

# Mulberry

Annual Report and Accounts

FOR THE YEAR ENDED 31 MARCH 2017

# Highlights

Year ended 31 March 2017

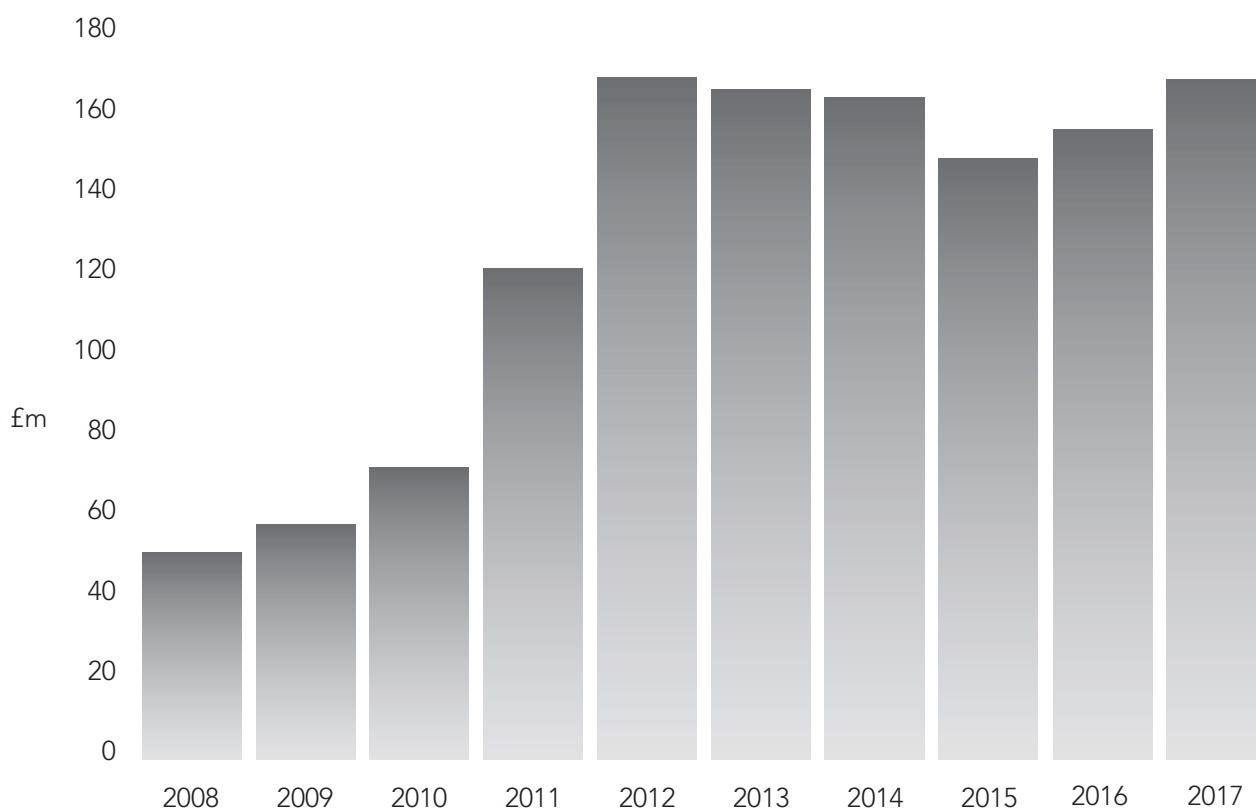
## FINANCIAL HIGHLIGHTS

- Total revenue up 8% to £168.1 million (2016: £155.9 million)
- Profit before tax up 21% to £7.5 million (2016: £6.2 million)
- Cash of £21.1 million at the end of the period (2016: £14.0 million)
- Inventory reduced to £42.8 million (2016: £44.4 million)

## OPERATING HIGHLIGHTS

- Retail sales (including Digital) up 8% to £128.3 million (2016: £118.7 million) with like-for-like up 5%
- Revenue from Digital channels increased by 19% to represent 15% of Group revenue (2016: 14%) with localised mulberry.com sites introduced in China and Korea
- Establishment of Mulberry (Asia) Limited ("Mulberry Asia"), a majority-owned entity, to develop the brand in China, Hong Kong and Taiwan
- New products introduced under the creative direction of Johnny Coca, including the new Zipped Bayswater, continue to gain momentum

## TEN YEAR REVENUE REVIEW



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# Strategic report

Year ended 31 March 2017

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## BUSINESS REVIEW

Mulberry continues to make progress with increased sales and profit. Total revenue grew by 8% to £168.1 million (2016: £155.9 million), and profit before tax by 21% to £7.5 million (2016: £6.2 million) driven by growth in sales. The Group has generated cash of £7.3 million (before the effect of foreign exchange rate changes) during the year and maintained strong control over the balance sheet.

During the year the Group acquired the Mulberry store in Australia from its long-standing distribution partner and in March 2017 signed an agreement with Challice Limited ("Challice"), its ultimate controlling party, to directly operate its business in China, Hong Kong and Taiwan. These transactions will further develop the Group's international strategy.

The Group has invested in creative and product development and a large number of new products were launched in the year that continue to gain traction. Looking forward, the Group will continue to invest in product and international development.

### Sales

Key elements of growth in sales have been:

1) Product launches, 2) Retail, Digital and Omni-channel enhancement and 3) Selective Wholesale development.

#### 1) Product launches

During the year, a significant number of new products were launched under the creative direction of Johnny Coca. The Zipped Bayswater bag has become an immediate bestseller since its launch during October 2016 and the family will be further extended in future seasons. The bag was highlighted during the marketing campaign, "Modern Heritage", which ran during April and May 2017.

