MULBERRY

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010

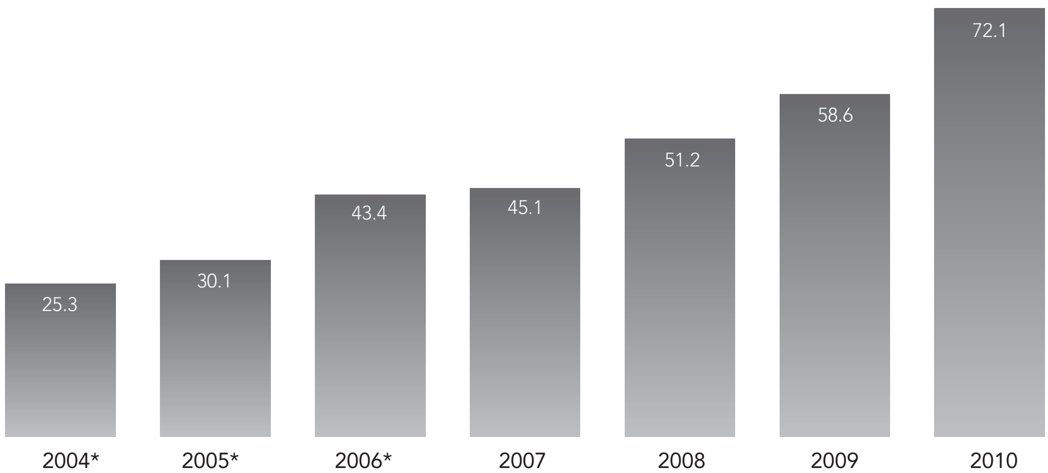
HIGHLIGHTS

- Sales increased by 23% to £72.1 million (2009: £58.6 million)
- Retail sales growth 39%, like-for-like growth 35%
- Operating profit before exceptional property impairment costs of £1.0 million increased by 49% to £5.8 million (2009: £3.9 million)
- Profit before tax increased by 22% to £5.1 million (2009: £4.2 million)
- Cash of £12.2 million (2009: £3.7 million)
- Like-for-like sales in full price shops and department store concessions up by 44% for the first 10 weeks of the new financial year
- Autumn 2010 wholesale revenues forecast up 84% compared to prior year
- Increased international footprint with showrooms opening in New York and Paris and new partner stores planned to open in Sydney, Hong Kong, Korea, Qatar, Dubai and Kuala Lumpur over the next 12 months
- Proposed dividend increased by 10% to 2.2p per ordinary share (2009: 2.0p)

	2010	*2009*	*Change*
Group revenue	£72.1m	£58.6m	23%
Gross profit	£42.5m	£35.1m	21%
Operating profit before exceptional property impairment costs of £1.0 million	£5.8m	£3.9m	49%
Profit before tax	£5.1m	£4.2m	21%
Basic EPS	5.2p	4.5p	16%
Adjusted EPS	6.9p	4.5p	53%
Final dividend proposed per share	2.2p	2.0p	10%
Cash	£12.2m	£3.7m	230%

7 YEAR REVENUE GROWTH

(£m)



*prepared under UK GAAP

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CHAIRMAN AND CHIEF EXECUTIVE'S REVIEW

The Group has completed a successful year with sales growth of 23% to £72.1 million (2009: £58.6 million). Sales grew by 16% during the first half and accelerated further during the second half, growing by 29%.

Operating profit before exceptional costs increased by 49% to £5.8 million (2009: £3.9 million). The exceptional non-recurring cost of £1.0 million represents a one-off impairment charge associated with the relocation of our flagship New Bond Street store.

Profit before tax increased by 22% to £5.1 million (2009: £4.2 million).

BUSINESS REVIEW

The business has performed strongly with demand increasing for our products as the year progressed. We have continued to invest in the business both in the UK and internationally, using retained profits and cash flow. This strategy has enabled the Group to continue to grow and increase market share despite challenging market conditions.

The global trading pattern was complex with sales in our own shops, which are principally in the UK, growing strongly throughout the year (total retail sales increased 39%, with like-for-like growth of 35%). In Europe and Asia, sales in our partners' shops started to accelerate during the summer of 2009 and have continued to grow steadily since then. Sales in the USA were the last to react with growth commencing during the third quarter of the financial year.

As expected, wholesale customers were wary of the economic outlook, and ordered conservatively for the Autumn 2009 and Spring 2010 seasons. In practice, sales in their shops have been robust and there has been strong demand for mid-season stock replenishment. The overall result was that wholesale revenue for the year was broadly flat compared to the prior year.

Although we have increased production significantly, the level of demand for our products exceeded our expectations. In addition, the long production lead times meant that we sold out of a number of key lines. This restricted our sales growth during the second half of the financial year and we continue to operate with low inventory levels.

This strong overall consumer demand for our products is the result of the continued investment that we have made in the business. The design of products which fit the mood and needs of the consumer is fundamental to our continued growth. Our design team has delivered highly desirable new additions to the product range which have been supported by creative and focused marketing. In addition to the successful Bayswater, Mitzy and Daria ranges, we launched the Alexa during Spring 2010 which became an immediate best seller.

During the year, our partners opened stores in Helsinki Airport, a second shop in Athens, a seventh shop-in-shop in Korea and a shop-in-shop in Takashimaya in Singapore. We closed our small second shop in Paris to focus attention upon our main store on Rue Saint Honoré.

As previously announced, at the beginning of October 2009 we completed the transaction to purchase the two New York shops previously held by our associate. In addition, we reclaimed the full distribution rights for the North American market. Under the terms of the agreement we took full management control of the two shops with effect from 1 April 2009 and they have been fully consolidated within the results of the Group for the year. The performance of these shops during the year ended 31 March 2010 met our expectations.

CURRENT TRADING AND OUTLOOK

The pattern of strong trading has continued into the new financial year with retail sales up 36% during the first 10 weeks of the new financial year (like-for-like growth of 35%).

Like-for-like sales during the first 10 weeks of the new financial year in our 39 full price shops and department store concessions were up 44%, internet sales were up 99%, the two stores in New York were up 103% and in Paris our single store was up 169%. Counteracting these buoyant figures is the fact that our four off price stores showed a slight decline of 2% for the first 10 weeks due to a shortage of stock.

Sales to our international partners and wholesale accounts represented 29% of Group sales for the year ended 31 March 2010 (2009: 37%). This proportion is expected to grow as forecast wholesale deliveries for the Autumn 2010 season are 84% above last year.

A key objective of the management team has been the continued development of our business internationally. In particular, our business in Asia is growing rapidly with wholesale revenues expected to increase by more than 100% during the new financial year. It is clear that our best selling products in our home market have equal appeal internationally.

Production capacity has been increased to meet anticipated demand, although certain of our most popular products may continue to be in short supply if high demand continues. Increasing production capacity is a complex task as our materials suppliers have long lead times and maintaining quality is essential.

It is important for future growth in shareholder value that the Group continues its planned international expansion. We are opening a showroom in New York as a base for our business in North America and a showroom in Paris to enable us to show collections in a proper setting to international buyers who do not visit London.

Our partners are planning to open new stores in Sydney, Hong Kong, Korea, Qatar, Dubai and Kuala Lumpur during the next 12 months.

As previously announced, during December 2010 we plan to open a new flagship store at 50 New Bond Street which will be large enough to show all of our collections on a single floor. The existing New Bond Street store will be closed at the same time and the lease assigned. We plan to open a new shop in Manchester within the Spinningfields development during September 2010.

In the UK, we have signed the lease on a new London headquarters which will consolidate our two existing office locations which we have now outgrown. This is expected to increase annual costs by £2.0 million and will meet the requirements of the Group for the foreseeable future. In order to increase our own production capacity in the UK, we are also working on a plan to extend our factory in Somerset to increase its capacity by 25%.

These capital projects will absorb a significant amount of cash, as will the increased inventory that will be needed to meet the forecast demand for our products. We expect to be able to fund these investments from our existing cash resources and future cash flows.

DIVIDEND

The Board is recommending the payment of a dividend on the ordinary shares of 2.2 pence per share (2009: 2.0 pence) which will be paid on 20 August 2010 to ordinary shareholders on the register on 23 July 2010.

STAFF

Entering our 40th Anniversary year, I would like to express my thanks to all of our staff for their enthusiasm and dedication 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

16 June 2010

FINANCIAL REVIEW

GROSS MARGIN

The Group's gross profit as a percentage of revenue has decreased slightly to 59% from 60% for the prior year. This is principally the result of price discounting within our retail business as we cleared surplus inventory during the first quarter of the financial year.

NET OPERATING EXPENSES

Net operating expenses for the year increased by £6.4 million to £37.6 million (2009: £31.2 million). This increase reflects £1.9 million of additional costs associated with running the new retail network in the USA, £1.5 million of additional commission and turnover rents relating to increased retail sales, £1.5 million of extra employee costs (excludes £0.6 million for USA employee costs included above) and a £1.0 million impairment charge associated with the move to a new flagship store on New Bond Street.

SHARE OF RESULTS OF ASSOCIATES

Our associate in Norway had a successful year with our share of their results increasing to £0.2 million (2009: £34,000).

FINANCE INCOME AND EXPENSE

The decrease in net finance income to £48,000 (2009: £0.2 million) has resulted from a combination of declining interest rates and the fact that cash balances during the first half of the year were relatively low.

TAXATION

The Group reported an effective tax rate of 41.7% (2009: 38.2%) resulting in a tax charge of £2.1 million (2009: £1.6 million). The increase in the effective rate compared to the prior year is due largely to overseas losses which are not subject to Group relief, the non-deductible property impairment and share-based payment costs.

