MULBERRY

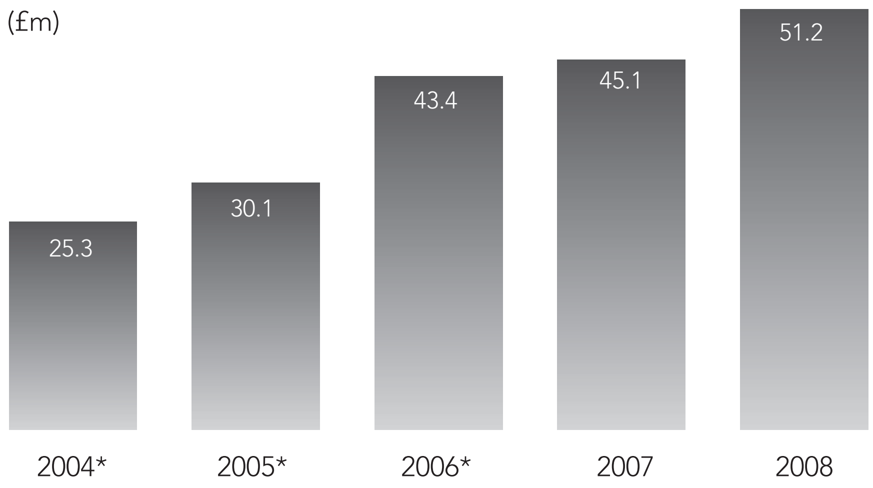
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2008

HIGHLIGHTS

- Sales increased by 14% to £51.2 million (2007: £45.1 million)
- UK retail sales growth of 29%, like for like growth of 10%
- 8 Mulberry shops and 6 department store concessions opened worldwide during the year
- Marketing expenditure increased by £2.1 million to £4.8 million
- Cash net of bank borrowings of £10.2 million (2007: £9.0 million)
- Positive current trading outlook – strong order books and UK retail sales 36% ahead for the first ten weeks (like for like sales up 17%)
- Dividend increased by 33% to 2 pence per share (2007: 1.5 pence)

	2008	*2007*	*Change*
Group revenue	£51.2m	£45.1m	+14%
Profit before tax	£5.2m	£6.2m	–16%
Basic EPS	6.0p	8.1p	–26%
Final dividend proposed per share	2.0p	1.5p	+33%
Cash net of bank borrowings	£10.2m	£9.0m	+13%

5 YEAR REVENUE GROWTH



*prepared under UK GAAP

CONTENTS

CHAIRMAN AND CHIEF EXECUTIVE'S REVIEW

The Group has completed a successful year with sales growth of 14% to £51.2 million (2007: £45.1 million). The rate of growth accelerated throughout the year with sales in the second half increasing by 22% compared to the same period in 2007.

Profit before tax was ahead of market expectations at £5.2 million (2007: £6.2 million) and a final dividend of 2 pence per share is being recommended (2007: 1.5 pence).

We continue to invest in the business both in the UK and internationally, using the retained profits and cash flow to invest in the opening of new shops and to significantly increase the expenditure on marketing. This strategy reduces profits in the short term, as we spend today to build for the future, but is the key to developing future shareholder value.

The Group's balance sheet has strengthened further during the year, with shareholders' funds rising by 33% to £22.5 million (2007: £16.9 million). Cash generation continues to be strong and at 31 March 2008 the Group had cash net of bank borrowings of £10.2 million (2007: £9.0 million). Group stocks of prior season items are at low levels. The combination of this strong stock and cash position means that the Group is able to pursue its growth objectives without being constrained by the difficult economic climate.

BUSINESS REVIEW

Accessories remain our core business and continue to account for over 90% of Group sales. The iconic Bayswater handbag continues to sell strongly supported by the new Mabel and Roxanne Tote handbags which have joined the bestseller lists. The design team have been successful in broadening our product offer to meet the specific requirements of our emerging markets in USA, Asia and the Middle East.

We have continued the work of expanding our own retail network in the UK where we have opened shops in Glasgow, Covent Garden, Stansted Airport and Heathrow Terminal 5, as well as four concessions in House of Fraser department stores and a new outlet store in Cheshire Oaks, near Liverpool.

For the year to 31 March 2008 sales from our UK shops which benefited from the full year trading of the shops opened last year and the new openings this year, increased by 29% and like for like sales for the same period increased by 10%.

Our associate company, Mulberry USA LLC, opened its fifth store during May 2007. The five stores have incurred the start up losses as expected, but sales are growing as they build consumer awareness. This is a long term project. The plan is to build the individual existing shops to profitability and there is potential to open further shops, which will enable the USA business to reach critical mass and cover its head office management costs. Our sales from the UK to the USA dipped slightly in the year following the initial input of stock to start up the shops in the prior year.

In Asia, the shops run by our partner, Club 21, continue to develop satisfactorily. New shops were opened in Terminal 3 at Changi Airport, Singapore, and in the Elements development in Hong Kong, bringing the total number of Mulberry shops operated by Club 21 to seven. In Korea, business with our partner SHK has made good progress with the opening of two additional department store shop in shops, bringing the total to four. Aggregate sales to the Asian markets have started to grow in the second half as sales move beyond the initial orders for the stock required to open the shops.

CURRENT TRADING AND OUTLOOK

The sales growth experienced during the six months to 31 March 2008 has continued into the new financial year. Confirmed orders for sales to third parties for the Autumn/Winter 08 season are more than 30% ahead of last year. In the first ten weeks of the new financial year, total retail sales in the UK are running at 36% above prior year with like for like up 17%. This is a very encouraging start to the new financial year. However, economic conditions are concerning and we remain cautious, particularly in the light of cost inflation in the supply chain which will put pressure on our margins.

CHAIRMAN AND CHIEF EXECUTIVE'S REVIEW
(continued)

This autumn we will be introducing an exciting new line of women's shoes exclusively in the Mulberry shops. Distribution of this line will be restricted to Mulberry shops for the first two to three seasons.

We continue to expand the business both in the UK and internationally. During May 2008, we have opened a new shop in Leeds and reopened our original shop in St Christopher's Place, London, after refurbishment. During the autumn, we will open a new store in the luxury mall development at White City, London.

We have appointed a new partner for Greece and a new shop will open in Athens later this year. Our existing partner in Denmark will open a new shop at Copenhagen Airport this summer to build on their extremely successful business.

In Asia, a new shop opened in Shanghai during April and our partner in Korea plans to open two more department store shop in shops during the autumn. Business through our partner in Japan has not met our requirements for growth and market penetration. We have agreed to terminate the arrangement during January 2009. We will develop a new approach to this market in due course.

In the Middle East our partners plan to open in Dubai, Jeddah and Kuwait by the end of the year.

The next project for us in the USA is to extend our website to trade in US dollars.

It should be noted that as a consequence of our business expansion, we have outgrown our London office and showroom premises and so are planning to relocate before the end of the financial year.

DIVIDENDS
The Board is recommending the payment of a final dividend on the ordinary shares of 2 pence per share (2007: 1.5 pence) which will be paid on 15 August 2008 to ordinary shareholders on the register on 18 July 2008.

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

18 June 2008

FINANCIAL REVIEW

GROSS MARGIN

Group gross profit as a percentage of revenue was 60% compared to 58% in 2007. This increase reflects the change in sales mix, where there has been an increase in the proportion of Retail sales against Design sales.

OPERATING EXPENSES

Operating expenses for the year increased by £6.2 million to £25.8 million (2007: £19.6 million). This increase reflects the planned £2.1 million of extra marketing investment in building the international Mulberry brand and the £2.8 million additional costs associated with the expanding retail network in the UK and France.

SHARE OF RESULTS OF ASSOCIATES

Income of £0.1 million has been recognised in the year in relation to the Group's investment in Mulberry Oslo AS, which operate a retail store in Norway. In the prior year, losses included £0.5 million of start-up losses for Mulberry USA LLC.

FINANCE INCOME AND EXPENSE

The increase in net finance income of £0.3 million has resulted from the conversion of the B preference shares (see below) and the increase in cash balances held on deposit throughout the year.