#### 2) Retail, Digital and Omni-channel

Global Digital sales were up 19% to £25.5 million for the year (2016: £21.4 million), accounting for 15% of Group revenue (2016: 14%). Retail sales (including Digital) were up 8% to £128.3 million for the year (2016: £118.7 million) with like-for-like sales up 5%.

A number of services were added to the Group's omni-channel offer during the year and local mulberry.com sites were introduced in China and Korea. In the USA, a local distribution centre has been established in order to facilitate local fulfilment.

There were 67 directly operated stores at the end of the year (2016: 67 stores). The network was refined with two key priorities:

- UK enhancement: relocation of the Covent Garden and Bicester stores; and
- International development: acquisition of the store in Sydney, Australia at the start of the year and through the Mulberry Asia agreement, signed at the end of the financial year, the Group has acquired post year end one store in Hong Kong and in addition will acquire two stores in China, and one concession in Taiwan during the financial year ending March 2018; in North America, two stores were closed, New York (Madison Avenue) and Washington, the digital offer was enhanced and sales commenced to the Nordstrom department store chain.

#### 3) Selective Wholesale

Wholesale revenue, comprising sales from partner stores and selective multi-brand wholesale accounts, increased 7% to £39.8 million (2016: £37.2 million).

The franchise store network at the year end had a total of 52 stores in Asia, Europe and the Middle East (2016: 55 stores). As highlighted above, the four stores acquired by Mulberry Asia post year end will join the Group's own Retail store portfolio during the financial year to March 2018.

The Wholesale sales trend reflects a positive reaction to the new collections. Selective new wholesale accounts were opened in Europe, North America and Asia.

# Strategic report (continued)

Year ended 31 March 2017

|                             | 52 weeks to<br>31-Mar 2016<br>(£ millions) | 52 weeks to<br>31-Mar 2017<br>(£ millions) | Total change<br>(this year vs<br>last year) | Like-for-like<br>change **<br>(this year vs<br>last year) |
|-----------------------------|--|--|---|---|
| UK Retail Sales*            | 97.4                                       | 106.8                                      | +10%  | +5%   |
| International Retail Sales* | 21.3                                       | 21.5                                       | +1%   | +7%   |
| Group Retail Sales          | 118.7                                      | 128.3                                      | +8%   | +5%   |
| Wholesale Sales             | 37.2                                       | 39.8                                       | +7%   | n/a   |
| Group Total Sales           | 155.9                                      | 168.1                                      | +8%   | n/a   |

\* Regional splits include Digital sales

\*\* LFL is defined as the year-on-year change in sales from stores which have been trading for 12 months, from the anniversary of the store opening.

Digital sales increased by 19% in the year to 31 March 2017

## Financial

Gross margin for the year to 31 March 2017 was 61.6% (2016: 62.0%). After incurring significant production start-up costs due to a large number of new designs introduced during the first six months, production efficiencies returned to normal levels during the second six months of the year. Gross margin reflects a one-off cost of £0.6 million relating to stock repurchase associated with the North Asia acquisition.

Operating expenses (net) for the year increased to £96.5 million (2016: £90.5 million) primarily due to higher Retail store costs of £3.7 million, and increased marketing and advertising and promotion costs of £1.6 million.

Profit before tax was £7.5 million (2016: £6.2 million) after accounting for non-recurring costs relating to activities in North Asia (£0.8 million), adverse currency movements (£0.5 million) and non-cash store impairments (£1.1 million).

The tax charge for the year was £2.5 million (2016: £3.5 million) giving an effective tax rate of 33.8% (2016: 56.8%) and is following the implementation of a revised transfer pricing policy. The Group expects the effective tax rate to remain at this level in future.

Capital expenditure for the year was £5.3 million, including £3.2 million invested in stores (including Digital), £0.9 million in IT systems and £0.6 million in factories.

Inventories decreased to £42.8 million at 31 March 2017 from £44.4 million at 31 March 2016 reflecting an on-going initiative to maintain lower inventory levels in the business.

The Group generated cash of £7.3 million (before the effect of foreign exchange rate changes) during the year with cash balances of £21.1 million as at 31 March 2017 (2016: £14.0 million) and has no debt.

## North Asia

The Group has created a new entity, Mulberry (Asia) Limited ("Mulberry Asia") with Challice Limited ("Challice") to operate its business in China, Hong Kong and Taiwan. As a result, the existing Distribution Agreement with Club 21 for the Asia-Pacific region has been modified to remove Hong Kong, China and Taiwan from Club 21's distribution territory. Challice, which owns c. 56% of the Group's share capital, is under the same ultimate shareholder control as Mulberry's existing distributor in the region, Club 21. The Group owns 60% of the share capital of Mulberry Asia, with Challice holding the remaining 40%.

Mulberry Asia commenced trading in Hong Kong during April 2017. A subsidiary in China and a branch office in Taiwan are being formed and are expected to be operational during 2017, once the relevant business licences for those territories have been received.

The total share capital of Mulberry Asia is £3.2 million (HK\$32.0 million), of which the Group has invested £1.9 million (HK\$19.2 million).

## Dividend

The Board of Mulberry seeks to balance paying dividends to shareholders with investing in the business. The Board remains confident of the medium term outlook and is recommending the payment of a dividend of 5.0p per ordinary share (2016: 5.0p) which will be paid on 23 November 2017 to shareholders on the register at 27 October 2017.

