each	400	400
	3,250	3,250
Allotted, called-up and fully paid		
49,014,505 (2006: 48,874,462) ordinary shares of 5p each	2,451	2,444
8,000,000 7% convertible redeemable B preference shares of 5p each	400	400
	2,851	2,844
Less: Classified within financial liabilities (see note 18)	(377)	(377)
	2,474	2,467

The Company has granted options in respect of 880,000 ordinary shares of 5p each (2006: 1,057,428 ordinary shares of 5p each). The options are exercisable up to 4 August 2015 at prices ranging from 49.5p to 145.5p per share.

140,043 ordinary shares of 5p each with a nominal value of £7,002 were allotted during the year for a total consideration of £89,937 due to exercises of options.

The 7% convertible redeemable B preference shares have a right to receive a fixed cumulative dividend of 7% per annum on their subscription price in priority to all other dividends or distributions made by the Company.

The B preference shares will be convertible into ordinary shares on the basis of one ordinary share for each one B preference share (equivalent to a conversion price of 35 pence) after the later of the second anniversary of their subscription and the opening of four outlets in the United States and the contracting for a fifth outlet, one of which is to be a flagship store in Manhattan, by Mulberry USA LLC. If Mulberry USA LLC does not open the required number of outlets in the United States, the B preference shares cannot be converted into ordinary shares. If they have not then been converted, the B preference shares will be redeemed by the Company at 35 pence per share on 11 September 2008 which is the eighth anniversary of their subscription.

Preference shareholders have no voting rights.

On winding up the assets of the Company available for distribution amongst shareholders after payment of its liabilities shall be applied in the following manner and order of priority:

(a) first, in paying to the holders of the B preference shares 35 pence per share together with a sum equal to all unpaid arrears and accruals of the B preference dividend calculated down to the date of the return of capital on the B preference shares; and

(b) second, in paying the balance to the holders of the ordinary shares.

As explained in note 27 the preference shares were converted into ordinary shares on 16 April 2007 as the conditions for conversion had been met.

21 Called-up share capital (continued)

Options have been granted under the following schemes to subscribe for ordinary shares of the Company as follows:

Scheme	*31 March 2006*	*Lapsed during period*	*Granted during period*	*Exercised during period*	*31 March 2007*	*Exercise price £*
1996 unapproved	63,959	37,385	–	26,574	–	1.345
1996 unapproved	28,469	–	–	28,469	–	0.395
1996 unapproved	225,000	–	–	25,000	200,000	0.53
1996 unapproved	265,000	–	–	60,000	205,000	0.495
1996 unapproved	50,000	–	–	–	50,000	1.17
1996 unapproved	425,000	–	–	–	425,000	1.455
	1,057,428	37,385	–	140,043	880,000	

Options held by and granted to Directors are set out in note 8.

22 Reserves

a) Group

	Share premium account £'000	*Revaluation reserve £'000*	*Capital redemption reserve £'000*	*Special reserve £'000*	*Profit and loss account £'000*
Beginning of year	4,547	80	154	1,467	4,737
Charges for employee share based payments	–	–	–	–	102
Premium on issue of new shares	83	–	–	–	–
Currency translation differences on foreign currency net investments	–	–	–	–	(94)
Profit for the year	–	–	–	–	3,988
Finance costs on preference shares	3	–	–	–	–
Amortisation of revaluation surplus	–	(31)	–	–	31
Ordinary dividend paid	–	–	–	–	(490)
End of year	4,633	49	154	1,467	8,274

b) Company

	Share premium account £'000	*Revaluation reserve £'000*	*Capital redemption reserve £'000*	*Special reserve £'000*	*Profit and loss account £'000*
Beginning of year as previously reported	4,547	80	154	4,187	996
Share options granted to employees of Group undertakings (note 1)	–	–	–	–	43
Beginning of year as restated	4,547	80	154	4,187	1,039
Charges for employee share based payments	–	–	–	–	47
Share options granted to employees of Group undertakings (note 1)	–	–	–	–	55
Premium on issue of new shares	83	–	–	–	–
Profit for the year	–	–	–	–	1,385
Finance costs on preference shares	3	–	–	–	–
Amortisation of revaluation surplus	–	(31)	–	–	31
Ordinary dividend paid	–	–	–	–	(490)
End of year	4,633	49	154	4,187	2,067

The cumulative amount of goodwill resulting from acquisitions in earlier financial years which has been written off is £165,000 (2006: £165,000).