TAXATION

The Group reported a 33.7% effective tax rate (2007: 35.8%) on profit before tax, resulting in a tax charge of £1.8 million (2007: £2.2 million). The effective rate has declined due to the reduction in expenses not deductible for tax purposes. During 2007, the disallowable expenditure included the £0.1 million charge for share based payments and the Group's share of losses in Mulberry USA LLC of £0.5 million.

BALANCE SHEET

Capital expenditure on tangible fixed assets for the year totalled £2.6 million (2007: £2.8 million) and included the fit out of the new stores opened during the year. The expenditure of £0.4 million on intangible fixed assets reflects the ongoing investment in the Group's new ERP system.

Stock levels increased by £1.1 million to £7.8 million resulting from the growth of the business and the additional stock held at the new retail outlets.

CASHFLOW

The principal source of funds was cash flow generated from operations which amounted to £6.1 million (2007: £7.9 million) during the year. The cash balance has remained stable at £10.2 million.

A property loan of £1.25 million was repaid during February 2008. The Group had further committed but unutilised facilities of £6.25 million at the end of the year which comprises a £3.5 million multicurrency overdraft which is renewable annually and a revolving credit facility of £2.75 million which expires during June 2009.

SHAREHOLDER RETURN

The basic earnings per share for the year declined by 26% to 6.0p. This reflects the increase in the number of shares resulting from the preference share conversion during April 2007 and the lower profit after tax generated during the year due to the additional spend on marketing and store expansion.

FINANCIAL REVIEW

CONVERSION OF THE B PREFERENCE SHARES

On 16 April 2007, at the request of the shareholder, Challice Limited, as the relevant conditions set out in the Company's Articles of Association has been met, the Company converted 8,000,000 B preference shares of 5p each issued to Challice Limited to 8,000,000 ordinary shares of 5p each. This increased Challice Limited's holding to 34,212,144 shares which is 59.6% of the issued share capital of the Company.

ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ('IFRS')

This is the Group's first set of consolidated financial statements prepared under IFRS. The transition to IFRS has resulted in a number of immaterial numerical adjustments to the previously reported consolidated financial statements which were prepared under United Kingdom Generally Accepted Accounting Principles (UK GAAP) and these are detailed in note 33. The comparative information has been restated in accordance with IFRS.

Roger Mather
Group Finance Director

18 June 2008

DIRECTORS, SECRETARY AND ADVISERS

Directors:	Godfrey Pawle Davis FCA Roger Thomas Mather FCA Robert (Robin) Edward Graeme Gibson Andrew Christopher (Chris) Roberts FCCA Steven Grapstein Bernard Lam Kong Heng Edward Vandyk
Registered Office:	The Rookery, Chilcompton, Bath, Somerset BA3 4EH
Secretary:	Roger Thomas Mather FCA
Nominated Adviser and Nominated Broker:	Landsbanki Securities (UK) Ltd Beaufort House 15 St. Botolph Street London EC3A 7QR
Registered Auditors:	Deloitte & Touche LLP Bristol
Solicitors:	Osborne Clarke Bristol
Principal Bankers:	HSBC Bank plc Bristol
Registrars:	Computershare Investor Services plc PO Box 82 The Pavilions Bridgwater Road Bristol BS99 7NH

CORPORATE GOVERNANCE

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

THE BOARD OF DIRECTORS

The Board comprises of 2 Executive Directors and 5 Non-Executive Directors, but for the period from 31 December 2007 to 7 May 2008 it comprised of 1 Executive Director and 5 Non-Executive Directors. Details of the Directors are set out on page 7. 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.

NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee is chaired by a Non-Executive Director, Robin Gibson. The Committee was formed during the year (previously the Committee's terms of reference related only to remuneration matters). It is now responsible for nominating Executive Directors to the Board and then determining the remuneration and terms and conditions of employment of Executive Directors and senior employees of the Group. The Directors' remuneration report is set out on pages 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 have been prepared on the going concern basis.

DIRECTORS' REMUNERATION REPORT

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

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

The Nomination and Remuneration Committee comprises:

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

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

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

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

REMUNERATION OF NON-EXECUTIVE DIRECTORS

The Non-Executive Directors each receive a fee for their services, which is agreed by the Board taking into account the role to be undertaken.

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 Nomination and 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 has been revised by the Nomination and Remuneration Committee to include a balance of benefits to reward current performance and long-term commitment. A new unapproved share option scheme was introduced in April 2008 and a deferred share plan has commenced in June 2008.

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

	Fees/Basic Salary £'000	*Bonus £'000*	*Taxable benefits £'000*	*Pension contributions £'000*	*2008 Total £'000*	*2007 Total £'000*
Executive Director						
Godfrey Davis	201	25	22	50	298	290
Non-Executive Directors						
Robin Gibson	17	–	1	–	18	17
Chris Roberts	17	–	–	–	17	16
Steven Grapstein	17	–	–	–	17	16
Bernard Heng	17	–	–	–	17	16
Edward Vandyk	17	–	1	–	18	16
Previous Directors						
Guy Rutherford	100	–	10	14	124	185
John Rogers	–	–	–	–	–	14
Total	386	25	34	64	509	570

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

	31 March 2007	Exercised	Forfeited	31 March 2008	Exercise price (£)	Gains £'000
Godfrey Davis	105,000	105,000	–	–	0.495	221
Godfrey Davis	100,000	–	–	100,000	1.455	–
Guy Rutherford	100,000	100,000	–	–	0.495	211
Guy Rutherford	100,000	–	100,000	–	1.455	–

The outstanding options are exercisable between 4 August 2008 and 4 August 2015.

The market price of the ordinary shares at 31 March 2008 was 133p (2007: 186p) and the range during the year was 282p to 111p (2007: 228.5p to 162.5p).

DIRECTORS' REPORT
For the year ended 31 March 2008

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 2008.

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

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

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

The Group continues to invest in design and development in order to develop and market 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.

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

The current international credit squeeze and adverse economic climate 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 the impact of this risk. The impact on current trading is discussed further in the Chairman and Chief Executive's review.

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

The Group continues to engage in a substantial programme of change. The first phase of the implementation of a new Group ERP system, replacing the Group's existing systems was successfully completed in the prior year. Over 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 were to be unsuccessful, it could have a significant impact on operations. A comprehensive management process and significant pre-implementation testing are part of an intensive process designed to minimise the risks of the project.

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

RESULTS AND DIVIDENDS

The results for the year are set out in the Income Statement. The Directors are recommending the payment of a final dividend of 2.0p per ordinary share (2007: 1.5p), to be paid on 15 August 2008 to ordinary shareholders on the register on 18 July 2008.

TREASURY AND FOREIGN EXCHANGE

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

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

The Group's financial instruments, other than derivatives comprise borrowings, principally in the form of finance leases, bank overdrafts and bank loans, cash and liquid resources and various items such as trade debtors and trade creditors that arise directly from its operations.

DIRECTORS AND THEIR INTERESTS

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

Executive Directors

Godfrey Davis FCA, 59, is Chairman and Chief Executive. He is a fellow of the Institute of Chartered Accountants in England and Wales and joined Mulberry as Group Finance Director in 1987 after 15 years at Arthur Andersen, where he was an international partner. He became Chairman and Chief Executive in November 2002.

Roger Mather FCA, 43, is the Group Finance Director. He is a fellow of the Institute of Chartered Accountants in England and Wales having trained professionally with Price Waterhouse. He joined Mulberry during November 2007 after spending the previous 10 years in senior finance and commercial roles within the multi-national Otto Group based both in Hong Kong and the UK. At Mulberry he is responsible for finance, information technology, human resources, logistics, infrastructure and corporate planning. He was appointed as Company Secretary on 20 December 2007 and was appointed as a Director on 7 May 2008.

Guy Rutherford resigned as Group Finance Director on 31 December 2007.

Non-Executive Directors

Robin Gibson, 66, is Chairman of the Nomination and Remuneration Committee. He was appointed on 1 May 1996.

DIRECTORS' REPORT
(continued)

Andrew Christopher Roberts FCCA, 44, 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.