BALANCE SHEET

Capital expenditure on property, plant and equipment for the year totalled £2.0 million (2009: £2.4 million) and included investment in our UK factory, the initial costs of the relocation of the New Bond Street store and London offices and the refurbishment of our Heathrow Terminal 4 store. The expenditure of £0.3 million on intangible assets reflects the ongoing investment in the Group's new ERP system, the warehouse module of which was implemented during October 2009.

Inventory levels have decreased by £5.7 million to £9.1 million (2009: £14.8 million) resulting from the higher than expected level of sales, particularly in our retail business. Purchasing decisions are made 6 months in advance of the selling season and so when sales accelerated during the second half of the year, some inventory shortages were experienced.

CASH FLOW

The cash generated from operations for the year amounted to an inflow of £12.9 million (2009: outflow of £1.5 million). The net cash balance has increased to £12.2 million (2009: £3.7 million) due to the operational performance and the conversion to cash of surplus inventories that had built up at the end of the prior year.

SHAREHOLDER RETURN

The basic earnings per share for the year increased by 16% to 5.2p (2009: 4.5p). This reflects the 22% increase in pre-tax profit, offset by the increased tax charge and the increased number of shares following the small share issue during the year. The basic and diluted earnings per share, adjusted to add back the exceptional impairment charge, was 6.9p (2009: 4.5p).

Roger Mather
Group Finance Director

16 June 2010

DIRECTORS, SECRETARY AND ADVISERS

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

CORPORATE GOVERNANCE

The Company is listed on the Alternative Investment Market and is not required to comply with the provisions set out in Section 1 of the 2008 FRC Combined Code. However, the Directors support the principles contained in these requirements and apply these where they consider they are appropriate to Mulberry Group plc.

THE BOARD OF DIRECTORS

During the year the Board comprised 2 Executive Directors and 5 Non-Executive Directors. Details of the Directors are set out on page 6. Since the roles of Chairman and Chief Executive are not separated, as recommended by the Combined Code, the Directors consider it important that the Board should include Non-Executive Directors who bring strong independent judgement and considerable knowledge and experience to the Board's deliberations.

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

The Executive Directors are each employed under a contract of employment which can be terminated on not more than one year's notice. The Non-Executive Directors provide their services under 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. It is responsible for nominating Executive Directors to the Board and then determining the remuneration and terms and conditions of employment of Executive Directors and senior employees of the Group. The Directors' remuneration report is set out on pages 9 to 11.

AUDIT COMMITTEE

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

INTERNAL FINANCIAL CONTROL

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

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

CORPORATE GOVERNANCE
(continued)

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

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

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

GOING CONCERN

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

DIRECTORS' REMUNERATION REPORT

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

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

During the year, the Nomination and Remuneration Committee comprised:

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

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

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

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

REMUNERATION OF NON-EXECUTIVE DIRECTORS

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

The Non-Executive Directors are appointed for a 12 month term.

REMUNERATION POLICY FOR EXECUTIVE DIRECTORS

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

- have regard to the Directors' experience and the nature and complexity of their work in order to pay a competitive salary that attracts and retains Directors of the highest quality;
- link individual remuneration packages to the Group's long-term performance through the award of annual bonuses and share-based 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 long-term incentive strategy for the Executive Directors and management team has been revised by the Nomination and Remuneration Committee to include a balance of benefits to reward current performance and long-term commitment. The strategy comprises of the following:

- An unapproved share option scheme which was introduced in April 2008 following the expiry of the previous scheme. Options granted in this scheme vest after 3 years.
- A Deferred Bonus Plan which represents a long-term award scheme where participants receive all or part of their annual bonus in shares. These shares are held as deferred shares in the Mulberry Group plc Employee Share Trust. Matching shares are then granted and vest after a period of 2 years conditional upon the participant remaining an employee of the Group and the original deferred shares remaining in the Trust.
- A Co-ownership Equity Incentive plan where participants are granted shares which are co-owned by the Mulberry Group plc Employee Share Trust and participate in the value to the extent that the Mulberry share price exceeds 20% above the market price at the date of grant. The vesting period is 3 years, after which the employee has the right to acquire the beneficial interest in the share. This plan was established in August 2009.

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*	*2010 Total £'000*	*2009 Total £'000*
Executive Directors						
Godfrey Davis	207	165	25	52	449	342
Roger Mather	134	134	17	19	304	220
Non-Executive Directors						
Robin Gibson	17	–	1	–	18	17
Chris Roberts	17	–	–	–	17	17
Steven Grapstein	17	–	–	–	17	17
Bernard Heng	17	–	1	–	18	17
Edward Vandyk	17	–	1	–	18	18
Total	426	299	45	71	841	648

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

a) Options granted under the unapproved share option schemes

	31 March 2009	*Granted*	*Exercised*	*Forfeited*	*31 March 2010*	*Exercise price (p)*
Godfrey Davis	100,000	–	–	–	100,000	145.5
Godfrey Davis	150,000	–	–	–	150,000	144.5
Roger Mather	250,000	–	–	–	250,000	144.7

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

b) Matching shares granted under the Deferred Bonus Plan

	31 March 2009	*Granted*	*Exercised*	*Forfeited*	*31 March 2010*	*Exercise price (p)*
Godfrey Davis	10,034	38,898	–	–	48,932	–
Roger Mather	4,014	31,908	–	–	35,922	–

The matching shares will vest between 15 August 2010 and 30 June 2020. Each of the shares shown in the table is matched by an option over a further equivalent number of shares. The market prices of the shares at the date of the awards was 121.5p for awards issued in October 2009 and 194p for awards issued in March 2010.

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

	31 March 2009	*Granted*	*Exercised*	*Forfeited*	*31 March 2010*	*Exercise price (p)*
Godfrey Davis	–	300,000	–	–	300,000	–
Roger Mather	–	250,000	–	–	250,000	–

The right to acquire the beneficial interest in the shares will vest on 9 October 2012 and remain exercisable until 9 October 2022. The market price of the shares at the date of the award was 121.5p.

The market price of Mulberry Group plc ordinary shares at 31 March 2010 was 190.5p (2009: 64.25p) and the range during the year was 59.5p to 200p (2009: 64p to 185.5p).

DIRECTORS' REPORT

The Directors present their report on the affairs of the Group, together with the financial statements and independent auditors' report, for the year ended 31 March 2010.

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

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

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

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

The Chairman and Chief Executive's review on pages 3 and 4 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 pressures, changes in fashion and hence consumer demand are continuing risks which could result in the loss of sales. The Group manages this risk by the continuous investment in the design of new products and marketing to stimulate customer interest and by maintaining strong relationships with customers.

During the current year, the Group has shown resilience to the wider global economic climate but any further deterioration could affect sales both in the UK and internationally. A significant amount of Mulberry sales are generated in the UK. As a result, a decline in the UK economy that reduced consumer spending on luxury goods could materially affect our trading results. The Group's ongoing strategy to increase the penetration of international markets is expected to reduce the impact of this risk over time. The impact on current trading is discussed further in the Chairman 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 risk of the loss of key personnel is mitigated by regular reviews of remuneration packages (including long-term incentive schemes) and succession planning within the management team.

The Group continues to engage in a substantial programme of change. Over the next year, the Group plans to implement the remaining modules of its ERP system covering warehousing, product development and manufacturing. If this project were to be unsuccessful, it could have a significant impact on operations. Senior management involvement and significant pre-implementation testing are part of the carefully designed project to minimise the risks of the roll out.

The Group's sales and purchases are made in Sterling, Euros and US Dollars and so it is exposed to the movement in the Euro and the US Dollar to Sterling exchange rates. The Group manages this risk by building a natural hedge of Euro and US Dollar denominated sales and purchases whereby the inflows and outflows of Euros and US Dollars are roughly equal. If significant currency positions were to develop, forward foreign exchange contracts would be used to mitigate the exposure.

The management of cash is of fundamental importance. The long lead times associated with the procurement of Mulberry products and the sharp fall in sales meant that inventories built up during the prior year. The growth in sales and the discounting of the prior season stocks during the first half of the year has meant that this inventory build up has now been converted into cash (year end balance of £12.2 million). As discussed in the Chairman and Chief Executive's review, the Group has agreed various capital expenditure plans for the coming year which will be financed by the Group's operating cash flow. The Group currently has no debt but nonetheless has organised overdraft facilities of £4.5 million. These banking facilities are in the process of review and are likely to remain in place until 30 June 2011. As such, the Group is on a firm financial footing and confident of its going concern.

RESULTS AND DIVIDENDS

The results for the year are set out in the Consolidated Income Statement. The Directors are recommending the payment of a final dividend of 2.2p per ordinary share (2009: 2.0p), to be paid on 20 August 2010 to ordinary shareholders on the register on 23 July 2010.

TREASURY AND FOREIGN EXCHANGE

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

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

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

DIRECTORS AND THEIR INTERESTS

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

Executive Directors

Godfrey Davis FCA, 61, 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. He is also a Director of Hestercombe Gardens Limited and a Trustee of Hestercombe Gardens Trust.

Roger Mather FCA, 45, is the Group Finance Director. He is a fellow of the Institute of Chartered Accountants in England and Wales having trained professionally with Price Waterhouse. He joined Mulberry during November 2007 after spending the previous 10 years in senior finance and commercial roles within the multi-national Otto Group based both in Hong Kong and the UK. He was appointed as Company Secretary on 20 December 2007 and was appointed as a Director on 7 May 2008.

DIRECTORS' REPORT
(continued)

Non-Executive Directors

Robin Gibson, 68, is Chairman of the Nomination and Remuneration Committee. He was appointed on 1 May 1996.

Andrew Christopher Roberts FCCA, 46, is Chairman of the Audit Committee. He was appointed on 6 June 2002. Chris is Finance Director of Astaire Group plc, an AIM quoted financial services group. He is a fellow of the Chartered Association of Certified Accountants.