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

	2007 £'000	*2006 £'000*
1p (2006: nil) per share on 5p ordinary shares	490	–

23 Reconciliation of movements in shareholders' funds

	Group		Company	
	2007 £'000	*2006 £'000 Restated see note 1*	*2007 £'000*	*2006 £'000 Restated see note 1*
Profit for the financial year as originally reported	3,988	4,913	1,385	4,398
Charge for employee share based payments	–	(82)	–	(39)
As restated	3,988	4,831	1,385	4,359
Ordinary dividend paid	(490)	–	(490)	–
Issue of new shares net of costs	90	34	90	34
Share based payments	102	82	47	39
Share options granted to employees of Group undertakings	–	–	55	43
Reclassification of preference dividend reserve as a creditor	–	(638)	–	(638)
Currency translation differences on foreign currency net investments	(94)	(9)	–	–
Finance costs on preference shares	3	4	3	4
Net increase to shareholders' funds	3,599	4,304	1,090	3,841
Opening shareholders' funds as previously stated	13,452	9,148	12,431	8,633
Prior year adjustment (note 1)	–	–	43	–
Opening shareholders' funds as restated	13,452	9,148	12,474	8,633
Closing shareholders' funds	17,051	13,452	13,564	12,474

The Directors are recommending the payment of a final dividend of 1.5p per ordinary share (2006: 1.0p), to be paid on 15 August 2007 to ordinary shareholders on the register on 20 July 2007.

24 Cash flow information

a) Reconciliation of operating profit to net cash inflow from operating activities

	2007 £'000	*2006 £'000 Restated see note 1*
Operating profit	6,682	6,157
Depreciation, impairment and intangible amortisation charges	1,067	1,123
Loss on sale of tangible fixed assets	2	59
Charges in respect of employee share based payments	102	82
Increase in stocks	(721)	(588)
Decrease/(increase) in debtors	1,093	(1,483)
(Decrease)/increase in creditors	(285)	2,617
Effect of foreign exchange rate changes	(14)	(9)
Net cash inflow from operating activities	7,926	7,958

NOTES TO FINANCIAL STATEMENTS
(continued)

24 Cash flow information (continued)

b) Analysis of cash flows for headings netted in the consolidated cash flow statement

	2007 *£'000*	*2006* *£'000*
Returns on investments and servicing of finance		
Interest received	324	163
Interest paid	(37)	(21)
Interest element of finance leases and hire purchase contracts	(6)	(13)
Preference dividends paid	(196)	(784)
Net cash inflow/(outflow) for returns on investments and servicing of finance	85	(655)
Capital expenditure		
Investment in associates	–	(571)
Purchase of tangible fixed assets	(2,335)	(1,042)
Purchase of intangible fixed assets	(1,517)	–
Proceeds from sale of tangible fixed assets	10	70
Net cash outflow for capital expenditure and financial investment	(3,842)	(1,543)
Financing		
Issue of ordinary share capital net of costs	90	34
New loans	1,250	–
Capital element of hire purchase contracts	(43)	(145)
Net cash inflow/(outflow) from financing	1,297	(111)

c) Analysis of net debt	*At 1 April 2006 £'000*	*Cash flow £'000*	*Other non-cash changes £'000*	*At 31 March 2007 £'000*
Cash at bank and in hand	7,282	2,989	–	10,271
	7,282	2,989	–	10,271
Debt due after 1 year:				
– secured bank loans	–	(1,250)	–	(1,250)
Debt due within 1 year:				
Finance leases	(107)	43	–	(64)
	7,175	1,782	–	8,957
Preference shares	(2,514)	–	(50)	(2,564)
Total net funds/(debt)	4,661	1,782	(50)	6,393

NOTES TO FINANCIAL STATEMENTS
(continued)

25 Financial commitments

a) Capital commitments
The Group had £377,000 capital commitments (2006: £1,125,000) at 31 March 2007.

b) Lease commitments
The Group leases certain land and buildings on short and long term leases. The rents payable under these leases are subject to renegotiation at various intervals specified in the leases. The Group pays all insurance, maintenance and repairs of these properties.