Steven Grapstein, 50, was appointed on 17 November 2003. He is presently the Chief Executive Officer of Kuo Investment Company (USA), an international investment group with extensive interests in the retail and hotel industries; Chairman of Presidio International dba A/X Armani Exchange, a fashion retail company, and serves as the Lead Director on the Board of Directors of Tesoro Petroleum Corporation, a US publicly held Fortune 500 company engaged in the oil and gas industry. He is a certified public accountant.

Bernard Lam Kong Heng, 62, 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, 60, was appointed on 6 June 2002. Previously he was Chief Executive of Blue Oar plc, an AIM quoted financial services group.

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

	5p ordinary shares 2008	*5p ordinary shares 2007*
Godfrey Davis	1,669,558	1,669,558
Robin Gibson	10,029	17,029

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

SUBSTANTIAL SHAREHOLDINGS

At 17 June 2008 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:

Challice Limited	34,212,144
Kevin Stanford	14,585,720

SUPPLIER PAYMENT POLICY

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

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

At the year end, trade creditors expressed as a number of days purchases outstanding was nil for the Company (2007: nil). For Mulberry Company (Design) Limited, the main trading subsidiary, it was 32 days (2007: 37 days).

EQUAL OPPORTUNITIES

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

DISABLED EMPLOYEES

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

EMPLOYEE CONSULTATION

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

CHARITABLE AND POLITICAL DONATIONS

The Group made charitable donations of £67,000 (2007: £13,000) during the year. The Group made no political donations.

AUDITORS

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

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

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

By order of the Board

Roger Mather
Secretary

18 June 2008

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MULBERRY GROUP PLC

We have audited the Group financial statements of Mulberry Group plc for the year ended 31 March 2008 which comprise the consolidated income statement, the consolidated statement of recognised income and expense, the consolidated balance sheet, the consolidated cash flow statement, and the related notes 1 to 33. These Group financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' remuneration report that is described as having been audited.

We have reported separately on the parent company financial statements of Mulberry Group plc for the year ended 31 March 2008.

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors' responsibilities for preparing the Annual Report, the Directors' remuneration report and the Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' responsibilities. Our responsibility is to audit the Group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Group financial statements give a true and fair view, and whether the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and whether the part of the Directors' remuneration report described as having been audited has been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' report is consistent with the Group financial statements. The information given in the Directors' report includes that specific information presented in the Chairman and Chief Executive's review and Financial review that is cross referred from the Business review section of the Directors' report. In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit.

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

BASIS OF AUDIT OPINION

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

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

OPINION

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 March 2008 and of its profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985;
- the information given in the Directors' report is consistent with the Group financial statements; and
- the part of the Directors' remuneration report described as having been audited has been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors

Bristol, United Kingdom

18 June 2008

CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2008

	Note	2008 £'000	2007 £'000
Revenue	5	51,174	45,078
Cost of sales		(20,622)	(18,818)
Gross profit		30,552	26,260
Administrative expenses		(25,979)	(19,804)
Other operating income	5	201	216
Operating profit		4,774	6,672
Share of results of associates	18	63	(498)
Finance income	10	473	324
Finance expense	11	(124)	(298)
Profit before tax		5,186	6,200
Tax	12	(1,750)	(2,219)
Profit for the year	26	3,436	3,981
Attributable to:			
Equity holders of the parent		3,436	3,981
		pence	*pence*
Basic earnings per share	14	6.0	8.1
Diluted earnings per share	14	6.0	7.4

All activities arise from continuing operations.

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

Year ended 31 March 2008

	2008 £'000	2007 £'000
Net profit for the year	3,436	3,981
Exchange differences on translation of foreign operations	309	(94)
Total recognised income and expense for the year	3,745	3,887
Attributable to:		
Equity holders of the parent	3,745	3,887

CONSOLIDATED BALANCE SHEET

At 31 March 2008

	Note	2008 £'000	2007 £'000
Non-current assets			
Intangible assets	15	2,095	1,587
Property, plant and equipment	16	8,454	6,997
Interests in associates	18	242	152
Deferred tax asset	22	–	174
		10,791	8,910
Current assets			
Inventories	19	7,785	6,688
Trade and other receivables	20	5,548	3,869
Cash and cash equivalents	20	10,237	10,271
		23,570	20,828
Total assets		34,361	29,738
Current liabilities			
Trade and other payables	24	(10,894)	(7,950)
Current tax liabilities		(917)	(892)
Obligations under finance leases	23	(10)	(37)
		(11,821)	(8,879)
Non-current liabilities			
Borrowings	21	–	(1,250)
Preference shares	21	–	(2,564)
Deferred tax liabilities	22	(17)	(149)
Obligations under finance leases	23	(4)	(27)
		(21)	(3,990)
Total liabilities		(11,842)	(12,869)
Net assets		22,519	16,869
Equity			
Share capital	25, 26	2,871	2,474
Share premium account	26	7,007	4,633
Revaluation reserves	26	18	49
Capital redemption reserve	26	154	154
Special reserve	26	1,467	1,467
Foreign exchange reserve	26	215	(94)
Retained earnings	26	10,787	8,186
Total equity		22,519	16,869

The financial statements were approved by the Board of Directors and authorised for issue on 18 June 2008. They were signed on its behalf by:

Godfrey Davis
Director

Roger Mather
Director

CONSOLIDATED CASH FLOW STATEMENT

At 31 March 2008

	2008 £'000	2007 £'000
Operating profit for the year	4,774	6,672
Adjustments for:		
Depreciation of property, plant and equipment	1,231	999
Impairment of property, plant and equipment	–	37
Amortisation of intangible assets	137	31
Loss on sale of property, plant and equipment	12	2
Effects of foreign exchange	(61)	–
Share based payments (credit)/charge	(5)	102
Operating cash flows before movements in working capital	6,088	7,843
Increase in stocks	(1,097)	(721)
(Increase)/decrease in debtors	(1,679)	1,093
Increase/(decrease) in creditors	2,772	(289)
Cash generated by operations	6,084	7,926
Corporation taxes paid	(1,685)	(1,987)
Interest paid	(121)	(43)
Preference dividends paid	(56)	(196)
Net cash from operating activities	4,222	5,700
Investing activities:		
Interest received	473	324
Purchases of property, plant and equipment	(2,418)	(2,335)
Proceeds from sale of property, plant and equipment	32	10
Acquisition of intangible fixed assets	(389)	(1,517)
Net cash used in investing activities	(2,302)	(3,518)
Financing activities:		
Dividends paid	(861)	(490)
Repayments of borrowings	(1,250)	–
Repayments of obligations under finance leases	(50)	(43)
Proceeds on issue of shares	207	90
New bank loans raised	–	1,250
Net cash (used in)/from financing activities	(1,954)	807
Net (decrease)/increase in cash and cash equivalents	(34)	2,989
Cash and cash equivalents at beginning of year	10,271	7,282
Cash and cash equivalents at end of year	10,237	10,271

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 March 2008

1 General information
Mulberry Group plc is a company incorporated in the United Kingdom under the Companies Act 1985. The address of the registered office is given on page 59. The nature of the Group's operations and its principal activities are set out in note 6 and in the Directors' report on pages 12 to 15.

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

2 Adoption of new and revised Standards
The Group's financial statements for the year ended 31 March 2008 are the first to be prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union.

Details of the changes in accounting policies arising from the adoption of IFRS, together with the restated information for the year ended 31 March 2007, have been provided in note 33.

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

IFRS 8	*Operating segments*
IFRIC 12	*Service Concession Arrangements*
IFRIC 13	*Customer Loyalty Programmes*
IFRIC 14	*IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

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

3 Significant accounting policies
Basis of accounting
The financial statements have been prepared in accordance with IFRSs adopted by the European Union.

The financial statements have been prepared on a historical cost basis. The principal accounting policies adopted are set out below.

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

3 Significant accounting policies (continued)

Goodwill

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

Intangible assets

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

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

Research and development

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

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

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

Property, plant and equipment

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

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

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

Freehold land is not depreciated.