## CURRENT TRADING AND OUTLOOK

### Sales

Like-for-like Retail sales (including Digital) were up 1% for the 10 weeks to 3 June 2017. In the UK, like-for-like sales were up 2% and continue to benefit from an increase in tourist spending in London, although domestic demand has been softer. International like-for-like sales show a weakening in non-strategic locations with management continuing to focus on the optimisation of the store network.

|                             | Retail like-for-like sales**  |                               |                               | Retail total sales*           |                               |                                  |
|-----------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|----------------------------------|
|                             | 26 weeks<br>to 30-Sep<br>2016 | 52 weeks<br>to 31-Mar<br>2017 | 10 weeks<br>to 3-June<br>2017 | 26 weeks<br>to 30-Sep<br>2016 | 52 weeks<br>to 31-Mar<br>2017 | 10 weeks to<br>3-June***<br>2017 |
| This year vs. last year (%) |                               |                               |                               |                               |                               |                                  |
| UK Retail*                  | +7%                           | +5%                           | +2%                           | +12%                          | +10%                          | -3%                              |
| International Retail*       | +10%                          | +7%                           | -3%                           | +2%                           | +1%                           | 0%                               |
| <b>Group Retail total</b>   | <b>+7%</b>                    | <b>+5%</b>                    | <b>+1%</b>                    | <b>+10%</b>                   | <b>+8%</b>                    | <b>-3%</b>                       |

\* Regional splits include Digital sales

\*\* LFL is defined as the year-on-year change in sales from stores which have been trading for 12 months, from the anniversary of the store opening.

\*\*\* The decline in total sales reflects the shift in timing of the half-yearly UK friends and family event which occurred during April 2016 but took place during March in 2017

Digital sales increased by 19% in the year to 31 March 2017 and increased by 23% in the 10 weeks to 3 June 2017

### Wholesale

During the current financial year North Asia (Hong Kong, China, Taiwan) will transition from a wholesale account to a Retail subsidiary and will reduce the Group's total Wholesale revenue and increase Retail revenue.

### International

The Group will continue to invest in enhancing its international network, with a focus on Asian markets.

Mulberry Asia's Hong Kong activities have been operational since 3 April 2017, with activities in China and Taiwan expected to commence during 2017. Since the end of March 2017, the store in Hong Kong has been relocated to an improved location, a pop-up shop has been opened in a prominent Hong Kong shopping mall and a new store has been opened in Shanghai. The Group also plans to relocate the existing store in Beijing to a better location during Summer 2017.

In Europe and North America, the Group continues to focus on improving productivity in existing stores, with limited new store openings and strategic refinement of the store network, as opportunities arise, coupled with further omni-channel enhancements.

### Omni-channel

The Group has introduced further enhancements to the Digital and omni-channel offering and will continue to invest in this area going forward.

In Asia, the mulberry.com sites in China and Korea are expected to be fully translated during Summer 2017.

# Strategic report (continued)

Year ended 31 March 2017

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## Capital expenditure

A new design concept for the Group's stores is being developed. This will lead to increased capital expenditure as it is rolled out. This is expected to commence during 2018.

Capital expenditure for the full year ending 31 March 2018 is expected to be in the region of £7.5 million (2017: £5.3 million), of which the majority will be on stores.

## BUSINESS MODEL

Mulberry is a vertically integrated luxury brand which was founded in 1971 in Somerset. The Group designs, develops, manufactures, markets and sells products under the Mulberry brand name. The Group has over 1,400 employees (full-time equivalents), the majority of whom are based in the UK. The design studio for leather goods is based in London, where the seasonal collections are conceived. The two Somerset factories, which are owned by the Group, employ nearly 700 people and manufacture approximately 50% of the brand's handbags. The remainder of production is outsourced to specialist third parties, mainly outside the UK, with whom the Group has long-standing relationships.

Mulberry's product offer spans several categories. Leather accessories account for over 90% of the Group's revenues, within which bags represent over 70% of revenues. Other important product categories include small leather goods, shoes, soft accessories and women's ready-to-wear.

Brand and marketing activities are based in London with the support of offices in Paris and New York. Mulberry distributes its products globally via 119 stores in 26 countries (67 directly operated, 52 partner), the brand's digital site ([mulberry.com](http://mulberry.com)) and selected wholesale partners.

Digital has become an important part of the business and is expected to continue to increase in importance going forward, both as a revenue channel and as a highly effective means of engaging with the Group's customers. Mulberry's digital business is managed in-house, utilising industry-leading software. [mulberry.com](http://mulberry.com) trades in seven currencies and ships to over 190 countries, all of which are fulfilled from the UK, except for orders from the USA, which since July 2016 are now fulfilled from the US distribution centre. Omni-channel functionality which was launched in the UK in 2015 and includes in-store digital ordering, in-store collection of digital orders (Click & Collect) and in-store digital returns has now also been rolled out in Europe and USA.

Stores remain an integral and important part of the Group's business model. Mulberry directly operates stores in the UK, continental Europe, North America and Australia, with the addition of Hong Kong after the year end. In Scandinavia, Mulberry has long-standing partners who run ten stores in those markets. Partners also run Mulberry stores in Asia (32 stores), the Middle East (three stores) and continental Europe (one store). Looking forward, it is expected that the business model will reflect the significant changes occurring in the luxury industry with strategically placed stores and selective relationships with key wholesale accounts supporting a comprehensive digital service globally, with all touch points providing the same customer experience.

## STRATEGY

The Board's long term objective is to grow Mulberry as a global luxury brand, offering unique and desirable product at the best value for price, and thereby create shareholder value. The Group considers that revenue growth is the key performance indicator with which this goal can be measured.

### Product

Leather goods remain the core commercial focus of the Group. Following the acceleration of new product launches during the financial year ended 31 March 2017, there will continue to be a focus on novelty in coming seasons. This will include the extension of existing bag families into new sizes, as well as the introduction of new bag designs to cover all functions and lifestyles.