Steven Grapstein, 52, was appointed on 17 November 2003. He is presently the Chief Executive Officer of Como Holdings USA Inc. (formerly Kuo Investment Company), 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 150 company engaged in the oil and gas industry. He is a certified public accountant.

Bernard Lam Kong Heng, 64, was appointed on 17 November 2003. He is presently the Chief Executive of Como Holdings (UK) Limited, a Singapore based company which has extensive retail, hotel and real estate operations in the UK and internationally.

Edward Vandyk, 62, was appointed on 6 June 2002.

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

	5p Ordinary Shares 2010	*5p Ordinary Shares 2009*
Godfrey Davis	1,718,490	1,679,592
Roger Mather	35,922	4,014
Robin Gibson	10,029	10,029

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

SUBSTANTIAL SHAREHOLDINGS

At 15 June 2010 the Company had been notified of the following interests of 3% or more of the share capital of the Company, other than those of the Directors above:

- Challice Limited 58.1%
- Banque Havilland SA 24.8%

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 (2009: nil). For Mulberry Company (Design) Limited, the main trading subsidiary, it was 22 days (2009: 32 days).

EQUAL OPPORTUNITIES

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

DISABLED EMPLOYEES

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

EMPLOYEE CONSULTATION

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

CHARITABLE AND POLITICAL DONATIONS

The Group made charitable donations of £8,000 (2009: £22,000) 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 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 and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

By order of the Board

Roger Mather
Secretary

16 June 2010

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

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

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

INDEPENDENT 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 2010 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement, and the related notes 1 to 33. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an 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

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

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

OPINION ON FINANCIAL STATEMENTS

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 March 2010 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

OTHER MATTER

We have reported separately on the parent company financial statements of Mulberry Group plc for the year ended 31 March 2010 and on the information in the Directors' remuneration report that is described as having been audited.

Stuart Woodward (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
Bristol, United Kingdom

16 June 2010

CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2010

	Note	2010 £'000	2009 £'000
Revenue	5	72,052	58,585
Cost of sales		(29,565)	(23,449)
Gross profit		42,487	35,136
Other administrative expenses		(37,090)	(31,627)
Exceptional impairment of property	7	(987)	–
Administrative expenses		(38,077)	(31,627)
Other operating income		446	421
Operating profit		4,856	3,930
Operating profit pre-exceptional impairment of property		5,843	3,930
Share of results of associates	19	192	34
Finance income	11	74	229
Finance expense	12	(26)	(16)
Profit before tax		5,096	4,177
Tax	13	(2,124)	(1,596)
Profit for the year	8	2,972	2,581
Attributable to:			
Equity holders of the parent		2,972	2,581
		pence	*pence*
Basic earnings per share	15	5.2	4.5
Diluted earnings per share	15	5.2	4.5

All activities arise from continuing operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2010

	2010 £'000	2009 £'000
Profit for the year	2,972	2,581
Exchange differences on translation of foreign operations	(108)	278
Total comprehensive income for the year	2,864	2,859
Attributable to:		
Equity holders of the parent	2,864	2,859

CONSOLIDATED BALANCE SHEET

At 31 March 2010

	Note	2010 £'000	2009 £'000	2008 £'000
Non-current assets				
Intangible assets	16	2,499	2,527	2,095
Property, plant and equipment	17	7,876	8,872	8,454
Interests in associates	19	347	295	242
Deferred tax asset	23	38	–	–
		10,760	11,694	10,791
Current assets				
Inventories	20	9,090	14,830	7,785
Trade and other receivables	21	8,263	6,032	5,548
Cash and cash equivalents	21	12,171	3,710	10,237
		29,524	24,572	23,570
Total assets		40,284	36,266	34,361
Current liabilities				
Trade and other payables	24	(12,197)	(10,726)	(10,894)
Current tax liabilities		(1,622)	(1,024)	(917)
Obligations under finance leases		–	–	(10)
		(13,819)	(11,750)	(11,821)
Non-current liabilities				
Deferred tax liabilities	23	–	(132)	(17)
Obligations under finance leases		–	–	(4)
		–	(132)	(21)
Total liabilities		(13,819)	(11,882)	(11,842)
Net assets		26,465	24,384	22,519
Equity				
Share capital	25	2,943	2,871	2,871
Share premium account		7,007	7,007	7,007
Own share reserve	26	(107)	(49)	–
Capital redemption reserve		154	154	154
Special reserve		1,467	1,467	1,485
Foreign exchange reserve		385	493	215
Retained earnings		14,616	12,441	10,787
Total equity		26,465	24,384	22,519

The financial statements of Mulberry Group plc (company number 01180514) were approved by the Board of Directors and authorised for issue on 16 June 2010. They were signed on its behalf by:

Godfrey Davis *Director*

Roger Mather *Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2010

	Share capital £'000	*Share premium £'000*	*Own share reserve £'000*	*Capital redemption reserve £'000*	*Special reserve* £'000*	*Foreign exchange reserve £'000*	*Profit and loss account £'000*	*Total £'000*
Balance at 1 April 2008	2,871	7,007	–	154	1,485	215	10,787	22,519
Total comprehensive income for the year	–	–	–	–	–	278	2,581	2,859
Charge for employee share-based payments	–	–	–	–	–	–	203	203
Amortisation of revaluation surplus	–	–	–	–	(18)	–	18	–
Own shares	–	–	(49)	–	–	–	–	(49)
Ordinary dividends paid	–	–	–	–	–	–	(1,148)	(1,148)
Balance at 31 March 2009	2,871	7,007	(49)	154	1,467	493	12,441	24,384
Total comprehensive income/(expense) for the year	–	–	–	–	–	(108)	2,972	2,864
Issued share capital	72	–	–	–	–	–	–	72
Charge for employee share-based payments	–	–	–	–	–	–	351	351
Own shares	–	–	(58)	–	–	–	–	(58)
Ordinary dividends paid	–	–	–	–	–	–	(1,148)	(1,148)
Balance at 31 March 2010	2,943	7,007	(107)	154	1,467	385	14,616	26,465

* The special reserve was created as part of a capital restructuring of the Group in 2004 and as at 1 April 2008 the balance includes the revaluation reserve of £18,000.

CONSOLIDATED CASH FLOW STATEMENT

At 31 March 2010

	2010 £'000	2009 £'000
Operating profit for the year	4,856	3,930
Adjustments for:		
Depreciation and impairment of property, plant and equipment	2,879	1,723
Amortisation of intangible assets	289	217
Loss on sale of property, plant and equipment	74	287
Effects of foreign exchange	(14)	(117)
Share-based payments charge	351	203
Operating cash flows before movements in working capital	8,435	6,243
Decrease/(increase) in inventories	5,740	(7,045)
Increase in receivables	(2,065)	(484)
Increase/(decrease) in payables	829	(205)
Cash generated by/(used in) operations	12,939	(1,491)
Corporation taxes paid	(1,693)	(1,374)
Interest paid	(26)	(16)
Net cash inflow/(outflow) from operating activities	11,220	(2,881)
Investing activities:		
Interest received	74	229
Purchases of property, plant and equipment	(1,365)	(2,313)
Proceeds from sale of property, plant and equipment	6	11
Acquisition of intangible fixed assets	(340)	(362)
Net cash used in investing activities	(1,625)	(2,435)
Financing activities:		
Dividends paid	(1,148)	(1,148)
Repayments of obligations under finance leases	–	(14)
Proceeds on issue of shares	72	–
Investment in own shares	(58)	(49)
Net cash used in financing activities	(1,134)	(1,211)
Net increase/(decrease) in cash and cash equivalents	8,461	(6,527)
Cash and cash equivalents at beginning of year	3,710	10,237
Cash and cash equivalents at end of year	12,171	3,710

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2010

1 General information

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

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

2 Adoption of new and revised Standards

In the current year the following new and revised Standards and Interpretations have been adopted:

Standards affecting presentation and disclosure

IAS1 (revised 2007), Presentation of financial statements	This introduced a number of changes to the format and content of financial statements. In addition, the revised Standard has required the presentation of a third balance sheet at 31 March 2010 because the Group has applied the change in accounting policies for IFRS8.
IFRS8 Operating segments	This has resulted in a review of the Group's reportable segments (see note 6).

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:

IFRS3 (revised 2008)	*Business Combinations*
IFRS9	*Financial Instruments*
IAS24 (revised 2009)	*Related Party Disclosures*
IAS27 (revised 2008)	*Consolidated and Separate Financial Statements*
IAS32 (amendment)	*Classification of Rights Issues*
IAS39 (amendment)	*Eligible Hedge Items*
IFRIC14 (amendment)	*Prepayments of a Minimum Funding Requirement*
IFRIC17	*Distributions of Non-cash Assets to Owners*
IFRIC18	*Transfers of Assets from Customers*
IFRIC19	*Extinguishing Liabilities with Equity Instruments*
Improvement to IFRSs (April 2009)	

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group.

3 Significant accounting policies

Basis of accounting

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

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

Going concern

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

3 Significant accounting policies (continued)

Basis of consolidation

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

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

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

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

Goodwill

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

Intangible assets

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

Computer software that is integral to a related item of hardware is included as property, plant and equipment. All other computer software is recorded as an intangible asset and is amortised over the estimated useful life of the asset (typically 20% to 25% depreciation policy).

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

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

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

3 Significant accounting policies (continued)

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

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

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

Impairment of tangible and intangible assets

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

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.

3 Significant accounting policies (continued)

Taxation

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

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

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

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

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

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

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

Leases

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

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

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

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.

3 Significant accounting policies (continued)

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

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

Share-based payments
The Group has applied the requirements of 'IFRS2 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.