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

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

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

3 Significant accounting policies (continued)

Impairment of tangible and intangible assets

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

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

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

Investments in associates

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

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

Inventories

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

Revenue recognition

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

3 Significant accounting policies (continued)

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

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

Operating profit

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

Taxation

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

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

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

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

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

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

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

Leases

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

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

3 Significant accounting policies (continued)

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

Retirement benefit costs

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

Provisions

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

Share based payments

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

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

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

Foreign currencies

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

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

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

3 Significant accounting policies (continued)

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

Financial instruments

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

Trade receivables

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

Cash and cash equivalents

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

Financial liabilities and equity

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

Bank borrowings

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

Convertible shares

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

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

Trade payables

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

Equity instruments

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

4 Critical accounting judgements and key sources of estimation uncertainty

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

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

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

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

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

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

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

5 Revenue

	2008 *£'000*	*2007* *£'000*
Sales of goods	51,174	45,078
Royalty income	201	216
Finance income	473	324
Total revenue	51,848	45,618

6 Business and geographical segments

a) Business segments

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

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

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

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

Segment information about these businesses is presented below.

2008	*Retail 2008 £'000*	*Design 2008 £'000*	*Eliminations 2008 £'000*	*Total 2008 £'000*
Income Statement				
External sales	31,722	19,452	–	51,174
Inter-segment sales	–	12,860	(12,860)	–
Total revenue	31,722	32,312	(12,860)	51,174
Segment operating profit	3,595	1,312	759	5,666
Unallocated corporate expenses				(892)
Operating profit				4,774
Share of results of associates				63
Finance income				473
Finance expense				(124)
Profit before tax				5,186
Tax				(1,750)
Profit for the year				3,436
Other information				
Capital additions	1,743	1,144	–	2,887
Depreciation and amortisation	850	383	–	1,233

6 Business and geographical segments (continued)

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

2007	*Retail 2007 £'000*	*Design 2007 £'000*	*Eliminations 2007 £'000*	*Total 2007 £'000*
Income statement				
External sales	23,718	21,360	–	45,078
Inter-segment sales	–	9,601	(9,601)	–
Total revenue	23,718	30,961	(9,601)	45,078
Segment operating profit	2,490	3,978	997	7,466
Unallocated corporate expenses				(794)
Operating profit				6,672
Share of results of associates				(498)
Finance income				324
Finance expense				(298)
Profit before tax				6,200
Tax				(2,219)
Profit for the year				3,981
Other information				
Capital additions	1,241	816	–	2,057
Depreciation and amortisation	660	250	–	910

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

6 Business and geographical segments (continued)

Balance sheet Assets	*Retail* *2007* *£'000*	*Design* *2007* *£'000*	*Eliminations* *2007* *£'000*	*Total* *2007* *£'000*
Segment assets	11,657	18,792	(3,904)	26,545
Interests in associates				152
Unallocated corporate assets				3,041
Consolidated total assets				29,738
Liabilities				
Segment liabilities	8,498	15,755	(16,420)	7,833
Unallocated corporate liabilities				5,036
Consolidated total liabilities				12,869

b) Geographical segments

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

	Sales revenue by geographical market	
	2008 *£'000*	*2007* *£'000*
Europe	45,998	39,324
North America	1,319	1,623
Rest of the World	3,857	4,131
	51,174	45,078

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

7 Profit for the year

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

	2008 *£'000*	*2007* *£'000*
Net foreign exchange gains	(390)	(123)
Depreciation of property, plant and equipment:		
Owned	1,219	837
Held under finance leases and hire purchase contracts	12	162
Impairment of property, plant and equipment	–	37
Amortisation of intangible assets	137	31
Operating lease rentals	2,931	2,610
Write downs of inventories recognised as an expense	162	365
Staff costs (see note 9)	11,925	10,089
Impairment of trade receivables	135	58
Loss on disposal of property, plant and equipment	12	2

8 Auditors' remuneration

The analysis of auditors' remuneration is as follows:

	2008 *£'000*	*2007* *£'000*
Fees payable to the Company's auditors for the audit of the Company's annual accounts	10	6
Fees payable to the Company's auditors and their associates for other services to the Group:		
The audit of the Company's subsidiaries pursuant to legislation	40	40
Total audit fees	50	46
Tax services	3	9
Other services	33	7
Total non-audit fees	36	16
Fees payable to the Company's auditors in respect of associated pension schemes	–	1

Other services in 2008 includes assistance with the conversion to IFRS and the interim review.

9 Staff costs

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

	2008 *£'000*	*2007* *£'000*
Production	250	221
Sales and distribution	353	262
Administration	42	41
	645	524
Their aggregate remuneration comprised:		
Wages and salaries	10,629	8,826
Social security costs	994	862
Other pension costs (see note 29)	307	299
Share based payments (see note 28)	(5)	102
	11,925	10,089

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

10 Finance income

	2008 £'000	2007 £'000
Interest income on cash balances	473	324

11 Finance expense

	2008 £'000	2007 £'000
Interest on bank overdraft and loans	114	44
Dividends on redeemable cumulative B preference shares classified as financial liabilities	7	249
Interest on obligations under finance leases	3	5
	124	298

12 Tax

	2008 £'000	2007 £'000
Current tax	1,700	1,905
Adjustment to prior year corporation tax	8	(16)
Deferred tax (note 22)	42	330
	1,750	2,219

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

	2008 £'000	2007 £'000
Profit before tax	5,186	6,200
Tax at the UK corporation tax rate of 30% (2007: 30%)	1,556	1,860
Preference dividends payable	2	75
Tax effect of expenses that are not deductible in determining taxable profit	239	287
Capital allowances in excess of depreciation	(146)	(56)
Short-term timing differences	63	(278)
(Losses)/profit carried forward to offset against future profits	(14)	17
Current tax expense for the year	1,700	1,905

12 Tax (continued)

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

- The corporation tax rate in the UK will reduce to 28% from 1 April 2008;
- The UK rate of tax writing down allowances will be reduced from 25% to 20% on plant and machinery and from 25% to 10% on fixtures and fittings from 1 April 2008; and
- The rate of Industrial Buildings Allowances will be reduced by 1% per annum from April 2008 until they are abolished in April 2011. As of 31 March 2008, these changes had not been substantively enacted and as such the impact has not been reflected. If they had been reflected, the deferred tax expense for 2008 would have increased by approximately £140,000 and the effective rate of corporation tax by 2.7 percentage points.

13 Dividends

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

	2008	*2007*
	£'000	*£'000*
1.5p (2007: 1p) per share on 5p ordinary shares	861	490

The Directors are recommending the payment of a final dividend of 2.0p per ordinary share (2007: 1.5p) to be paid on 15 August 2008 to ordinary shareholders on the register as at 18 July 2008. This proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

14 Earnings per share

Basic earnings per ordinary share has been calculated by dividing the profit for the year by 56,968,275 (2007: 48,974,442) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

Diluted earnings per share has been calculated by dividing the profit for the year excluding the interest and finance costs relating to the preference shares by 57,832,347 (2007: 57,381,518) potential ordinary shares. These shares take into account the exercise of unexercised options and the diluting effect of the preference shares prior to their conversion in April 2007.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

15 Intangible assets

	Software *£'000*	*Lease costs* *£'000*	*Total* *£'000*
Cost			
At 1 April 2006	24	–	24
Additions	77	1,517	1,594
At 1 April 2007	101	1,517	1,618
Additions	389	–	389
Exchange differences	–	258	258
At 31 March 2008	490	1,775	2,265
Amortisation			
At 1 April 2006	–	–	–
Charge for the year	13	18	31
At 1 April 2007	13	18	31
Charge for the year	71	66	137
Exchange differences	–	2	2
At 31 March 2008	84	86	170
Carrying amount			
At 31 March 2008	406	1,689	2,095
At 31 March 2007	88	1,499	1,587

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

Included within software is £49,000 (2007: £154,000) of assets in the course of construction in respect of the new ERP system which have not been put into operation at the balance sheet date and so have not been amortised.