Over the longer term, the objective is to reinforce Mulberry as a lifestyle brand by strengthening complementary categories to its core leather goods ranges. The key focus categories are footwear, ready-to-wear, soft accessories and jewellery. As part of the initiative to further develop these relatively new categories, the Group will continue to invest in targeted product development and marketing.

## **Marketing and Brand**

Mulberry continues to invest in building the brand globally via a dynamic marketing and communication strategy, aiming to engage with new and loyal customers, whilst enhancing the understanding of the brand in new and emerging markets. The Group aims to engage with customers across all touch points via an integrated marketing approach coupling traditional events and press formats with extensive use of digital, mobile and social media. Digital continues to take the highest share of all media investment.

To reinforce its customer-centric business strategy and enhance the customer experience, the Group recently announced that it is evolving the format of its seasonal collection launches. The Group will hold private previews of its Spring Summer 2018 collection in Autumn 2017 to UK editors in London and international press and buyers in Paris. The collection will be unveiled during London Fashion Week during February 2018 to offer an instantly shoppable, real-time global consumer experience. The shift will enable the Group to continue to drive engagement and increase relevance with its customers.

The Group continues to develop its Somerset-based customer service operations, including further investment in aftercare and call centre operations.

## **Retail, Digital and Omni-channel**

The Group will continue to strengthen its position in the UK and expand internationally through its omni-channel strategy, with well situated stores complemented by a strong digital presence. The penetration of omni-channel is expected to grow in the UK, Europe and North America, through continued enhancements of the offering. The Group also plans to introduce omni-channel services to newly controlled territories, including Australia, China and Hong Kong.

In the short to medium term, the Group plans to continue to strategically refine and enhance the store network, while focusing upon improving the range of omni-channel services to match rapidly evolving customer buying behaviour.

## **Operations**

The Group continues to invest in its operational capability to maintain a high quality, scalable platform.

The Group's two factories in Somerset manufacture approximately 50% of its bags, reinforcing the authenticity of the Mulberry brand and, at a practical level, contributing to the attainment of high product quality standards. Looking forward, the Group is committed to its "Made in England" strategy and intends to maintain its UK production of handbags at approximately 50%.

As part of the strategic goal of best-in-class service to our customers, the Group will continue to invest in IT and digital infrastructure and orientate organisational structures around the customer.



## Strategic report (continued)

Year ended 31 March 2017

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### Principal risks and uncertainties

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

- **Economic climate.** The Group continues to be impacted by the wider global economic climate and any deterioration could affect sales both in the UK and internationally. A significant amount of Mulberry sales are generated in the UK and so a decline in the UK economy, which reduced consumer spending on luxury goods, could materially affect trading results. The Group's continuing strategy to increase the penetration of international markets is expected to reduce the impact of this expansion plan over time.
- **Individual market performance.** The Group's long term objective is to grow Mulberry as a global luxury brand. There is a risk that international expansion will not develop in line with expectations. This risk has continued to grow in importance following the increase in the number of international stores. The risk is managed through the financial evaluation of each potential new store location and the continued oversight by senior management. As a consequence of the review of the international business, the decision was made during the year to impair the assets in two stores (2016: two stores) which were trading at a loss. We expect the performance of developing markets to benefit from the impact of the creative direction of Johnny Coca, as well as the roll out of the omni-channel strategy which is in early stages of development.
- **Currency risk.** The Group's sales and purchases are made in Sterling, Euros and US Dollars and therefore it is exposed to fluctuations in these exchange rates. With the weakening of Sterling against the Euro and US Dollar there is a consequent increase in raw materials bought in foreign currency which increases costs of sales. However, revenues earned in foreign currency also appreciate when Sterling weakens, both from revaluation gain and a boost to UK tourist revenues creating some natural currency hedge. A treasury policy which incorporates a hedging strategy has been implemented to manage any risk of exchange rate volatility.
- **Brand.** The risk of a deterioration in the Group's luxury brand position is mitigated by ongoing investment into product development, marketing, retail estate and the digital experience.
- **Cash.** The management of cash is of fundamental importance. The increase in cash during the year reflects the overall trading performance and lower rate of capital expenditure. At the year end the Group had a cash balance of £21.1 million (2016: £14.0 million). The Group currently has no debt but nonetheless has arranged bank facilities of £4.5 million (including a £4.0 million multi-currency overdraft facility) which are in place until 31 May 2018. In addition, the Group has renewed its £7.5 million revolving credit facility until 31 October 2018. As such, the Group is on a firm financial footing and confident of its ability to continue as a going concern.
- **UK production.** With the increase in percentage of products being made in Mulberry's own UK based factories, there is a risk that the Group gross margin may be diluted through inefficient production or an increase in UK labour costs. Factory efficiency is monitored on a weekly basis and production techniques are continually reviewed and refined to ensure we are creating quality products in an efficient manner, and by assessing whether to manufacture product internally or externally.
- **Loss of talent.** 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. For each new management role, a comprehensive induction programme is in place followed by a detailed handover period where possible.
- **Competition.** Competitive pressures, changes in luxury fashion trends and hence consumer demand are continuing risks which could result in a 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.
- **Trademarks.** As with all brands, the Group is exposed to risk from unauthorised use of the Group's trademarks and other intellectual property. These are not included on the balance sheet but any infringement could lead to a loss of profits and have a negative impact on image. Trademarks are registered and where any infringements are identified, appropriate legal action is taken.
- **Terrorist activity.** A major terrorist attack, particularly in central London, could seriously affect the Group's operations, as would a fire or significant disruption to the Group's warehouse. The Group has developed a business continuity plan to mitigate the impact, as well as making sure that adequate insurance is in place.