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

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

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

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

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

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

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

3 Significant accounting policies (continued)

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

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

Financial instruments

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

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. 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.

Onerous lease provisions
Following the decision to terminate the lease of our existing New Bond Street store and the relocation of our London offices, management have considered the need for provision against any future lease costs and have concluded that at the year end no costs were considered probable.

5 Revenue

	2010	*2009*
	£'000	*£'000*
Sale of goods	72,052	58,585
Royalty income	402	353
Other income	44	68
Finance income	74	229
Total revenue	72,572	59,235

6 Business and geographical segments

The Group has adopted IFRS8 Operating Segments with effect from 1 April 2009. IFRS8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Executive to allocate resources to the segments and to assess their performance. In contrast, the predecessor Standard (IAS14 Segment Reporting) required the Group to identify 2 sets of segments (business and geographical), using a risks and returns approach, with the Group's system of financial reporting to key management personnel serving only as the starting point for the identification of such segments. Following the adoption of this Standard, no change has been made to the identified reportable segments.

a) Business segments

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

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

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

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

Segment information about these businesses is presented below.

	Design 2010 £'000	*Retail 2010 £'000*	*Total 2010 £'000*	*Design 2009 £'000*	*Retail 2009 £'000*	*Total 2009 £'000*
Revenue	20,961	51,091	72,052	21,942	36,643	58,585
Cost of sales	(8,035)	(21,530)	(29,565)	(8,085)	(15,364)	(23,449)
Gross profit	12,926	29,561	42,487	13,857	21,279	35,136
Net operating costs	(13,000)	(24,073)	(37,073)	(12,621)	(18,721)	(31,342)
Exceptional costs	–	(987)	(987)	–	–	–
Other operating income	404	–	404	421	–	421
Segment result	330	4,501	4,831	1,657	2,558	4,215
Net other operating income/(costs)			25			(285)
Share of results of associate			192			34
Net finance income			48			213
Profit before tax			5,096			4,177

Eliminated above is £21,905,000 (2009: £15,212,000) of intercompany sales.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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6 Business and geographical segments (continued)

	Design 2010 £'000	*Retail 2010 £'000*	*Total 2010 £'000*	*Design 2009 £'000*	*Retail 2009 £'000*	*Total 2009 £'000*
Other information						
Capital expenditure	1,130	965	2,095	1,731	936	2,667
Depreciation and amortisation	753	2,298	3,051	1,177	543	1,720

	Design 2010 £'000	*Retail 2010 £'000*	*Total 2010 £'000*	*Design 2009 £'000*	*Retail 2009 £'000*	*Total 2009 £'000*
Balance sheet						
Segment assets	22,732	13,975	36,707	30,377	2,927	33,304
Interests in associates			347			295
Unallocated corporate assets			3,230			2,667
Consolidated assets			40,284			36,266
Segment liabilities	8,033	3,540	11,573	7,744	2,811	10,555
Unallocated corporate liabilities			2,246			1,327
Consolidated liabilities			13,819			11,882

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	
	2010 £'000	*2009 £'000*
Europe	64,851	51,306
North America	2,298	1,145
Asia	3,645	4,604
Rest of the World	1,258	1,530
	72,052	58,585

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

7 Exceptional costs

As part of the Group's future growth strategy, the decision has been made to relocate its flagship New Bond Street store to alternative premises on New Bond Street. The remaining net book value of the leasehold improvements and fixtures and fittings at the existing store on the anticipated date of closure of £987,000 has been deemed to be impaired. Given the one-off nature and size of the impairment, these costs have been disclosed separately on the face of the Income Statement. As explained in note 4, the Directors do not expect to incur any lease costs beyond the date of closure of the store and so no provision has been made. There is no tax effect of this exceptional cost.

8 Profit for the year

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

	2010 *£'000*	*2009* *£'000*
Net foreign exchange gain	(201)	(411)
Depreciation and impairment of property, plant and equipment:		
Owned (including exceptional impairment per note 7)	2,879	1,718
Held under finance leases and hire purchase contracts	–	5
Amortisation of intangible assets	289	217
Operating lease rentals	4,486	3,197
Write downs of inventories recognised as an expense	48	1,250
Staff costs (see note 10)	17,335	15,278
Impairment of trade receivables	105	83
Loss on disposal of property, plant and equipment	74	287

9 Auditors' remuneration

The analysis of auditors' remuneration is as follows:

	2010 *£'000*	*2009* *£'000*
Fees payable to the Company's auditors for the audit of the Company's annual accounts	12	10
Fees payable to the Company's auditors and their associates for other services to the Group:		
The audit of the Company's subsidiaries pursuant to legislation	36	36
Total audit fees	48	46

	£'000	*£'000*
Tax services	71	30
Other services	32	5
Total non-audit fees	103	35

In 2009 and 2010 tax and other services include advice in relation to the US restructuring.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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10 Staff costs

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

	2010 *Number*	*2009* *Number*
Production	292	275
Sales and distribution	374	377
Administration	55	44
	721	696

	£'000	*£'000*
Their aggregate remuneration comprised:		
Wages and salaries	14,984	13,407
Social security costs	1,603	1,314
Other pension costs (see note 30)	397	354
Share-based payments (see note 29)	351	203
	17,335	15,278

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

11 Finance income

	2010 *£'000*	*2009* *£'000*
Interest income on cash balances	74	229

12 Finance expense

	2010 *£'000*	*2009* *£'000*
Interest on bank overdraft and loans	26	15
Interest on obligations under finance leases	–	1
	26	16

13 Tax

	2010 £'000	2009 £'000
Current tax	2,297	1,467
Adjustment to prior year corporation tax	(3)	14
Deferred tax (note 23)	(170)	115
	2,124	1,596

The charge for the year can be reconciled to the profit per the Income Statement as follows:

	£'000	£'000
Profit before tax	5,096	4,177

	£'000	£'000
Tax at the UK corporation tax rate of 28% (2009: 28%)	1,427	1,170
Tax effect of expenses that are not deductible in determining taxable profit	150	272
Depreciation in excess of capital allowances	265	26
Short-term timing differences	(8)	130
Permanent differences	(12)	(12)
Losses carried forward to offset against future profits	142	10
Losses not available for set off against future profits	160	–
Tax expense for the year	2,124	1,596

14 Dividends

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

	2010 £'000	2009 £'000
2.0p (2009: 2.0p) per share on 5p ordinary shares	1,148	1,148

The Directors are recommending the payment of a final dividend of 2.2p per ordinary share. This proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

15 Earnings per share ('EPS')

	2010	*2009*
	p	*p*
Basic and diluted earnings per share	5.2	4.5
Adjusted basic and diluted earnings per share	6.9	4.5

Earnings per share is calculated based on the following data:

	2010	*2009*
	£'000	*£'000*
Profit for the year for basic and diluted earnings per share	2,972	2,581
Adjustment to exclude exceptional impairment of property	987	–
Adjusted profit for the year for adjusted basic and diluted earnings per share	3,959	2,581

	2010	*2009*
	million	*million*
Weighted average number of ordinary shares for the purpose of basic EPS	57.4	57.4
Effect of dilutive potential ordinary shares: share options	0.1	–
Weighted average number of ordinary shares for the purpose of diluted EPS	57.5	57.4

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

16 Intangible assets

	Software £'000	Lease costs £'000	Total £'000
Cost			
At 1 April 2008	490	1,775	2,265
Additions	362	–	362
Exchange differences	–	301	301
At 1 April 2009	852	2,076	2,928
Additions	340	–	340
Exchange differences	–	(84)	(84)
At 31 March 2010	1,192	1,992	3,184
Amortisation			
At 1 April 2008	84	86	170
Charge for the year	140	77	217
Exchange differences	–	14	14
At 1 April 2009	224	177	401
Charge for the year	216	73	289
Exchange differences	–	(5)	(5)
At 31 March 2010	440	245	685
Carrying amount			
At 31 March 2010	752	1,747	2,499
At 31 March 2009	628	1,899	2,527
At 31 March 2008	406	1,689	2,095

Lease costs comprise the lease premium and related costs associated with the Group's shop on Rue St Honoré in Paris which are being amortised over the effective lease term of 27 years.

Included within software is £nil (2009: £4,000) 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.

17 Property, plant and equipment

	Freehold land and buildings £'000	*Short leasehold land and buildings £'000*	*Plant and equipment £'000*	*Fixtures, fittings and equipment £'000*	*Motor vehicles £'000*	*Total £'000*
Cost						
At 1 April 2008	3,729	3,157	3,592	6,963	99	17,540
Additions	34	19	471	1,781	45	2,350
Disposals	–	–	–	(458)	(39)	(497)
Exchange differences	–	19	–	91	–	110
At 1 April 2009	3,763	3,195	4,063	8,377	105	19,503
Additions	85	515	686	701	18	2,005
Disposals	–	(131)	(58)	(130)	(24)	(343)
Exchange differences	–	(6)	–	(26)	–	(32)
At 31 March 2010	3,848	3,573	4,691	8,922	99	21,133
Accumulated depreciation						
At 1 April 2008	1,084	1,573	2,598	3,777	54	9,086
Charge for the year	104	300	295	1,004	20	1,723
Disposals	–	–	–	(168)	(31)	(199)
Exchange differences	–	7	–	14	–	21
At 1 April 2009	1,188	1,880	2,893	4,627	43	10,631
Charge for the year	107	1,098	416	1,237	21	2,879
Disposals	–	(81)	(43)	(95)	(24)	(243)
Exchange differences	–	(3)	–	(7)	–	(10)
At 31 March 2010	1,295	2,894	3,266	5,762	40	13,257
Carrying amount						
At 31 March 2010	2,553	679	1,425	3,160	59	7,876
At 31 March 2009	2,575	1,315	1,170	3,750	62	8,872
At 31 March 2008	2,645	1,584	994	3,186	45	8,454

Freehold land of £997,000 (2009: £997,000) has not been depreciated.