16 Property, plant and equipment

	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						
At 1 April 2006	2,728	3,107	2,530	4,769	110	13,244
Additions	868	7	577	1,389	–	2,841
Disposals	–	–	–	(966)	–	(966)
At 1 April 2007	3,596	3,114	3,107	5,192	110	15,119
Additions	133	40	554	1,886	34	2,647
Disposals	–	(15)	(69)	(187)	(45)	(316)
Exchange differences	–	18	–	72	–	90
At 31 March 2008	3,729	3,157	3,592	6,963	99	17,540
Accumulated depreciation						
At 1 April 2006	906	1,080	2,304	3,703	47	8,040
Charge for the year	82	242	122	535	18	999
Impairment losses	–	37	–	–	–	37
Disposals	–	–	–	(954)	–	(954)
At 1 April 2007	988	1,359	2,426	3,284	65	8,122
Charge for the year	96	215	232	668	20	1,231
Disposals	–	(5)	(60)	(176)	(31)	(272)
Exchange differences	–	4	–	1	–	5
At 31 March 2008	1,084	1,573	2,598	3,777	54	9,086
Carrying amount						
At 31 March 2008	2,645	1,584	994	3,186	45	8,454
At 31 March 2007	2,608	1,755	681	1,908	45	6,997

Freehold land of £997,000 (2007: £997,000) has not been depreciated.

At 31 March 2008 included in short leasehold land and buildings, plant and equipment, motor vehicles and fixtures, fittings and equipment are items acquired under hire purchase contracts and finance lease arrangements with a net book value of £13,000 (2007: £268,000). The assets under these contracts and arrangements are secured against the assets to which they relate and guarantees provided by the Company. The Group does not hold the title to these assets.

At 31 March 2008, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £349,000 (2007: £377,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

17 Subsidiaries

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

18 Interests in associates

	2008 *£'000*	*2007* *£'000*
Aggregated amounts relating to associates		
Total assets	6,020	5,446
Total liabilities	(10,348)	(6,250)
Revenues	3,837	2,626
Loss	(3,586)	(1,543)
Aggregated amounts recognised relating to associates		
Share of profits/(losses) recognised for the year	63	(498)
Share of losses not recognised for the year	(1,850)	(8)
Cumulative losses not recognised	(1,858)	(8)

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

19 Inventories

	2008 *£'000*	*2007* *£'000*
Raw materials	840	472
Work-in-progress	193	254
Finished goods	6,752	5,962
	7,785	6,688

20 Other financial assets

Trade and other receivables

	2008 *£'000*	*2007* *£'000*
Amount receivable for the sale of goods	3,674	3,121
Allowance for doubtful debts	(115)	(85)
	3,559	3,036
Amounts owed by associate undertakings	504	297
Other debtors	575	13
Prepayments and accrued income	910	523
	5,548	3,869

20 Other financial assets (continued)

Trade receivables

The average credit period taken on the sale of goods is 55 days (2007: 52 days). No interest is charged on the outstanding receivables.

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

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

Included in the Group's trade receivables balance are debtors with a carrying amount of £732,000 (2007: £508,000) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group retains retention of title for the goods sold.

Ageing of past due but not impaired receivables

	2008	*2007*
	£'000	*£'000*
0-30 days overdue	622	422
31-60 days overdue	110	86
	732	508

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

Cash and cash equivalents

	2008	*2007*
	£'000	*£'000*
Cash and cash equivalents	10,237	10,271

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

21 Borrowings

	2008 £'000	2007 £'000
Unsecured borrowing at amortised cost		
Redeemable cumulative B preference shares	–	2,564
Secured borrowing at amortised cost		
Bank loans	–	1,250
Finance leases	14	64
	14	3,878
Total borrowings		
Amount due for settlement within 12 months	10	37
Amount due for settlement after 12 months	4	3,841

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

- Bank overdrafts are repayable on demand. The multicurrency overdraft facilities of £3,500,000 (2007: £3,500,000) have been secured by a charge over the Group's assets. The interest rates are determined based on 1% over the bank base rate.
- The Sterling bank loan drawn down on 2 January 2007 was fully repaid on 14 February 2008. The loan had an original term of five years and was secured by a charge over certain of the Group's properties and assets dated 10 April 1990. The loan carried interest at a rate of 0.75% above the bank base rate.
- Redeemable cumulative B preference shares of £2,800,000 were issued on 11 September 2000 at an issue price of 35p per share. The shares carried 7% interest and were converted into ordinary shares on 16 April 2007. See note 25 for further details.

The weighted average interest rates paid during the year were as follows:

	2008	2007
Bank loans	5.5%	2.2%
Redeemable cumulative preference shares	–	7%

Undrawn borrowing facilities

At 31 March 2008, the Group had available £6,250,000 (2007: £6,250,000) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

22 Deferred tax

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

	Accelerated tax depreciation £'000	*Tax losses £'000*	*Short-term timing differences £'000*	*Total £'000*
At 1 April 2006	43	(297)	(98)	(352)
Charge/(credit) to income	65	297	(35)	327
At 1 April 2007	108	–	(133)	(25)
Charge/(credit) to income	92	–	(49)	43
Effect of change in tax rate				
– income statement	(13)	–	12	(1)
At 31 March 2008	187	–	(170)	17

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

	2008 £'000	*2007 £'000*
Deferred tax assets	187	108
Deferred tax liabilities	(170)	(133)
	17	(25)

23 Obligations under finance leases

	Minimum lease payments		*Present value of lease payments*	
	2008 £'000	*2007 £'000*	*2008 £'000*	*2007 £'000*
Amounts payable under finance leases:				
Within one year	11	40	10	37
In the second to fifth years	4	29	4	27
	15	69	14	64
Less: future finance charges	(1)	(5)	n/a	n/a
Present value of lease obligations	14	64	14	64
Less:				
– amount due for settlement within 12 months				
(shown under current liabilities)			(10)	(37)
Amount due for settlement after 12 months			4	27

23 Obligations under finance leases (continued)

It is the Group's policy to lease certain of its fixtures and equipment under finance leases. The average lease term is for four years. For the year ended 31 March 2008, the average effective borrowing rate was 14.9% (2007: 14.9%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

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

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

24 Other financial liabilities

Trade and other payables	*2008 £'000*	*2007 £'000*
Trade creditors	5,239	3,399
Accruals and deferred income	5,138	4,226
Other creditors	517	325
	10,894	7,950

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 32 days (2007: 37 days). For most suppliers no interest is charged on the trade payables for the first 60 days from the date of the invoice. Thereafter, interest is charged on the outstanding balances at various interest rates. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

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

25 Share capital

	2008 £'000	*2007 £'000*
Authorised		
65,000,000 ordinary shares of 5p each (2007: 57,000,000)	3,250	2,850
Nil 7% convertible redeemable B preference shares of 5p each (2007: 8,000,000)	–	400
	3,250	3,250
Issued and fully paid		
57,419,505 ordinary shares of 5p each (2007: 49,014,505)	2,871	2,451
Nil 7% convertible redeemable B preference shares of 5p each (2007: 8,000,000)	–	400
	2,871	2,851
Less: classified within financial liabilities (see note 21)	–	(377)
	2,871	2,474

The Company has not granted options in respect of 5p ordinary shares during the year (2007: nil).

25 Share capital (continued)

405,000 ordinary shares of 5p each (2007: 140,043) with a nominal value of £20,250 (2007: £7,002) were allotted during the year for a total consideration of £207,475 (2007: £89,937) due to the exercise of options.

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

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

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

26 Reserves

	Share capital £'000	*Share premium £'000*	*Revaluation reserve £'000*	*Capital redemption reserve £'000*	*Special reserve* £'000*	*Foreign exchange reserve £'000*	*Profit and loss account £'000*	*Total £'000*
Balance at 1 April 2006	2,467	4,547	80	154	1,467	–	4,562	13,277
Charges for employee share based payments	–	–	–	–	–	–	102	102
New shares issued	7	83	–	–	–	–	–	90
Amortisation of revaluation surplus	–	–	(31)	–	–	–	31	–
Currency translation difference	–	–	–	–	–	(94)	–	(94)
Profit for the year	–	–	–	–	–	–	3,981	3,981
Ordinary dividends paid	–	–	–	–	–	–	(490)	(490)
Finance costs on preference shares	–	3	–	–	–	–	–	3
Balance at 1 April 2007	2,474	4,633	49	154	1,467	(94)	8,186	16,869
Charges for employee share based payments	–	–	–	–	–	–	(5)	(5)
New shares issued	20	187	–	–	–	–	–	207
Conversion of preference shares	377	2,187	–	–	–	–	–	2,564
Amortisation of revaluation surplus	–	–	(31)	–	–	–	31	–
Currency translation differences	–	–	–	–	–	309	–	309
Profit for the year	–	–	–	–	–	–	3,436	3,436
Ordinary dividends paid	–	–	–	–	–	–	(861)	(861)
Balance at 31 March 2008	2,871	7,007	18	154	1,467	215	10,787	22,519

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

27 Operating lease arrangements

	2008 £'000	2007 £'000
Minimum lease payments under operating leases recognised as an expense in the year	2,931	2,610

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

	£'000	£'000
Within one year	2,795	2,401
In the second to fifth years inclusive	9,744	8,219
After five years	12,996	11,904
	25,535	22,524

Operating lease payments represent rentals payable by the Group for certain of its retail stores, warehouse and offices. The leases are for a varied length of time with the longest lease running until 2023. Leases are typically subject to rent reviews at specified intervals and some payments are contingent upon levels of revenue above minimum thresholds. The amount paid under this contingent element in the year was £282,000 (2007: £67,000).