- **IT systems.** The Group's IT systems and operational infrastructure are critical to its operations and ability to sell and deliver its products. A number of controls are in place which would be implemented in the event of a major failure and IT security is continually reviewed and updated. Over the next year, the Group plans to continue the development of its omni-channel offering and CRM. If these projects were to be unsuccessful, it could also have an impact on operations. Senior management involvement and significant pre-implementation testing are part of the carefully designed project to minimise the risks of the roll out. Cyber fraud is an increasing risk with threat of deletion, theft, or damage to the integrity of the Group's electronic data, which could also result in operational disruption and reputational damage. The Group manages this risk by regular third party audits of system security and by not holding customer credit and debit card data.
- **UK decision to leave the European Union.** The primary risks following the decision to leave the European Union are considered to be uncertain UK consumer confidence and the implications of the changes to duty and the movement of goods across borders for the purposes of production and sale of goods. The Group's strategy to expand internationally will reduce the impact of uncertainty in the domestic market.

### Corporate social responsibility

The Group's approach is based on a simple principle: that Mulberry will make a positive difference to its people, the environment and the communities in which it works. Employees are actively encouraged to find new ways of meeting our wider responsibilities, and as such have focused our initiatives in the following key areas:

- Climate change – investing in the latest technologies to help reduce energy consumption and impact on the environment and sourcing purchases from sustainable or renewable sources wherever possible;
- Reducing waste – there is a continuous process to identify ways to reduce waste, as well as recycling as much material as possible from our UK sites, especially to community arts and crafts groups;
- Manufacturing and apprentices – Mulberry is proud to produce approximately 50% of its leather goods in its own British factories where it employs nearly 700 people. Since 2006 it has run an award winning apprenticeship programme at these factories to train young people to become accomplished craftsmen and craftswomen;
- Fair partners – ensuring by way of regular audits that suppliers adhere to the Mulberry Global Sourcing Principles which help to create a suitable environment for their workers, including working hours and child labour provisions. Under the UK Modern Slavery Act, UK companies with a turnover of more than £36 million are obliged to publish an annual Slavery and Human Trafficking statement which can be found on the Group's website, mulberry.com;
- Animal welfare – commitment to ethical practices and traceability in our leather, fur and exotic skins supply chains;
- Community involvement – Mulberry actively donates money, product and support to charities in our local communities. Each year three charities are selected by employees for the Group to support. For the year under review this was Jessie May, a South West based charity who provide free of charge home care to children with life-limiting conditions, ensuring they get the best quality of life possible and supporting their families throughout.

### People

During the year, the Group has launched a significant number of new products and progressed several strategic projects. We would like to thank the entire Mulberry team for their continuing hard work and commitment to the brand.

By order of the Board.

Thierry Andretta  
Chief Executive  
13 June 2017

## Directors, secretary and advisers

Year ended 31 March 2017

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|                     |  |
|---------------------|--|
| Directors:          | Godfrey Pawle Davis FCA<br>Thierry Patrick Andretta<br>Neil James Ritchie FCA (appointed 16 May 2016)<br>Andrew Christopher (Chris) Roberts FCCA<br>Steven Grapstein CPA<br>Melissa Ong<br>Christophe Olivier Cornu<br>Julie Gilhart |
| Registered Office:  | The Rookery<br>Chilcompton<br>Bath<br>Somerset<br>BA3 4EH  |
| Company Secretary:  | Kate Anthony Wilkinson LLB   |
| Nominated Adviser:  | GCA Altium Limited<br>London   |
| Nominated Broker:   | Barclays Bank plc<br>London  |
| Registered Auditor: | Deloitte LLP<br>Bristol  |
| Solicitors:         | Osborne Clarke<br>Bristol  |
| Principal Bankers:  | HSBC Bank plc<br>Bristol   |
| Registrars:         | Computershare Investor Services plc<br>PO Box 82<br>The Pavilions<br>Bridgwater Road<br>Bristol<br>BS99 7NH  |

# Corporate governance

Year ended 31 March 2017

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The Company is listed on the Alternative Investment Market and is not required to comply with the provisions set out in the UK Corporate Governance Code that was issued in 2014 by the Financial Reporting Council ('the 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

The Board comprises two Executive Directors and six Non-Executive Directors. Thierry Andretta, acts as Chief Executive and Godfrey Davis acts as Non-Executive Chairman.

Roger Mather resigned as Group Finance Director on 16 May 2016 and Neil Ritchie was appointed as Chief Financial Officer. Further details regarding the Directors are set out in the Directors' report.

The Directors consider it important that the Board should include Non-Executive Directors who bring considerable knowledge and experience to the Board's deliberations. The Board meets formally on a bi-monthly basis and is responsible inter alia for overall Group strategy, investments and capital projects and for ensuring that an appropriate framework of internal control is in place throughout the Group.

The Executive Directors are each employed under a contract of employment which can be terminated with twelve months notice. The Non-Executive Directors provide their services under twelve month agreements renewed annually on 1 April.

## NOMINATIONS AND REMUNERATION COMMITTEE

Details of the composition and role of the Nominations and Remuneration Committee are provided in the separate Directors' remuneration report.

## AUDIT COMMITTEE

The Audit Committee was chaired throughout the year by Steven Grapstein. The other members of the Committee were Chris Roberts and Christophe Cornu.

During the year all Directors have been encouraged to attend Audit Committee meetings where possible as part of the programme to maintain the Group's systems of internal control. The Committee may examine any matters relating to the financial affairs of the Group. This includes the review of the annual financial statements, the interim financial statements and other financial announcements, prior to their approval by the Board, together with accounting policies and compliance with accounting standards, and of internal control procedures and monthly financial reporting, and other related functions as the Committee may require. The Non-Executive Directors have access to the Group's auditor and legal advisers at any time without the Executive Directors being present.