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

	2007		*2006*	
	Buildings £'000	*Other £'000*	*Buildings £'000*	*Other £'000*
Group				
Operating leases which expire				
– within one year	96	10	178	21
– between two and five years	423	153	348	153
– after five years	1,730	4	1,216	–
	2,249	167	1,742	174
Company				
Operating leases which expire				
– within one year	–	–	60	–
– after five years	24	–	23	–
	24	–	83	–

c) Pension costs
The Group operates money purchase schemes for Directors and employees and as such no unfunded liability can arise. The contributions by the Group to the schemes amounted to £299,000 (2006: £307,000). There were no payments outstanding at the year end.

d) Forward exchange contracts
The Group has no forward foreign exchange commitments at 31 March 2007 (2006: nil).

e) Preference dividends
The preference shares were converted into ordinary shares on 16 April 2007 as explained in note 27. The final dividend of £56,000 for the period up to the date of conversion will be paid on 30 June 2007.

26 Related party transactions

The Group transacts with a variety of related parties as disclosed below. All such transactions are on an arms length basis.

i) During the year the Group entered into transactions with Mulberry Oslo AS as follows:

	2007	*2006*
	£'000	*£'000*
Sales (excluding VAT)	503	582
Amounts owed by Mulberry Oslo AS at year end	226	128

ii) During the year the Group entered into transactions with Mulberry USA LLC as follows:

	2007	*2006*
	£'000	*£'000*
Sales (excluding VAT)	1,641	2,849
Amounts owed by Mulberry USA LLC at year end	219	672

iii) Mul 21 (UK) Limited operated the Mulberry store at 171-175 Brompton Road in London under the terms of a franchise agreement which was signed in November 2001. Mul 21 (UK) Limited is an associated company of Challice Limited, a major shareholder of the Group. On 4 December 2006 the Group took over the operation of the store, purchased the stock and shop fittings and took over the lease by way of assignment. Mul 21 (UK) Limited had a sublease on the shop from Canbe Services Limited another associated company of Challice Limited.

The total consideration consisted of the value of the stock of £287,000 plus the fixed assets including shop fittings purchased for £100,000. The current rent is £475,000 per annum. There were no profits attributable to the shop. The terms of the purchase were on an arms length basis.

During the year the Group entered into transactions with Mul 21 (UK) Limited as follows:

	2007	*2006*
	£'000	*£'000*
Sales (excluding VAT)	538	1,042
Amounts owed by Mul 21 (UK) Limited at year end	–	333

26 Related party transactions (continued)

iv) Club 21 Retail (Hong Kong) Limited, Club 21 Pte Limited, Club 21 (Thailand) Co Limited and Club 21 Pte Limited Taiwan Branch operate shops and distribute Mulberry products in their respective markets. All four are associated companies of Challice Limited, a major shareholder of the Group.

During the year the Group entered into transactions with Club 21 Retail (Hong Kong) Limited as follows:

	2007	*2006*
	£'000	*£'000*
Sales (excluding VAT)	776	1,530
Amounts owed by Club 21 Retail (Hong Kong) Limited at year end	97	255

During the year the Group entered into transactions with Club 21 Pte Limited as follows:

	2007	*2006*
	£'000	*£'000*
Sales (excluding VAT)	292	261
Amounts owed by Club 21 Pte Limited at year end	53	30

During the year the Group entered into transactions with Club 21 (Thailand) Co. Limited as follows:

	2007	*2006*
	£'000	*£'000*
Sales (excluding VAT)	261	279
Amounts owed by Club 21 (Thailand) Co. Limited at year end	24	90

During the year the Group entered into transactions with Club 21 Pte Limited Taiwan Branch:

	2007	*2006*
	£'000	*£'000*
Sales (excluding VAT)	193	–
Amounts owed by Club 21 Pte Limited Taiwan Branch at year end	41	–

27 Conversion of the B Preference shares by Challice Limited

On 16 April 2007, the 8,000,000 B preference shares issued pursuant to the subscription agreement between the Company and Challice Limited announced on 17 August 2000 and approved by shareholders on 11 September 2000, were converted into 8,000,000 ordinary shares of 5p each following satisfaction of the relevant conditions set out in the Company's articles of association. As a consequence Challice Limited's shareholding in the share capital of the Company increased to 34,212,144 shares.

28 Controlling party

At the year end Challice Limited controlled the Company as a result of controlling directly 53.5% of the issued share capital of the Company. As at the date of signing the accounts Challice Limited controls 60.0% of the issued share capital of the Company, following conversion of the B preference shares reported in note 27.