28 Share based payments

The Group operated the following scheme during the year.

The Mulberry Group plc 1996 Company Share Option Scheme

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

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

	2008		2007	
	Number of share options	Weighted average exercise price (in p)	Number of share options	Weighted average exercise price (in p)
Outstanding at beginning of period	880,000	100.1	1,057,428	96.9
Forfeited during the period	(250,000)	140.2	(37,385)	134.5
Exercised during the period	(405,000)	51.5	(140,043)	64.2
Outstanding at the end of the period	225,000	146.0	880,000	100.1
Exercisable at the end of the period	–	–	200,000	53.0

The weighted average share price at the date of exercise for share options exercised during the period was 263.0p (2007: 198.2p). The options outstanding at 31 March 2008 had a weighted average remaining contractual life of 0.3 years (2007: 1.0 years).

28 Share based payments (continued)

The inputs into the Black Scholes model are as follows:

	2008	*2007*
Share price	50.0p - 145.5p	49.5p - 145.5p
Exercise price	50.0p - 145.5p	49.5p - 145.5p
Expected volatility	33.57% - 35.15%	22.58% - 35.15%
Expected life	5 years	5 years
Risk-free rate	4.09% - 5.05%	4.09% - 5.05%
Expected dividend yields	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 estimate for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The Group recognised total income of £5,000 related to equity-settled share based payment transactions (2007: £102,000 expense).

29 Retirement benefit schemes

The Group contributes to personal pension plans for all qualifying employees. The total cost charged to income of £307,000 (2007: £299,000) represents contributions payable to these schemes by the Group at rates specified in the rules of the plans. As at 31 March 2008, there were no contributions due in respect of the current reporting period which had not been paid over to the schemes (2007: nil).

30 Financial instruments

Capital risk management
The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 25 to 26. The Group had an outstanding bank loan as at 31 March 2007 but this was repaid during the year.

Externally imposed capital requirement
The Group is not subject to externally imposed capital requirements.

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

Categories of financial instruments	*Carrying values*	
	2008 *£'000*	*2007* *£'000*
Financial assets		
Loans and receivables (including cash and cash equivalents)	13,796	13,307
Financial liabilities		
Amortised cost	10,910	11,828

30 Financial instruments (continued)

Financial risk management objectives

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

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

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group reviews the need to enter into financial instruments on a regular basis but has not entered into any during the current or previous periods. Having repaid the bank loan during the year the Group is not significantly exposed to interest rate risk on its financial liabilities and continues to seek to maximise the returns from its bank deposits wherever possible.

Foreign currency risk management

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

	Liabilities		*Assets*	
	2008 £'000	*2007 £'000*	*2008 £'000*	*2007 £'000*
Euro	1,163	1,118	1,795	1,114
US Dollar	193	256	1,429	514

Foreign currency sensitivity analysis

The Group is mainly exposed to the US Dollar and Euro currencies.

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

	Euro currency impact		*US Dollar currency impact*	
	2008 £'000	*2007 £'000*	*2008 £'000*	*2007 £'000*
Profit or loss	(12)	5	(63)	(23)

30 Financial instruments (continued)

Interest rate risk management and sensitivity analysis

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

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

If interest rates had been 1% higher and all other variables were held constant, the Group's profit for the year ended 31 March 2008 would increase by £66,000 (2007: increase by £54,000). This is mainly attributable to the Group's exposure to interest rates on its cash deposits.

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

Credit risk management

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

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

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

Liquidity risk management

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

Liquidity and interest risk tables

The Group's financial assets all contractually mature within the next year. Trade receivables do not accrue interest. The weighted average interest rate on cash and cash equivalents was 5.6% (2007: 4.5%)

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

2008	*Weighted average interest rate*	*Less than 1 year £'000*	*1 to 2 years £'000*	*2 to 3 years £'000*	*3 to 4 years £'000*	*4 to 5 years £'000*	*Total £'000*
Trade and other payables	–	10,896	–	–	–	–	10,896
Leases	14.9%	11	4	–	–	–	15
		10,907	4	–	–	–	10,911

30 Financial instruments (continued)

2007	*Weighted average interest rate*	*Less than 1 year £'000*	*1 to 2 years £'000*	*2 to 3 years £'000*	*3 to 4 years £'000*	*4 to 5 years £'000*	*Total £'000*
Trade and other payables	–	7,950	–	–	–	–	7,950
Leases	14.9%	40	29	–	–	–	69
Bank loans	5.5%	–	–	–	–	1,250	1,250
Preference shares	7.0%	–	2,564	–	–	–	2,564
		7,990	2,593	–	–	1,250	11,833

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

31 Related party transactions

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

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

	Sale of goods		*Amounts owed by related parties*	
	2008 £'000	*2007 £'000*	*2008 £'000*	*2007 £'000*
Mulberry Oslo AS	498	503	191	226
Mulberry USA LLC	1,319	1,623	313	219
MUL 21 (UK) Limited*	–	538	–	–
Club 21 Retail (Hong Kong) Limited*	971	776	141	97
Club 21 Pte Limited*	629	292	260	53
Club 21 (Thailand) Co Limited*	239	261	49	24
Club 21 Pte Limited Taiwan Branch*	158	193	43	41

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

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

In addition to the transactions above, MUL 21 (UK) Limited operated the Mulberry store at 171-175 Brompton Road, London under the terms of a franchise agreement which was signed during November 2001. On 4 December 2007 a subsidiary of Mulberry Group plc, Mulberry Company (Sales) Limited, took over the operation of the store, purchased the stock and shop fittings and took over the lease. All related party transactions take place on an arm's length basis.

31 Related party transactions (continued)

Remuneration of key management personnel

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

	2008 *£'000*	*2007* *£'000*
Short-term employee benefits	445	504
Post-employment benefits	64	66
Share based payments	(1)	47
	508	617

32 Controlling party

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

33 Transition statements

This is the first year that the Company has presented its financial statements under IFRS. The following disclosures are required in the year of transition. The following reconciliations and explanatory notes thereto describe the effects of the transition on the IFRS opening balance sheet as at 1 April 2006 and for the year ended 31 March 2007. Additionally they show the reconciliation of the profit and loss reported under UK GAAP for the year ended 31 March 2007 to IFRS.

All explanations should be read in conjunction with the IFRS accounting policies of the Group as disclosed in note 3.

Notes to the IFRS transition statements

(a) Under UK GAAP lease incentives were recognised over the period to the first market rent review or the end of the lease whichever is the shorter period. Under IFRS lease incentives are required to be recognised over the entire lease term.

As a result the Group's IFRS opening balance sheet as at 1 April 2006 includes additional deferred lease incentives income of £250,000 and an associated tax asset adjustment of £75,000. In respect of the six months ended 30 September 2006 and the year ended 31 March 2007 adjustments have been made to decrease the deferred lease incentives amortisation by a further £8,000 and £10,000 respectively, with an associated deferred tax adjustment of £2,000 and £3,000 respectively.

(b) Under IFRS, computer software is classified as an intangible asset 'where the software is not an integral part of the related hardware'. This means that application software costs that have been capitalised as tangible fixed assets must now be reclassified to intangible assets. The effect is to increase the intangible assets and reduce property, plant and equipment by £24,000 and £88,000 being the net book value of software at 1 April 2006 and 31 March 2007 respectively.