## INTERNAL FINANCIAL CONTROL

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

The Directors place considerable importance on maintaining full control and direction over appropriate strategic, financial, organisational and compliance issues, and have put in place an organisational structure with formally defined lines of responsibility and delegation of authority. Any system of internal financial control is designed to manage, rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

There are established procedures for business planning, for information and reporting 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. This includes 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.

# Directors' remuneration report

Year ended 31 March 2017

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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.

At the year end, the Nominations and Remuneration Committee comprised:

- Chris Roberts (Chairman and Non-Executive Director);
- Melissa Ong (Non-Executive Director); and
- Julie Gilhart (Non-Executive Director)

The Committee is responsible for nominating Directors to the Board and then determining the remuneration and terms and conditions of employment of Directors and senior employees of the Group.

The Committee meets at least once a year in order to consider and set the annual salaries and performance incentives for Executive Directors and senior management, including grants of share options and bonus schemes. 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 equity or bonus schemes. As an exception, on becoming Non-Executive Chairman in June 2012, Godfrey Davis retained his vested and unvested options and share awards as they were granted to him whilst he was Chief Executive.

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

## REMUNERATION POLICY FOR EXECUTIVE DIRECTORS

The Company's remuneration policy for Executive Directors considers a number of factors and is designed to:

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

## SALARIES, BONUSES AND OTHER INCENTIVE SCHEMES

Each Executive Director receives a base salary, the opportunity to earn an annual bonus and a long term incentive. Typically, the annual bonus will not exceed 100% of the annual salary.

There are three long term incentive arrangements. These are as follows:

An Unapproved Share Option Scheme which was introduced in April 2008. Options granted in this scheme typically vest after three years. For the grant made during April 2015 this has been reduced to 2.5 years because the grant was originally meant to take place six months earlier but was delayed whilst its quantum was discussed and agreed by the Nominations and Remuneration Committee.

A Deferred Bonus Plan which represents a long term award scheme where participants receive all or part of their annual bonus in shares. These shares are held as deferred shares in the Mulberry Group Plc Employee Share Trust for a vesting period of two years. Matching shares are then granted and vest after a period of two years, conditional upon the participant remaining an employee of the Group and the original deferred shares remaining in the Trust.

## SALARIES, BONUSES AND OTHER INCENTIVE SCHEMES (CONTINUED)

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

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

|                                 | Basic<br>salary/ fees<br>£'000 | Bonus<br>£'000 | Taxable<br>benefits<br>£'000 | Pension<br>contributions <sup>(3)</sup><br>£'000 | 2017<br>Total<br>£'000 | 2016<br>Total<br>£'000 |
|---------------------------------|--------------------------------|----------------|------------------------------|--|------------------------|------------------------|
| <b>Executive Directors</b>      |                                |                |                              |  |                        |                        |
| Thierry Andretta <sup>(1)</sup> | 760                            | 225            | 10                           | 10   | 1,005                  | 917                    |
| Neil Ritchie                    | 194                            | 60             | 3                            | 9  | 266                    | -                      |
| Roger Mather <sup>(2)</sup>     | 84                             | -              | 7                            | -  | 91                     | 424                    |
| <b>Non-Executive Directors</b>  |                                |                |                              |  |                        |                        |
| Godfrey Davis                   | 200                            | -              | -                            | -  | 200                    | 200                    |
| Chris Roberts                   | 50                             | -              | 1                            | -  | 51                     | 50                     |
| Steven Grapstein                | 45                             | -              | -                            | -  | 45                     | 45                     |
| Melissa Ong                     | 45                             | -              | 3                            | -  | 48                     | 46                     |
| Christophe Cornu                | 45                             | -              | -                            | -  | 45                     | 45                     |
| Julie Gilhart                   | 45                             | -              | 1                            | -  | 46                     | 46                     |
|                                 | 1,468                          | 285            | 25                           | 19   | 1,797                  | 1,773                  |

Notes:

1. Thierry Andretta was the highest paid Director during the year. He was appointed as Chief Executive on 7 April 2015, after serving as a Non-Executive Director until that date.
2. Roger Mather resigned as a Director on 16 May 2016.
3. Pension contributions are paid into defined contribution schemes.

The emoluments disclosed 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 2008 Unapproved Share Option Scheme

|                             | 31 March<br>2016 | Granted | Exercised | 31 March<br>2017 | Exercise<br>price (£) | Date of<br>exercise | Average<br>market<br>price on<br>exercise<br>(£) |
|-----------------------------|------------------|---------|-----------|------------------|-----------------------|---------------------|--|
| Roger Mather <sup>(1)</sup> | 70,000           | -       | -         | 70,000           | 7.58                  | n/a                 | n/a  |
| Thierry Andretta            | 230,415          | -       | -         | 230,415          | 8.68                  | n/a                 | n/a  |
| Thierry Andretta            | -                | 70,000  | -         | 70,000           | 10.342                | n/a                 | n/a  |
| Neil Ritchie                | -                | 24,500  | -         | 24,500           | 10.342                | n/a                 | n/a  |

For the options granted to Thierry Andretta on 10 April 2015, the market price on the date of grant was £8.68 and may be exercised at any time between 1 January 2018 and 1 January 2025.

For the options granted to Thierry Andretta and Neil Ritchie on 1 July 2016, the market price on the date of grant was £10.342 and may be exercised at any time between 1 July 2019 and 1 July 2026.

1. Roger Mather exercised 70,000 options after the year end. The average market price on the date of exercise was £11.07.