FIVE YEAR SUMMARY

	Year ended 31 March 2003 £'000	Year ended 31 March 2004 £'000	Year ended 31 March 2005 £'000	Year ended 31 March 2006 £'000 Restated	Year ended 31 March 2007 £'000
Turnover	28,177	25,327	30,064	43,406	45,078
Cost of sales	(15,499)	(12,539)	(13,926)	(18,912)	(18,818)
Gross profit	12,678	12,788	16,138	24,494	26,260
Other operating expenses (net)	(14,340)	(12,248)	(14,001)	(18,337)	(19,578)
Operating profit/(loss)	(1,662)	540	2,137	6,157	6,682
Loss on disposal of fixed assets	–	(166)	–	–	–
Net finance charges	(649)	(581)	(415)	(117)	26
Group share of profit/(loss) of related companies	1	3	(17)	95	(498)
Profit/(loss) on ordinary activities before taxation	(2,310)	(204)	1,705	6,135	6,210
Taxation on profit/(loss) on ordinary activities	(91)	(10)	33	(1,304)	(2,222)
Profit/(loss) on ordinary activities after taxation	(2,401)	(214)	1,738	4,831	3,988
Earnings/(loss) per share	(6.64p)	(0.49p)	3.56p	9.89p	8.14p

The prior year figures have been restated to reflect the adoption of FRS20 'share based payments'.

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting of Mulberry Group plc will be held at Teather & Greenwood's offices, 5th Floor, Beaufort House, St Botolph Street, London, EC3A 7QR on 2 August 2007 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 2007 together with the independent auditors' report be received and adopted.

Dividend declaration

2. To declare a final dividend of 1.5 pence per ordinary share for the year ended 31 March 2007.

Re-election of retiring Directors

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

4. That Mr E Vandyk who retires as a Director by rotation in accordance with the Company's Articles of Association be re-elected as a Director.

Appointment of auditors

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

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

Directors' power to allot securities

6. That in substitution for any equivalent authorities and powers granted to the Directors prior to the passing of this resolution, the Directors be and they are generally and unconditionally authorised pursuant to Section 80 of the Companies Act 1985 ("the Act") to allot relevant securities (as defined in that section) up to an aggregate nominal amount of £399,274 to such persons at such times and on such terms as they think proper during the period expiring at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or such earlier date (if any) on which this authority is revoked, save that the Company may prior to the expiry of such period make any offer or agreement which would or might require relevant securities to be allotted after the expiry of this period and the Directors may allot relevant securities in pursuance of any such offer or agreement notwithstanding the expiry of the authority given by this paragraph

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

Waiver of statutory pre-emption rights

7. That in substitution for any equivalent authorities and powers granted to the Directors prior to the passing of this resolution, the Directors be and they are empowered pursuant to Section 95(1) of the Act to allot equity securities (as defined in Section 94(2) of the Act) of the Company for cash pursuant to the authority of the Directors under Section 80 of the Act conferred by Resolution 6 set out in the Notice of Annual General Meeting convened on 2 August 2007 as if Section 89(1) of the Act did not apply to such allotment and at any time prior to the expiry of the power conferred by this resolution to make any offer or agreement which would or might require equity securities to be allotted after the expiry of such power notwithstanding the expiry of such power provided that such power shall, subject as aforesaid, cease to have effect at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or such earlier date (if any) on which the said authority is revoked, and provided that the power conferred by this resolution shall be limited to the allotment of ordinary shares up to a maximum amount of £142,536 representing less than 5% of the issued share capital of the Company.

BY ORDER OF THE BOARD

G G Rutherford
Secretary

Registered office:
The Rookery
Chilcompton
Bath
BA3 4EH

Date: 20 June 2007

Notes:

1. All members who hold ordinary shares are entitled to attend and vote at the meeting. Members who are entitled to attend and vote may appoint one or more proxies to attend and, on a poll, vote instead of him, and a proxy need not also be a member. A Form of Proxy is enclosed. If you do not intend being present at the meeting please sign and return it so as to reach the Company's registrar at least 48 hours before the meeting. Any form returned after this time will not be valid. The return by a member of a duly completed Form of Proxy will not preclude any such member from attending in person and voting at the meeting.

2. The register of Directors' interests in the shares of the Company and copies of the Directors' service contracts, other than those expiring or determinable without payment of compensation within one year, are available for inspection at the registered office of the Company during the usual business hours on any weekday (Saturday and public holidays excluded) from the date of this notice until the Annual General Meeting and will be available for inspection at the place of the Annual General Meeting for at least 15 minutes prior to and during the meeting.

MULBERRY GROUP PLC THE ROOKERY CHILCOMPTON SOMERSET BA3 4EH
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