(c) Under IFRS, cumulative translation differences that arise on translation of foreign operations are shown as a separate reserve within equity.

(d) This is the tax effect of the adjustments (a) to (c).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

33 Transition statements (continued)

Reconciliation of UK GAAP consolidated profit and loss account to IFRS consolidated income statement for the year ended 31 March 2007

	UK GAAP in IFRS format £'000	*(a) IAS 17 Lease incentives £'000*	*(d) IAS 12 Deferred tax £'000*	*IFRS (restated) £'000*
Revenue	45,078	–	–	45,078
Cost of sales	(18,818)	–	–	(18,818)
Gross profit	26,260	–	–	26,260
Administrative expenses	(19,578)	(10)	–	(19,588)
Operating profit	6,682	(10)	–	6,672
Share of results of associates	(498)	–	–	(498)
Finance income	324	–	–	324
Finance expense	(298)	–	–	(298)
Profit before taxation	6,210	(10)	–	6,200
Taxation	(2,222)	–	3	(2,219)
Profit for the period	3,988	(10)	3	3,981
Attributable to:				
Equity holders of the parent	3,988	(10)	3	3,981

33 Transition statements (continued)

Reconciliation of UK GAAP to IFRS consolidated balance sheet as at 1 April 2006 (date of transition)

	UK GAAP in IFRS format £'000	(a) IAS 17 Lease incentives £'000	(b) IAS 38 Reclassify software £'000	(d) IAS 12 Deferred tax £'000	IFRS £'000
Non-current assets					
Intangible assets	–	–	24	–	24
Property, plant and equipment	5,228	–	(24)	–	5,204
Interests in associates	730	–	–	–	730
Deferred tax assets	277	–	–	194	471
	6,235	–	–	194	6,429
Current assets					
Inventories	5,967	–	–	–	5,967
Trade and other receivables	4,962	–	–	–	4,962
Cash and equivalents	7,282	–	–	–	7,282
	18,211	–	–	–	18,211
Total assets	24,446	–	–	194	24,640
Current liabilities					
Trade and other payables	(7,386)	(250)	–	–	(7,636)
Tax liabilities	(987)	–	–	–	(987)
Obligations under finance leases	(42)	–	–	–	(42)
	(8,415)	(250)	–	–	(8,665)
Non-current liabilities					
Preference shares	(2,514)	–	–	–	(2,514)
Deferred tax liabilities	–	–	–	(119)	(119)
Obligations under finance leases	(65)	–	–	–	(65)
	(2,579)	–	–	(119)	(2,698)
Total liabilities	(10,994)	(250)	–	(119)	(11,363)
Net assets	13,452	(250)	–	75	13,277
Equity					
Share capital	2,467	–	–	–	2,467
Share premium	4,547	–	–	–	4,547
Revaluation reserve	80	–	–	–	80
Capital redemption reserve	154	–	–	–	154
Special reserve	1,467	–	–	–	1,467
Retained earnings	4,737	(250)	–	75	4,562
Forex reserve	–	–	–	–	–
Total equity and reserves	13,452	(250)	–	75	13,277

33 Transition statements (continued)

Reconciliation of UK GAAP to IFRS consolidated balance sheet as at 31 March 2007

	UK GAAP in IFRS format £'000	(a) IAS 17 Lease incentives £'000	(b) IAS 38 Reclassify software £'000	(c) IAS 21 Forex reserve £'000	(d) IAS 12 Deferred tax £'000	IFRS £'000
Non-current assets						
Intangible assets	1,499	–	88	–	–	1,587
Property, plant and equipment	7,085	–	(88)	–	–	6,997
Interests in associates	152	–	–	–	–	152
Deferred tax assets	–	–	–	–	174	174
	8,736	–	–	–	174	8,910
Current assets						
Inventories	6,688	–	–	–	–	6,688
Trade and other receivables	3,869	–	–	–	–	3,869
Cash and equivalents	10,271	–	–	–	–	10,271
	20,828	–	–	–	–	20,828
Total assets	29,564	–	–	–	174	29,738
Current liabilities						
Trade and other payables	(7,690)	(260)	–	–	–	(7,950)
Tax liabilities	(892)	–	–	–	–	(892)
Obligations under finance leases	(37)	–	–	–	–	(37)
	(8,619)	(260)	–	–	–	(8,879)
Non-current liabilities						
Bank loans	(1,250)	–	–	–	–	(1,250)
Preference shares	(2,564)	–	–	–	–	(2,564)
Deferred tax liabilities	(53)	–	–	–	(96)	(149)
Obligations under finance leases	(27)	–	–	–	–	(27)
	(3,894)	–	–	–	(96)	(3,990)
Total liabilities	(12,513)	(260)	–	–	(96)	(12,869)
Net assets	17,051	(260)	–	–	78	16,869
Equity						
Share capital	2,474	–	–	–	–	2,474
Share premium	4,633	–	–	–	–	4,633
Revaluation reserve	49	–	–	–	–	49
Capital redemption reserve	154	–	–	–	–	154
Special reserve	1,467	–	–	–	–	1,467
Retained earnings	8,274	(260)	–	94	78	8,186
Forex reserve	–	–	–	(94)	–	(94)
Total equity and reserves	17,051	(260)	–	–	78	16,869

Mulberry Group plc

Company financial statements

31 March 2008

Contents	Page

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MULBERRY GROUP PLC

We have audited the parent company financial statements of Mulberry Group plc for the year ended 31 March 2008 which comprise the Company balance sheet and the related notes 34 to 44. These parent company financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the Group financial statements of Mulberry Group plc for the year ended 31 March 2008.

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

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

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

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

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

BASIS OF AUDIT OPINION

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

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

OPINION

In our opinion:

- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 March 2008;
- the parent company financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' report is consistent with the parent company financial statements.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors

Bristol, United Kingdom

18 June 2008

COMPANY BALANCE SHEET

At 31 March 2008

	Note	2008 £'000	2007 £'000
Fixed assets			
Tangible assets	37	2,770	2,762
Investments	36	13,202	13,202
		15,972	15,964
Current assets			
Debtors	38	1,610	2,142
Creditors: amounts falling due within one year	39	(646)	(624)
Net current assets		964	1,518
Total assets less current liabilities		16,936	17,482
Creditors: amounts falling due after more than one year	39	–	(3,814)
Provision for liabilities	40	–	(104)
Net assets		16,936	13,564
Capital and reserves			
Called up share capital	42	2,871	2,474
Share premium account	43	7,007	4,633
Revaluation reserve	43	18	49
Capital redemption reserve	43	154	154
Special reserve	43	4,187	4,187
Profit and loss account	43	2,699	2,067
Shareholders' funds	44	16,936	13,564

The financial statements were approved by the Board of Directors and authorised for issue on 18 June 2008. They were signed on its behalf by:

Godfrey Davis
Director

Roger Mather
Director

NOTES TO THE COMPANY FINANCIAL STATEMENTS

Year ended 31 March 2008

34 Significant accounting policies

Basis of accounting

The separate financial statements of the Company are presented as required by the Companies Act 1985. They have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards and law.

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

Tangible fixed assets

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

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

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

Freehold land is not depreciated.

Investments

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

Financial liabilities and equity

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

Bank borrowings

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

Equity instruments

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

Foreign exchange

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

Pension costs

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

34 Significant accounting policies (continued)

Taxation

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

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

Cash flow statement

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

35 Profit for the year

As permitted by section 230 of the Companies Act 1985 the Company has elected not to present its own profit and loss account for the year. Mulberry Group plc reported a profit for the financial year ended 31 March 2008 of £1,467,000 (2007: £1,385,000).