## Directors' remuneration report (continued)

Year ended 31 March 2017

### (b) Jointly owned shares under the Co-ownership Equity Incentive Plan

|               | 31 March<br>2016 | Granted | Exercised | 31 March<br>2017 |
|---------------|------------------|---------|-----------|------------------|
| Godfrey Davis | 300,000          | -       | -         | 300,000          |

The right to exercise the interest in these shares vested on 9 October 2012 and remains exercisable until 9 October 2019. The market price of these shares at the date of the award was £1.21½.

### (c) Options granted under the Long Term Incentive Plan

|              | 31 March<br>2016 | Granted | Lapsed   | 31 March<br>2017 | Exercise<br>price (£) |
|--------------|------------------|---------|----------|------------------|-----------------------|
| Roger Mather | 28,600           | -       | (28,600) | -                | Nil                   |

The options granted to Roger Mather lapsed during the year as part of the terms agreed on notice of his resignation.

### Share price information

The market price of Mulberry Group plc ordinary shares at 31 March 2017 was £10.85 (2016: £9.85) and the range during the year was £9.75 to £11.50 (2016: £8.49 to £9.99).

# Directors' report

Year ended 31 March 2017

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The Directors present their report on the affairs of the Group, together with the financial statements and independent auditor's report, for the year ended 31 March 2017.

## RESULTS AND DIVIDENDS

The results for the year are set out in the Group income statement. The Directors are recommending the payment of a final dividend of 5p per ordinary share (2016: 5.0p) to be paid on 23 November 2017 to ordinary shareholders on the register on 27 October 2017.

## GOING CONCERN

The Group's business activities, together with the factors likely to affect its future development, performance and financial position are given in the Strategic report. In addition, the notes to the Group financial statements include details on the Company's borrowing facilities and the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; and its exposures to credit risk and liquidity risk.

The Group is funded through cash at bank and it has access to a £4.0 million overdraft facility secured until May 2018, and a revolving credit facility of £7.5 million available until October 2018. The Group has sufficient financial resources together with a customer base split across different geographic areas and between directly operated stores, partner stores and wholesale accounts. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facilities. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully despite the uncertain economic outlook.

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

## DIRECTORS AND THEIR INTERESTS

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

### Executive Directors

**Thierry Andretta, 60**, was appointed as Chief Executive on 7 April 2015, following his appointment to the Board as an independent Non-Executive Director on 9 June 2014. He has previously held a number of senior roles at brands including Lanvin, Moschino, the Gucci Group, LVMH Fashion Group and Céline and was Chief Executive of Buccellati. He is also a non-executive director of SCI TMLS and was a non-executive director of Acne Studios Holding AB (until March 2017). Although not a director, he is a senior advisor to the Board of Nirav Modi Firestar Diamond Limited.

**Neil Ritchie FCA, 46**, is the Chief Financial Officer, having joined Mulberry on 16 May 2016. He is a fellow of the Institute of Chartered Accountants having trained professionally with PriceWaterhouseCoopers. He spent 15 years with Dyson in various financial and commercial roles across UK, Europe, North America and Asia, most recently as Global Commercial Finance Director. He was appointed as a Director on 16 May 2016.

### Non-Executive Directors

**Godfrey Davis FCA, 68**, is Chairman of the Board, having been appointed in June 2012. Prior to this he had performed the role of Chief Executive from 2002 until June 2012. 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 is a director of Pittards plc, Princedale Development Limited, King's Schools Taunton Limited and Hestercombe Gardens Limited, KST International Limited (appointed 26 August 2015) and a trustee of Hestercombe Gardens Trust.

**Andrew Christopher Roberts FCCA, 53**, is Chairman of the Nominations and Remuneration Committee (appointed on 7 May 2013). He was appointed to the Board on 6 June 2002. He is a Fellow of the Chartered Association of Certified Accountants. He is Managing Director of Como Holdings (UK) Ltd which has retail, hotel and real estate operations in the UK and was formerly Finance Director of an AIM listed financial services group. Como Holdings (UK) Ltd is a company ultimately owned by Mr Ong Beng Seng and Mrs Christina Ong.



## Directors' report (continued)

Year ended 31 March 2017

**Steven Grapstein CPA, 59**, was appointed as a Director on 17 November 2003 and was appointed as Chairman of the Audit Committee on 7 May 2013. He is currently the Chief Executive Officer of Como Holdings USA Inc., an international investment group with extensive interests in the retail and hotel industries. He also serves on the Board of Directors of Urban Edge, a US publicly listed company on the NY Stock Exchange and is the Chairman of the Governance Committee. He served as a member of the Board of Directors and as Chairman of the Board (2010-2015) of Tesoro Corporation, a US publicly held Fortune 100 company engaged in the oil and gas industry. He also served as Chief Executive Officer (1994-2005) and Chairman of Presidio International dba A/X Armani Exchange, a fashion retail company until its sale on 15 May 2014. Como Holdings USA Inc. is ultimately owned by Mr Ong Beng Seng and Mrs Christina Ong.

**Melissa Ong, 43**, was appointed on 7 September 2010. She is currently the VP of Business Development and Director of Activities of Como Hotels and Resorts, a company ultimately owned by Mr Ong Beng Seng and Mrs Christina Ong, overseeing the experiential element of hospitality in each destination. She is a director/manager of Mojo Pte Ltd, an investment holding company managing investments in technology, food and beverage, hospitality, real estate and public securities and funds. She also manages the endowment portfolio of COMO Foundation where she serves as a director. She is also a director of Knowhere Pte Ltd, and a director of each of Will Focus Ltd, Club 21 Pte Ltd and Como Holdings Pte Ltd companies which are ultimately owned by Mr Ong Beng Seng and Mrs Christina Ong.

**Christophe Cornu, 53**, was appointed on 7 May 2013, and is an independent director. He is CEO of Nestlé Suisse SA, having previously been Chief Commercial Officer for Nestlé Nespresso SA.