Included within the depreciation charge for the year is £922,000 within short leasehold land and buildings and £65,000 in fixtures, fittings and equipment, relating to the impairment of the existing New Bond Street store.

18 Subsidiaries

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

19 Interests in associates

	2010 £'000	2009 £'000	2008 £'000
Aggregated amounts relating to associates			
Total assets	1,372	4,428	6,020
Total liabilities	(673)	(17,072)	(10,348)
Revenues	1,706	4,299	3,837
Profit/(loss)	383	(5,445)	(3,586)

	£'000	£'000	£'000
Aggregated amounts recognised relating to associates			
Share of profits recognised for the year	192	34	63
Share of losses not recognised for the year	–	(2,757)	(1,850)
Cumulative losses not recognised	(4,615)	(4,615)	(1,858)

The investment in Mulberry USA LLC was disposed of on 5 October 2009. The interest in this associate was fully provided for.

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.

20 Inventories

	2010 £'000	2009 £'000	2008 £'000
Raw materials	619	1,040	840
Work-in-progress	425	298	193
Finished goods	8,046	13,492	6,752
	9,090	14,830	7,785

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(continued)

21 Other financial assets

Trade and other receivables

	2010 *£'000*	*2009* *£'000*	*2008* *£'000*
Amount receivable for the sale of goods	6,022	3,801	3,674
Allowance for doubtful debts	(220)	(177)	(115)
	5,802	3,624	3,559
Amounts owed by associate undertakings	398	1,283	504
Other debtors	680	119	575
Prepayments and accrued income	1,383	1,006	910
	8,263	6,032	5,548

Trade receivables

The average credit period taken on the sale of goods is 43 days (2009: 55 days). No interest is charged on the outstanding receivables.

The Group has provided for the estimated irrecoverable amount from the sale of goods, where there is doubt as to the recoverability of the receivables balance. Before accepting any new customer, the Group 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 Club 21 and House of Fraser (Stores) Limited.

Included in the Group's trade receivables balance are debtors with a carrying amount of £684,000 (2009: £672,000) 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. In 2009 the balances due from Mulberry USA LLC were excluded as these balances were repaid in full as part of the post year end restructuring.

Ageing of past due but not impaired receivables.

	2010 *£'000*	*2009* *£'000*	*2008* *£'000*
0 to 30 days overdue	684	672	622
31 to 60 days overdue	–	–	110
	684	672	732

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

Cash and cash equivalents

	£'000	*£'000*	*£'000*
Cash and cash equivalents	12,171	3,710	10,237

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of 3 months or less. The carrying amount of these assets approximates to their fair value.

22 Borrowings

The Group's borrowings comprise bank overdrafts which are repayable on demand. The multicurrency facilities of £4,500,000 (2009: £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. No borrowings were outstanding at the year end.

Undrawn borrowing facilities

At 31 March 2010, the Group had available £4,500,000 (2009: £3,500,000) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

23 Deferred tax

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

	Accelerated tax depreciation £'000	*Short-term timing differences £'000*	*Total £'000*
At 1 April 2008	187	(170)	17
Charge/(credit) to income	145	(30)	115
At 1 April 2009	332	(200)	132
Credit to income	(162)	(8)	(170)
Net deferred tax liability/(asset) as at 31 March 2010	170	(208)	(38)

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

	2010 £'000	*2009 £'000*	*2008 £'000*
Deferred tax liability	170	332	187
Deferred tax asset	(208)	(200)	(170)
	(38)	132	17

24 Other financial liabilities

Trade and other payables

	2010 £'000	2009 £'000	2008 £'000
Trade creditors	3,826	3,939	5,239
Accruals and deferred income	6,236	5,950	5,138
Other creditors	2,135	837	517
	12,197	10,726	10,894

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 22 days (2009: 32 days). For most suppliers no interest is charged on the trade payables for the first 60 days from the date of the invoice. Thereafter, interest is charged on the outstanding balances at various interest rates. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

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

25 Share capital

	2010 £'000	2009 £'000
Authorised		
65,000,000 ordinary shares of 5p each (2009: 65,000,000)	3,250	3,250

	£'000	£'000
Issued and fully paid		
58,869,505 ordinary shares of 5p each (2009: 57,419,505)	2,943	2,871

On 8 October 2009, 1,450,000 5p ordinary shares were issued at par to the Mulberry Group plc Employee Share Trust for share awards.

The Company has granted 175,000 options in respect of 5p ordinary shares during the year (2009: 1,276,000).

26 Reserves

The own share reserve represents the cost of £107,000 (2009: £49,000) of shares in Mulberry Group plc. The shares are purchased in the market or are issued as new shares by the Company and held by the Mulberry Group plc Employee Share Trust to satisfy the deferred and matching shares under the Deferred Bonus Plan and Co-ownership Equity Incentive Plan. During the year, the reserve was increased by £72,500 through the issue of 1,450,000 5p ordinary shares and reduced by vesting of £14,490 of shares.

27 Operating lease arrangements

	2010	*2009*
	£'000	*£'000*
Minimum lease payments under operating leases recognised as an expense in the year	4,486	3,197

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	5,453	2,800
In the second to fifth years inclusive	21,260	10,382
After five years	38,276	11,842
	64,989	25,024

Operating lease payments represent rentals payable by the Group for certain of its retail stores, warehouse and offices. The leases are for a varied length of time with the longest lease running until 2035. Leases are typically subject to rent reviews at specified intervals and some payments are contingent upon levels of revenue above minimum thresholds. The amount paid under this contingent element in the year was £236,000 (2009: £204,000).

28 Contingent liabilities

As part of the transaction to acquire the trade of the two stores in New York, it was agreed that deferred consideration might become payable based on the performance of the US operations in the year to 31 March 2012. Further details of this contingent liability are given in note 32 to the consolidated financial statements.

At the year end the Group was in the process of terminating its lease of the current New Bond Street store and considering the future of the two existing London offices. No provision has been made for any dilapidations or excess rentals as the Directors do not consider that there is any probable loss.

29 Share-based payments

The Group operated the following schemes during the year.

The Mulberry Group plc 1996 Company Share Option Scheme

The scheme was open to all employees. The exercise price is equal to the market value of the shares on the date of grant. The vesting period is 3 years. If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Options may be forfeited if the employee leaves the Group. This scheme expired in 2006.

Mulberry Group plc 2008 Unapproved Share Option Scheme

The scheme was established on 14 April 2008 and is open to all employees of Mulberry Group plc and its subsidiaries. The exercise price is equal to the market value of the shares on the date of grant. The vesting period is 3 years. If the options remain unexercised after a period of 10 years from the date of grant the options expire. Options may be forfeited if the employee leaves the Group.

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

	2010		*2009*	
	Number of share options	*Weighted average exercise price (in p)*	*Number of share options*	*Weighted average exercise price (in p)*
Outstanding at beginning of year	1,481,000	144.7	225,000	146.0
Granted during the year	175,000	152.0	1,276,000	144.7
Forfeited during the year	(40,000)	144.7	(20,000)	140.2
Exercised during the year	(250,000)	145.1	–	–
Outstanding at the end of the year	1,366,000	145.7	1,481,000	144.7
Exercisable at the end of the year	125,000	146.2	225,000	146.0

The weighted average share price at the date of exercise for share options exercised during the period was 145.1p (2009: nil). The options outstanding at 31 March 2010 had a weighted average remaining contractual life of 1.3 years (2009: 2.1 years).

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

	2010	*2009*
Share price	50.0p to 152.0p	50.0p to 145.5p
Exercise price	50.0p to 152.0p	50.0p to 145.5p
Expected volatility	33.57% to 62.41%	33.57% to 58.52%
Expected life	3.25 years to 5 years	3.25 years to 5 years
Risk-free rate	1.99% to 5.05%	3.94% to 5.05%
Expected dividend yields	0% to 1.6%	0% to 1.23%

29 Share-based payments (continued)

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

Mulberry Group plc 2008 Deferred Bonus Plan

The plan was established on 8 August 2008 and is open to all employees of Mulberry Group plc and its subsidiaries. The share-based payments charge relates to the cost of matching shares awarded to employees participating in this plan. The vesting period is 2 years. If the matching shares remain unexercised after a period of 10 years from the date of grant the award expires. The matching shares may be forfeited if the employee leaves the Group.

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

	2010 Number of matching shares	*2009 Number of matching shares*
Outstanding at beginning of year	31,129	–
Granted during the year	195,413	31,129
Forfeited	(9,857)	–
Outstanding at the end of the year	216,685	31,129
Exercisable at the end of the year	–	–

The options outstanding at 31 March 2010 had a weighted average remaining contractual life of 1.8 years (2009: 1.4 years) and have an exercise price of nil.

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

	2010	*2009*
Share price	121.5p to 194.0p	147.0p
Exercise price	nil	nil
Expected volatility	43.93% to 76.07%	43.93%
Expected life	2 years 6 months	2 years 3 months
Risk-free rate	1.59% to 4.52%	4.52%
Expected dividend yields	1.23% to 1.6%	1.23%

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

Mulberry Group plc 2009 Co-ownership Equity Incentive Plan

The plan was established on 20 August 2009. The vesting period is 3 years. The jointly owned shares may be forfeited if the employee leaves the Group prior to vesting and the rights of the participants lapse if the award has not been exercised after a period of 7 years from the date of vesting.