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

36 Fixed asset investments

	Subsidiaries shares £'000	*Subsidiaries loans £'000*	*Associates shares £'000*	*Total £'000*
Cost				
At 1 April 2007 and 31 March 2008	2,858	11,804	571	15,233
Provision for impairment				
At 1 April 2007 and 31 March 2008	(1,460)	–	(571)	(2,031)
Net book value				
End and beginning of year	1,398	11,804	–	13,202

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS
(continued)

36 Fixed asset investments (continued)

	Country of incorporation	*Principal activity*	*Holding of ordinary shares*
Subsidiaries			
Mulberry Company (Design) Limited	England and Wales	Design and manufacture of clothing and fashion accessories in the UK	100%
Mulberry Company (France) SARL	France	Establishment and operation of retail shops in France	100%
Mulberry Company (Sales) Limited	England and Wales	Establishment and operation of retail shops in the UK	100%*
Kilver Street Inc	USA	Holding Company	100%
Associates			
Mulberry USA LLC	USA	Establishment and operation of retail shops in the USA and distributor for the USA	50%**
Mulberry Oslo AS***	Norway	Operation of a retail shop in Oslo	50%*

* Owned by Mulberry Company (Europe) Limited
** Owned through Kilver Street Inc
*** Accounting reference date of 31 December

37 Tangible fixed assets

	Freehold land and buildings £'000	*Short leasehold land and buildings £'000*	*Fixtures, fittings and equipment £'000*	*Total £'000*
Cost				
At 1 April 2007	3,596	304	528	4,428
Additions	133	17	–	150
Disposals	–	(7)	–	(7)
At 31 March 2008	3,729	314	528	4,571
Depreciation				
At 1 April 2007	988	150	528	1,666
Charge for the year	96	39	–	135
At 31 March 2008	1,084	189	528	1,801
Net book value				
End of year	**2,645**	**125**	**–**	**2,770**
Beginning of year	2,608	154	–	2,762

Freehold land of £997,000 (2007: £997,000) has not been depreciated.

38 Debtors

	2008 £'000	2007 £'000
Amounts falling due within one year:		
Amounts owed by Group undertakings	1,485	1,958
Amounts owed by associate undertakings	94	167
Prepayments and accrued income	1	17
Other debtors	30	–
	1,610	2,142

39 Creditors

	2008 £'000	2007 £'000
Amounts falling due within one year:		
Amounts owed to Group undertakings	478	380
Other creditors – corporation tax	38	63
Accruals and deferred income	130	181
	646	624
Amounts falling due after more than one year:		
Bank loans	–	1,250
Preference shares (see note 42)	–	2,564
	–	3,814
Balance at 31 March 2008	646	4,438

Details of the borrowings and preference shares are provided within note 21 of the consolidated financial statements.

40 Deferred tax

	2008 £'000	2007 £'000
Excess of capital allowances over depreciation on fixed assets	13	(104)
Short-term timing differences	17	–
	30	(104)

At 1 April 2007	(104)
Credit for the year	134
At 31 March 2008	30

41 Related party transactions

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

42 Called up share capital

	2008 £'000	2007 £'000
Authorised		
65,000,000 ordinary shares of 5p each (2007: 57,000,000)	3,250	2,850
Nil 7% convertible redeemable B preference shares of 5p each (2007: 8,000,000)	–	400
	3,250	3,250
Issued and fully paid		
57,419,505 ordinary shares of 5p each (2007: 49,014,505)	2,871	2,451
Nil 7% convertible redeemable B preference shares of 5p each (2007: 8,000,000)	–	400
	2,871	2,851
Less: classified within financial liabilities (see note 39)	–	(377)
	2,871	2,474

The preference shares were converted into ordinary shares on 16 April 2007 as the conditions for conversion had been met. The full details regarding this conversion and details on the issue of ordinary shares in the year are provided in note 25 of the consolidated financial statements.

43 Reserves

	Share premium £'000	Revaluation reserve £'000	Capital redemption reserve £'000	Special reserve* £'000	Profit and loss account £'000
Balance at 1 April 2007	4,633	49	154	4,187	2,067
Credit for share based payments	–	–	–	–	(5)
Premium arising on issue of new shares	187	–	–	–	–
Premium arising on conversion of preference shares	2,187	–	–	–	–
Amortisation of revaluation surplus	–	(31)	–	–	31
Profit for the year	–	–	–	–	1,467
Ordinary dividends paid	–	–	–	–	(861)
Balance at 31 March 2008	7,007	18	154	4,187	2,699

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

The cumulative amount of goodwill resulting from acquisitions in earlier financial years which has been written off is £165,000 (2007: £165,000).

44 Reconciliation of movements in shareholders' funds

	£'000
Balance at 1 April 2007	13,564
Issue of new shares net of costs	2,771
Credit for share based payments	(5)
Ordinary dividends paid	(861)
Profit for the financial year	1,467
Balance at 31 March 2008	16,936

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting of Mulberry Group plc will be held at Landsbanki Securities (UK) Ltd's offices, 5th Floor, Beaufort House, St Botolph Street, London EC3A 7QR on 12 August 2008 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:

1. *Adoption of financial statements*
   That the report of the Directors and the financial statements for the year ended 31 March 2008 together with the independent auditors' report be received and adopted.

2. *Dividend declaration*
   To declare a final dividend of 2.0 pence per ordinary share for the year ended 31 March 2008.

3. *Re-election of retiring Directors*
   That Mr B L K Heng who retires as a Director by rotation in accordance with the Company's Articles of Association be re-elected as a Director.

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

4. *Appointment of auditors*
   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:

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

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

6. *Waiver of statutory pre-emption rights*
   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 12 August 2008 as if Section 89(1) of the Act did not apply to such allotment and at any time prior to the expiry of the power conferred by this resolution to make any offer or agreement which would or might require equity securities to be allotted after the expiry of such power notwithstanding the expiry of such power provided that such power shall, subject as aforesaid, cease to have effect at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or such earlier date (if any) on which the said authority is revoked, and provided that the power conferred by this resolution shall be limited to the allotment of ordinary shares up to a maximum amount of £143,548 representing less than 5% of the issued share capital of the Company.

By order of the Board

Roger Mather
Secretary

Registered office:
The Rookery
Chilcompton
Bath
BA3 4EH

Date: 18 June 2008

Notes:

1 All members holding ordinary shares are entitled to attend, speak and vote at the meeting. Such members may appoint a proxy to attend, speak and vote instead of them. A proxy need not also be a member of the Company but must attend the Annual General Meeting in order to represent you. A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares (so a member must have more than one share to be able to appoint more than one proxy). A form of proxy is enclosed. The notes to the form of proxy include instructions on how to appoint the Chairman of the Annual General Meeting or another person as proxy and how to appoint a proxy electronically or by using the CREST proxy appointment service. To be effective the form must reach the Company's registrar, Computershare Investor Services PLC, at The Pavilions, Bridgwater Road, Bristol BS99 6ZY by 11am on 10 August 2008.

2 In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (a) if a corporate shareholder has appointed the Chairman of the meeting as its corporate representative to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (b) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the Chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details of this procedure. The guidance includes a sample form of appointment letter if the Chairman is being appointed as described in (a) above.

3 The 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.

GROUP FIVE YEAR SUMMARY

	UK GAAP			*IFRS*	
	2004 *£'000*	*2005* *£'000*	*2006* *£'000*	*2007* *£'000*	*2008* *£'000*
Results					
Revenue	25,327	30,064	43,406	45,078	51,174
Operating profit	540	2,137	6,157	6,672	4,774
Profit/(loss) before tax	(204)	1,705	6,135	6,200	5,186
Profit/(loss) attributable to equity holders	(214)	1,738	4,831	3,981	3,436
Assets employed					
Non-current assets	5,458	4,964	5,958	8,910	10,791
Current assets	11,251	11,084	18,488	20,828	23,570
Current liabilities	(3,912)	(4,383)	(8,415)	(8,879)	(11,821)
Non-current liabilities	(3,178)	(53)	(2,579)	(3,990)	(21)
Net assets	9,619	11,612	13,452	16,869	22,519
Key statistics					
Earnings/(loss) per share	(0.5)p	3.6p	9.9p	8.1p	6.0p
Diluted earnings/(loss) per share	(0.5)p	3.5p	8.8p	7.4p	6.0p

The amounts disclosed for 2006, 2005 and 2004 are stated on the basis of UK GAAP because it is not practicable to restate amounts for periods prior to the date of transition to IFRSs. The principal differences between UK GAAP and IFRSs are explained in note 33 to the consolidated financial statements.

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