29 Share-based payments (continued)

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

	2010 Number of share awards	Weighted average exercise price (in p)
Outstanding at beginning of year	–	–
Granted during the year	1,325,000	145.8
Outstanding at the end of the year	1,325,000	145.8
Exercisable at the end of the year	–	–

The options outstanding at 31 March 2010 had a weighted average remaining contractual life of 2.5 years.

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

	2010
Share price	121.5p
Exercise price	145.8p
Expected volatility	53.79%
Expected life	2 years 3 months
Risk-free rate	2.16%
Expected dividend yields	1.6%

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

The Group recognised the following expense related to share-based payments:

	2010 *£'000*	*2009* *£'000*
Mulberry Group plc 2008 Unapproved Share Option Scheme	282	191
Mulberry Group plc 2008 Deferred Bonus Plan	25	12
Mulberry Group plc 2009 Co-ownership Equity Incentive Plan	44	–
	351	203

30 Retirement benefit schemes

The Group contributes to personal pension plans for all qualifying employees. The total cost charged to income of £397,000 (2009: £354,000) represents contributions payable to these schemes by the Group at rates specified in the rules of the plans. As at 31 March 2010, contributions due in respect of the current reporting period which had not been paid over to the schemes were £52,000 (2009: £44,000).

31 Financial instruments

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to 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 the consolidated statement of changes in equity and notes 25 and 26.

Externally imposed capital requirement

The Group is not subject to externally imposed capital requirements.

Significant accounting policies

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

Categories of financial instruments

	Carrying values	
	2010 *£'000*	*2009* *£'000*
Financial assets		
Loans and receivables (including cash and cash equivalents)	18,371	8,617
Financial liabilities		
Amortised cost	3,826	3,939

Financial risk management objectives

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

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

Market risk

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

31 Financial instruments (continued)

Foreign currency risk management

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

	Liabilities		*Assets*	
	2010 £'000	*2009 £'000*	*2010 £'000*	*2009 £'000*
Euro	480	773	891	1,489
US Dollar	761	952	1,808	554

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*	
	2010 £'000	*2009 £'000*	*2010 £'000*	*2009 £'000*
Profit or loss	173	(65)	57	(55)

Interest rate risk management and sensitivity analysis

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

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

If interest rates had been 1% higher and all other variables were held constant, the Group's profit for the year ended 31 March 2010 would have increased by £65,000 (2009: increase by £41,000). 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.

31 Financial instruments (continued)

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

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics, other than as disclosed in note 21. The Group defines counterparties as having similar characteristics if they are connected entities.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 22 is a description of additional undrawn facilities that the Group has at its disposal to reduce further liquidity risk.

Liquidity and interest risk tables

The Group's financial assets all contractually mature within the next year. Trade receivables do not accrue interest. The weighted average interest rate on cash and cash equivalents was 0.25% (2009: 4.4%).

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.

2010	*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	–	12,197	–	–	–	–	12,197

2009	*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	–	10,726	–	–	–	–	10,726

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.

32 Related party transactions

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

USA transaction

On 5 October 2009, the transaction to assume operational control of the two New York shops and the distribution rights to the North American market previously held by our joint venture partner, Mulberry USA LLC, was completed. The transaction was agreed in principle during April 2009 and as such Mulberry Group plc assumed management control of the US operations from 1 April 2009 and the results of the two stores in New York have been consolidated into the Group results since that date.

The following assets were acquired as part of the transaction:

- Inventories previously sold to them by Mulberry Company (Design) Limited were purchased at cost of £0.2 million;
- The two shop leases and related fixed assets were acquired for $1; and
- Other assets were acquired for £0.1 million.

In addition, deferred consideration of up to £1 million, will become payable to Challice Limited (the remaining shareholder of Mulberry USA LLC and the majority shareholder of Mulberry Group plc) on a stepped basis if sales generated from the US operations during the third year post completion exceed certain agreed thresholds. The consideration will be payable in cash or, at Mulberry Group plc's option, new Mulberry shares, the number of shares being calculated at the then prevailing share price. As at 31 March 2010, it is not considered probable that any deferred consideration will become payable and as such no provision has been made.

Mulberry Group plc is also required to pay to Challice Limited any premium it receives from a disposal of the two shop leases during the period of three years from completion.

As part of the transaction, Challice Limited simultaneously acquired Mulberry Group plc's 50% stake in Mulberry USA LLC for nil consideration.

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*	
	2010	*2009*	*2010*	*2009*
	£'000	*£'000*	*£'000*	*£'000*
Mulberry Oslo AS	678	638	398†	102
Mulberry USA LLC	26	900	252	826
Club 21 Retail (Hong Kong) Limited*	541	1,288	196	77
Club 21 Pte Limited*	173	649	83	11
Club 21 (Thailand) Co Limited*	265	339	40	38
Club 21 Pte Limited Taiwan Branch*	139	135	69	16
Club 21 Distribution (S) Pte Limited*	30	45	6	–
Club Twenty-One Retail (M) Sdn Bhd*	85	89	2	20

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

†Includes £166,000 of dividend income outstanding at the year end (2009: nil).

32 Related party transactions (continued)

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

Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS24 'Related Party Disclosures'. Further information about the remuneration of individual Directors is provided within the audited part of the Directors' remuneration report.

	2010	*2009*
	£'000	*£'000*
Short-term employee benefits	770	578
Post-employment benefits	71	70
Share-based payments	125	81
	966	729

33 Controlling party

At the year end, Challice Limited controlled 58.1% of the issued share capital of the Company.

Mulberry Group plc

Company financial statements

Year ended 31 March 2010

CONTENTS

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 2010 which comprise the parent company Balance Sheet and the related notes 34 to 45. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an 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

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

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

OPINION ON FINANCIAL STATEMENTS

In our opinion the parent company financial statements:

- give a true and fair view of the state of the parent company's affairs as at 31 March 2010;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

- the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the provisions of the Companies Act 2006 that would have applied were the Company a quoted company; and
- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

OTHER MATTER

We have reported separately on the Group financial statements of Mulberry Group plc for the year ended 31 March 2010.

Stuart Woodward (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
Bristol, United Kingdom

16 June 2010

COMPANY BALANCE SHEET

At 31 March 2010

	Note	2010 £'000	2009 £'000
Fixed assets			
Tangible assets	37	2,728	2,595
Investments	36	13,202	13,202
		15,930	15,797
Current assets			
Debtors	38	1,719	1,416
Creditors: amounts falling due within one year	39	(704)	(510)
Net current assets		1,015	906
Total assets less current liabilities		16,945	16,703
Provision for liabilities	40	(7)	–
Net assets		16,938	16,703
Capital and reserves			
Called up share capital	42	2,943	2,871
Share premium account	43	7,007	7,007
Capital redemption reserve	43	154	154
Special reserve	43	4,187	4,187
Profit and loss account	43	2,647	2,484
Shareholders' funds	44	16,938	16,703

The financial statements of Mulberry Group plc (company number 01180514) were approved by the Board of Directors and authorised for issue on 16 June 2010. They were signed on its behalf by:

Godfrey Davis
Director

Roger Mather
Director

34 Significant accounting policies

Basis of accounting

The separate financial statements of the Company are presented as required by the Companies Act 2006 and have been prepared in accordance with applicable United Kingdom Accounting Standards and law. They have been prepared under the historical cost convention and under the going concern assumption. Further details of the Directors' considerations in relation to going concern are included in the Directors' report.

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

Tangible fixed assets

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

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

Freehold buildings	5%
Short leasehold property	term of the lease
Fixtures, 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.

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.

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

34 Significant accounting policies (continued)

timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis. The taxation liabilities are reduced wholly or in part by the surrender of tax losses by fellow Group undertakings for which payment is made.

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

35 Profit for the year

As permitted by section 408 of the Companies Act 2006 the Company has elected not to present its own profit and loss account for the year. Mulberry Group plc reported a profit for the financial year ended 31 March 2010 of £960,000 (2009: £712,000).

The auditors' remuneration for audit and other services is disclosed within note 9 to the consolidated financial statements. The only employees of the Company are the Directors whose emoluments are disclosed in the Directors' remuneration report.

36 Fixed asset investments

	Subsidiaries shares £'000	*Subsidiaries loans £'000*	*Associates shares £'000*	*Total £'000*
Cost				
At 1 April 2009	2,858	11,804	571	15,233
Disposals	–	–	(571)	(571)
At 31 March 2010	2,858	11,804	–	14,662
Provision for impairment				
At 1 April 2009	(1,460)	–	(571)	(2,031)
Disposals	–	–	571	571
	(1,460)	–	–	(1,460)
Net book value				
31 March 2010	1,398	11,804	–	13,202
31 March 2009	1,398	11,804	–	13,202

The investment in Mulberry USA LLC was disposed of on 5 October 2009.

36 Fixed asset investments (continued)

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

	Country of incorporation	*Principal activity*	*Holding of ordinary shares*
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%*
Mulberry Company (Europe) Limited	England and Wales	Intermediary holding company	100%
Kilver Street Inc	USA	Establishment and operation of retail shops in the USA	100%
Mulberry Group Plc Employee Share Trust	Guernsey	Operation of an employee share Trust	100%
Associates			
Mulberry Oslo AS†	Norway	Operation of a retail shop in Oslo	50%*

* Owned by Mulberry Company (Europe) Limited

† Accounting reference date of 30 September

37 Tangible fixed assets

	Freehold land and buildings £'000	*Short leasehold land and buildings £'000*	*Total £'000*
Cost			
At 1 April 2009	3,763	324	4,087
Additions	85	165	250
At 31 March 2010	3,848	489	4,337
Depreciation			
At 1 April 2009	1,188	304	1,492
Charge for the year	107	10	117
At 31 March 2010	1,295	314	1,609
Net book value			
End of year	2,553	175	2,728
Beginning of year	2,575	20	2,595

Freehold land of £997,000 (2009: £997,000) has not been depreciated.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

(continued)

38 Debtors

	2010 £'000	2009 £'000
Amounts falling due within 1 year:		
Amounts owed by Group undertakings	1,540	1,402
Prepayments and accrued income	129	1
Corporation tax debtor	50	–
Other debtors (see note 40)	–	13
	1,719	1,416

39 Creditors

	2010 £'000	2009 £'000
Amounts falling due within 1 year:		
Amounts owed to Group undertakings	464	356
Accruals and deferred income	240	154
	704	510

40 Deferred tax

	2010 £'000	2009 £'000
(Shortfall)/excess of capital allowances over depreciation on fixed assets	(7)	3
Short-term timing differences	–	10
Deferred tax (liability)/asset	(7)	13

	£'000
Deferred tax asset at 1 April 2009	13
Charge for the year	(20)
Deferred tax liability at 31 March 2010	(7)

41 Related party transactions

Details of related party transactions are provided in note 32 of the consolidated financial statements. The Company has taken advantage of the exemption in FRS8 not to disclose details of transactions with other Group companies.

42 Called up share capital

	2010 £'000	2009 £'000
Authorised		
65,000,000 ordinary shares of 5p each (2009: 65,000,000)	3,250	3,250

	£'000	£'000
Issued and fully paid		
58,869,505 ordinary shares of 5p each (2009: 57,419,505)	2,943	2,871

On 8 October 2009, 1,450,000 5p ordinary shares were issued at par to the Mulberry Group plc Employee Share Trust for share awards. During the year the Company has granted 175,000 options in respect of 5p ordinary shares (2009: 1,276,000).

43 Reserves

	Share capital £'000	*Share premium £'000*	*Capital redemption reserve £'000*	*Special reserve* £'000*	*Profit and loss account £'000*
Balance at 1 April 2009	2,871	7,007	154	4,187	2,484
Issue of share capital	72	–	–	–	–
Charge for share-based payments	–	–	–	–	351
Profit for the year	–	–	–	–	960
Ordinary dividends paid	–	–	–	–	(1,148)
Balance at 31 March 2010	2,943	7,007	154	4,187	2,647

* 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 (2009: £165,000).

44 Reconciliation of movements in shareholders' funds

	£'000
Balance at 1 April 2009	16,703
Issue of share capital	72
Charge for share-based payments	351
Profit for the year	960
Ordinary dividends paid	(1,148)
Balance at 31 March 2010	16,938

45 Contingent liabilities

Mulberry Group plc has acted as a guarantor on various property leases entered into between its subsidiaries and third party lessors. No amounts were outstanding at the year end in respect of such guarantees (2009: nil).

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting of Mulberry Group plc will be held at Mulberry Group plc's offices, 4th Floor, Shepherds Building, Rockley Road, London, W14 0DA on 18 August 2010 at 11 am for the following purposes:

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

Adoption of financial statements

1. That the report of the Directors and the financial statements for the year ended 31 March 2010 together with the independent auditors' report be received and adopted.

Dividend declaration

2. To declare a final dividend of 2.2 pence per ordinary share for the year ended 31 March 2010.

Re-election of retiring Directors

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

Appointment of auditors

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

Special Business:
To consider and, if thought fit, pass the following resolutions, of which resolution 7 will be proposed as an ordinary resolution, and resolutions 6, 8 and 9 will be proposed as special resolutions:

Adoption of revised Articles of Association

6. That:

   (a) the Articles of Association of the Company be and they are amended by deleting to the fullest extent permitted by law all of the provisions of the Company's Memorandum of Association which, by virtue of Section 28 of the Companies Act 2006 (the "Act"), are to be treated as provisions of the Company's Articles of Association; and

   (b) the draft Articles of Association produced to the meeting and initialled for the purposes of identification by the Chairman of the meeting be and they are adopted by the Company in substitution for, and to the exclusion of, its existing Articles of Association.

Directors' power to allot relevant securities

7. That, in substitution for any equivalent authorities and powers granted to the Directors prior to the passing of this resolution, the Directors be and they are generally and unconditionally authorised pursuant to Section 551 of the Act to exercise all powers of the Company to allot shares in the Company, and grant rights to subscribe for or to convert any security into shares of the Company (such shares, and rights to subscribe for or to convert any security into shares of the Company being "relevant securities") up to an aggregate nominal amount of £981,158, provided that, unless previously revoked, varied or extended, this authority shall expire on the conclusion of the Annual General Meeting of the Company to be held in 2011, except that the Company may at any time before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such an offer or agreement as if this authority had not expired.

Waiver of statutory pre-emption rights

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

   (a) the power conferred by this resolution shall be limited to:

      (i) the allotment of equity securities in connection with an offer of equity securities to the holders of ordinary shares in the capital of the Company in proportion as nearly as practicable to their respective holdings of such shares, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements or legal or practical problems arising under the laws or requirements of any overseas territory or by virtue of shares being represented by depository receipts or the requirements of any regulatory body or stock exchange or any other matter whatsoever; and

      (ii) the allotment, otherwise than pursuant to sub-paragraph (i) above, of equity securities up to an aggregate nominal value equal to £147,173; and

   (b) unless previously revoked, varied or extended, this power shall expire on the conclusion of the Annual General Meeting of the Company to be held in 2011 except that the Company may before the expiry of this power make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if this power had not expired.

Authority to purchase ordinary shares (market purchases)

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

   (a) the maximum number of Ordinary Shares authorised to be purchased is 2,943,475;

   (b) the minimum price which may be paid for any such Ordinary Share is 5p;

   (c) the maximum price which may be paid for an Ordinary Share shall be an amount equal to 105% of the average middle market prices for an Ordinary Share as derived from the London Stock Exchange Daily Official List for the 5 business days immediately preceding the day on which the Ordinary Share is contracted to be purchased; and

   (d) this authority shall, unless previously renewed, revoked or varied, expire on the earlier of the date falling 18 months after the date of the passing of this resolution and the conclusion of the Annual General Meeting of the Company to be held in 2011, but the Company may enter into a contract for the purchase of Ordinary Shares before the expiry of this authority which would or might be completed (wholly or partly) after its expiry.

By order of the Board

Roger Mather
Secretary

16 June 2010

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

NOTICE OF ANNUAL GENERAL MEETING

(continued)

Notes:

1. All members holding ordinary shares are entitled to attend, speak and vote at the meeting. Such members may appoint a proxy to attend, speak and vote instead of them. A proxy need not also be a member of the Company but must attend the AGM in order to represent his appointer. A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares (so a member must have more than one share to be able to appoint more than one proxy). A form of proxy is enclosed. The notes to the form of proxy include instructions on how to appoint the Chairman of the AGM or another person as proxy and how to appoint a proxy electronically or by using the CREST proxy appointment service. To be effective the form must reach the Company's registrar, Computershare Investor Services PLC at The Pavilions, Bridgwater Road, Bristol BS99 6ZY by 11 am on 16 August 2010.

2. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those persons registered in the register of members of the Company at 6 pm on 16 August 2010 (or if the AGM is adjourned, 48 hours before the time fixed for the adjourned AGM) shall be entitled to attend and vote at the AGM in respect of the number of shares registered in their name at that time. Any changes to the register of members after such time shall be disregarded in determining the rights of any person to attend or vote at the AGM.

3. Please note that communications regarding the matters set out in this Notice of Annual General Meeting will not be accepted in electronic form other than as specified in the enclosed form of proxy.

4. As at 16 June 2010 (being the last business day prior to the publication of this Notice) the Company's issued share capital consists of 58,869,505 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 16 June 2010 are 58,869,505.

5. The following documents are available for inspection at the registered office of the Company during the usual business hours on any weekday (Saturday, Sunday or public holidays excluded) from the date of this Notice until the conclusion of the AGM and will also be available for inspection at the place of the AGM from 10.45 am on the day of the AGM until its conclusion:

   (a) the register of Directors' interests in the shares of the Company;

   (b) copies of the Executive Directors' service contracts with the Company and letters of appointment of the Non-Executive Directors; and

   (c) a copy of the proposed new Articles of Association of the Company, and a copy of the existing Articles of Association marked to show the changes being proposed pursuant to resolution 6.

EXPLANATORY NOTES TO THE SPECIAL BUSINESS TO BE TRANSACTED AT THE MEETING

Resolution 6 – adoption of revised Articles of Association

Resolution 6, which will be proposed as a special resolution, relates to the adoption of revised Articles of Association following the full implementation of the Companies Act 2006 in October 2009. The principal changes to the existing Articles of Association are set out below:

1. Articles which duplicate statutory provisions
   Provisions in the Company's existing Articles of Association (the "**Existing Articles**") which reflect similar provisions contained in the Companies Act 2006 are in the main amended (to the extent that this is not already the case) to bring them into line with the Companies Act 2006. Certain examples of such provisions, including provisions as to convening and notice of general meetings and proxies, are detailed below.

2. Convening Extraordinary and Annual General Meetings
   The provisions in the Existing Articles dealing with the convening of general meetings and the length of notice required to convene general meetings are being amended to conform to new provisions in the Companies Act 2006. In particular, a general meeting to consider a Special Resolution can be convened on 14 days' notice whereas previously 21 days' notice was required. The revised Articles of Association (the "**New Articles**") reflect the fact that the Chairman of a general meeting no longer has a casting vote.

3. The Company's objects
   The provisions regulating the operations of the Company are currently set out in the Company's Memorandum and the Existing Articles. The Company's Memorandum contains, among other things, the objects clause which sets out the scope of the activities the Company is authorised to undertake. This is drafted to give a wide scope.

   The Companies Act 2006 significantly reduces the constitutional significance of a company's Memorandum. The Companies Act 2006 provides that a Memorandum will record only the names of subscribers and the number of shares each subscriber has agreed to take in the company. Under the Companies Act 2006 the objects clause and all other provisions which are contained in a company's Memorandum, for existing companies at 1 October 2009, are deemed to be contained in the Company's Articles of Association but the company can remove these provisions by special resolution.

   Further the Companies Act 2006 states that unless a company's Articles provide otherwise, a company's objects are unrestricted. This abolishes the need for companies to have objects clauses. For this reason the Company is proposing to remove its objects clause together with all other provisions of its Memorandum which, by virtue of the Companies Act 2006, were treated as forming part of the Company's Existing Articles with effect from 1 October 2009. Resolution 6(a) confirms the removal of these provisions for the Company. As the effect of this resolution will be to remove the statement currently in the Company's Memorandum of Association regarding limited liability, the New Articles also contain an express statement regarding the limited liability of shareholders.

4. Authorised share capital and unissued shares
   The Companies Act 2006 abolishes the requirement for a company to have an authorised share capital and the New Articles reflect this. Directors will still be limited as to the number of shares they can at any time allot because allotment authority continues to be required under the Companies Act 2006, save in respect of employee share schemes.

5. Votes of members
   Under the Companies Act 2006 proxies are entitled to vote on a show of hands, whereas under the Existing Articles proxies are only entitled to vote on a poll. The time limits for the appointment or termination of a proxy appointment have been altered by the Companies Act 2006 so that the Articles cannot provide that they should be received more than 48 hours before the meeting or in the case of a poll taken more than 48 hours after the meeting, or more than 24 hours before the time for the taking of a poll, in each case, with weekends and bank holidays being permitted to be excluded for this purpose. Multiple proxies may be appointed provided that each proxy is appointed to exercise the rights attached to a different share or shares of the appointing shareholder. Multiple corporate representatives may be appointed.

6. Form of resolution
   The Existing Articles contain a provision that, where for any purpose an ordinary resolution is required, a special or extraordinary resolution is also effective and that, where an extraordinary resolution is required, a special resolution is also effective. This provision is being amended as the concept of extraordinary resolutions has not been retained under the Companies Act 2006.

7. Redeemable shares
   Under the Companies Act 1985, if a company wished to issue redeemable shares, it had to include in its Articles the terms and manner of redemption. The Companies Act 2006 enables Directors to determine such matters instead provided they are so authorised by the Articles. The New Articles contain such an authorisation. The Company has no plans to issue redeemable shares but if it did so the Directors would need shareholders' authority to issue new shares in the usual way.

8. **Authority to purchase own shares, consolidate and sub-divide shares, and reduce share capital**
   Under the Companies Act 1985, a company required specific enabling provisions in its Articles to purchase its own shares, to consolidate or sub-divide its shares and to reduce its share capital or other undistributable reserves as well as shareholder authority to undertake the relevant action. The Existing Articles include these enabling provisions. Under the Companies Act 2006 a company will only require shareholder authority to do any of these things and it will no longer be necessary for Articles to contain enabling provisions. Accordingly, certain of the relevant enabling provisions have been removed in the New Articles.

9. **Suspension of registration of share transfers**
   The Existing Articles permit the Directors to suspend the registration of transfers. Under the Companies Act 2006 share transfers must be registered as soon as practicable. The power in the Existing Articles to suspend the registration of transfers is inconsistent with this requirement. Accordingly, this power has been removed in the New Articles.

10. **Electronic and web communications**
    The Companies Act 2006 enables companies to communicate with members by electronic and/or website communications. The New Articles allow communications to members in electronic form and, in addition, they also permit the Company to take advantage of the new provisions relating to website communications. Before the Company can communicate with a member by means of website communication, the relevant member must be asked individually by the Company to agree that the Company may send or supply documents or information to him by means of a website, and the Company must either have received a positive response or have received no response within the period of 28 days beginning with the date on which the request was sent. The Company will notify the member (either in writing, or by other permitted means) when a relevant document or information is placed on the website and a member can always request a hard copy version of the document or information.

11. **Increase in permitted Non-Executive Directors' fees**
    The Existing Articles contain an annual limit on Non-Executive Directors' fees of £100,000, unless otherwise determined by ordinary resolution of the Company. This limit was established in 2000 and has remained unchanged since that date. The Board recognises the importance of Non-Executive Directors in establishing and maintaining good corporate governance practices, and, accordingly, in order to provide the Directors with the flexibility to attract and retain the highest calibre of Non-Executive Directors, the New Articles amend this limit to £250,000.

12. **Directors' indemnities and loans to fund expenditure**
    The Existing Articles enable the Company to indemnify the Directors against liability in certain limited circumstances. The Companies (Audit, Investigations and Community Enterprise) Act 2004 ("CAICE") amended the Companies Act 1985 to broaden the scope of permitted indemnities which a company may grant to a Director. In broad terms, the changes introduced by CAICE enabled a company to indemnify its Directors against any liability incurred by a Director to any person (other than the company or any associated company) in connection with any negligence, default, breach of duty or breach of trust in relation to the company (which was previously prohibited under section 310 Companies Act 1985), and to provide its Directors with funds to cover the costs incurred by a Director in defending legal proceedings against him or her. Previously, a company was only able to fund a Director's defence costs once final judgement in their favour had been reached.

    The Companies Act 2006 has in some areas widened further the scope of the powers of a company to indemnify its Directors and to fund expenditure incurred in connection with certain actions against Directors. In particular, a company that is a trustee of an occupational pension scheme can now indemnify a Director against liability incurred in connection with the company's activities as trustee of the scheme. In addition, the exemption afforded by CAICE allowing a company to provide money for the purpose of funding a Director's defence costs now expressly covers regulatory proceedings and applies to associated companies. As Directors are increasingly being added as defendants in legal actions against companies, and litigation is often very lengthy and expensive, the Board believes that the risk of Directors being placed under significant personal financial strain is increasing. Further, the Board believes that the ability to provide appropriate indemnities and to fund Directors' defence costs as they are incurred, as permitted by the Companies Act 2006, afford the Directors reasonable protection, and are important to ensure that the Company continues to attract and retain the highest calibre of Directors.

13. **General**
    Generally the opportunity has been taken to bring clearer language into the New Articles and in some areas to conform the language of the New Articles with that used in the model Articles for public companies produced by the Department for Business, Innovation and Skills.

Resolution 7 – Directors' power to allot relevant securities

Resolution 7, which will be proposed as an ordinary resolution, grants the Directors authority to allot shares in the capital of the Company and other relevant securities up to an aggregate nominal value of £981,158, representing approximately one-third of the nominal value of the issued ordinary share capital of the Company as at 16 June 2010, being the latest practicable date before publication of this Notice. The Directors do not have any present intention of exercising the authorities conferred by this resolution but they consider it desirable that the specified amount of authorised but unissued share capital is available for issue so that they can more readily take advantage of possible opportunities in the future.

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

Resolution 8 – waiver of statutory pre-emption rights

Resolution 8, which will be proposed as a special resolution, authorises the Directors in certain circumstances to allot equity securities for cash other than in accordance with statutory pre-emption rights (which require a company to offer all allotments for cash first to existing shareholders in proportion to their holdings). The relevant circumstances are either where the allotment takes place in connection with a rights issue or the allotment is limited to a maximum nominal amount of £147,143, representing approximately 5% of the nominal value of the issued ordinary share capital of the Company as at 16 June 2010, being the latest practicable date before publication of this Notice. Unless revoked, varied or extended, this authority will expire at the conclusion of the next AGM of the Company or 18 months after the passing of the resolution, whichever is the earlier.

The Company may hold any shares it buys back "in treasury" and then sell them at a later date for cash rather than simply cancelling them. Any such sales are required to be made on a pre-emptive, pro-rata basis to existing shareholders unless shareholders agree by special resolution to disapply such pre-emption rights. Accordingly, in addition to giving the Directors power to allot unissued ordinary shares on a non pre-emptive basis, resolution 8 will also give the Directors power to sell ordinary shares held in treasury on a non pre-emptive basis, subject always to the limitations noted above. The Directors consider that the power proposed to be granted by resolution 8 is necessary to retain flexibility in relation to the management of the Company's share capital, although they do not have any intention at the present time of exercising such power.

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

Resolution 9, which will be proposed as a special resolution, authorises the Directors to make market purchases of up to 2,943,475 ordinary shares (representing approximately 5% of the Company's issued ordinary shares as at 16 June 2010, being the latest practicable date before publication of this Notice). Shares so purchased may be cancelled or held as treasury shares as noted above. The authority will expire at the end of the next Annual General Meeting of the Company or 18 months from the passing of the resolution, whichever is the earlier. The Directors intend to seek renewal of this authority at subsequent Annual General Meetings.

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

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

GROUP FIVE YEAR SUMMARY

	2006 £'000	2007 £'000	2008 £'000	2009 £'000	2010 £'000
Results					
Revenue	43,406	45,078	51,174	58,585	72,052
Operating profit	6,157	6,672	4,774	3,930	4,856
Profit before tax	6,135	6,200	5,186	4,177	5,096
Profit attributable to equity holders	4,831	3,981	3,436	2,581	2,972
Assets employed					
Non-current assets	5,958	8,910	10,791	11,694	10,760
Current assets	18,488	20,828	23,570	24,572	29,524
Current liabilities	(8,415)	(8,879)	(11,821)	(11,750)	(13,819)
Non-current liabilities	(2,579)	(3,990)	(21)	(132)	–
Net assets	13,452	16,869	22,519	24,384	26,465
Key statistics					
Earnings per share	9.9p	8.1p	6.0p	4.5p	5.2p
Diluted earnings per share	8.8p	7.4p	6.0p	4.5p	5.2p

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

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