**Julie Gilhart, 59**, was appointed on 1 December 2014 and is an independent director. She is a creative business consultant whose clients include Amazon.com, LVMH and Kering. Previously Ms Gilhart was the Senior Vice President, Fashion Director at Barneys New York for 18 years where she was involved in all aspects of fashion brand building, marketing and business direction. She serves as a member on the Boards of Parsons-New School, Outerknown LLC and Tomorrow London Ltd.

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

|                  | 5p ordinary<br>shares<br>2017 | 5p ordinary<br>shares<br>2016 |
|------------------|-------------------------------|-------------------------------|
| Godfrey Davis    | 718,517                       | 718,517                       |
| Steven Grapstein | 10,000                        | 10,000                        |
| Melissa Ong      | 10,000                        | 10,000                        |

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

### SUBSTANTIAL SHAREHOLDINGS

At 31 March 2017 the Company had been notified of the following interests of 3% or more of the share capital of the Company, other than those of the Directors above:

- Challice Limited – 56.21%
- Banque Havilland SA – 24.32%
- Tybourne Capital Management (HK) Limited – 10.61%\*

At 13 June 2017 Tybourne Capital Management (HK) Limited shareholding was 10.61%, and there were no changes in the interests held by Challice Limited and Banque Havilland SA.

\* Formal notification was made when the shareholding of Tybourne Capital Management (HK) Limited exceeded 10.0%.

### MOVEMENT IN THE COMPANY'S OWN SHAREHOLDING

Please refer to note 26.

### SUBSEQUENT EVENTS

Please refer to note 33.

## **DIRECTORS' INSURANCE AND INDEMNITIES**

The Group maintains Directors' and Officers' liability insurance which gives appropriate cover for any legal action brought against its Directors. In accordance with Section 236 of the Companies Act 2006, qualifying third party indemnity provisions are in place for the Directors in respect of liabilities incurred as a result of their office, to the extent permitted by law. Both the insurance and indemnities applied throughout the financial year ended 31 March 2016 and through to the date of this report.

## **EMPLOYEE INVOLVEMENT**

The Group is committed to an active equal opportunities policy. It is the Group's 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. Employment practices are applied which are fair, equitable and consistent with the skills and abilities of our employees and the needs of the business.

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. Employee Committees have been established covering each of our main sites.

## **DISABLED PERSONS**

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.

## **CHARITABLE AND POLITICAL DONATIONS**

The Group made charitable donations of £64,000 (2016: £125,000) during the year. The Group made no political donations in either year.

## **RISK MANAGEMENT**

The Group's risk management policies can be found in note 31.

## **AUDITOR**

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

- so far as each of the Directors is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- each of the Directors has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

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

By order of the Board.

Neil Ritchie  
Director  
13 June 2017

# Directors' responsibilities statement

Year ended 31 March 2017

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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), including FRS 101 'Reduced Disclosure Framework'. 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.

## Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

This responsibility statement was approved by the Board of Directors on 13 June 2017 and is signed on its behalf by:

Thierry Andretta  
Chief Executive

Neil Ritchie  
Chief Financial Officer

# Independent auditor's report

To the members of Mulberry Group plc

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We have audited the financial statements of Mulberry Group plc for the year ended 31 March 2017 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group and Parent Company Balance Sheets, the Group Statement of Cashflows, the Group and Parent Company Statement of Changes in Equity, and the related notes 1 to 47. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

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

## Respective responsibilities of Directors and auditor

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

## Scope of the audit of the financial statements

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

## Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2017 and of the Group's profit and the Parent Company's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements 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, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

## Independent auditor's report (continued)

Year ended 31 March 2017

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In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic report and the Directors' report.

### **Matters on which we are required to report by exception**

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

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

Delyth Jones (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Statutory Auditor  
Bristol, United Kingdom  
13 June 2017

# Group income statement

Year ended 31 March 2017

|  | Note | 2017<br>£'000 | 2016<br>£'000 |
|--|------|---------------|---------------|
| <b>Revenue</b>                                   | 5    | 168,121       | 155,867       |
| Cost of sales                                    |      | (64,535)      | (59,300)      |
| <b>Gross profit</b>                              |      | 103,586       | 96,567        |
| Operating expenses                               | 7    | (96,961)      | (92,199)      |
| Other operating income                           | 5    | 482           | 1,742         |
| <b>Operating profit</b>                          |      | 7,107         | 6,110         |
| Share of results of associates                   | 19   | 148           | 169           |
| Finance income                                   | 11   | 295           | 4             |
| Finance expense                                  | 12   | (17)          | (66)          |
| <b>Profit before tax</b>                         |      | 7,533         | 6,217         |
| Tax  | 13   | (2,543)       | (3,532)       |
| <b>Profit for the year</b>                       |      | 4,990         | 2,685         |
| <b>Attributable to:</b>                          |      |               |               |
| Equity holders of the parent                     |      | 5,338         | 2,685         |
| Non-controlling interests                        |      | (348)         | -             |
| <b>Profit for the year</b>                       |      | 4,990         | 2,685         |
| Basic earnings per share                         | 15   | 8.4p          | 4.5p          |
| Diluted earnings per share                       | 15   | 8.4p          | 4.5p          |
| All activities arise from continuing operations. |      |               |               |

## Reconciliation to adjusted profit before tax:

|   |    | 2017<br>£'000 | 2016<br>£'000 |
|---|----|---------------|---------------|
| <b>Profit before tax</b>  |    | 7,533         | 6,217         |
| Impairment charge related to retail property, plant and equipment | 7  | 1,087         | 1,615         |
| Profit on disposal of retail stores                               | 5  | -             | (1,078)       |
| <b>Adjusted Profit before tax – non-GAAP measure</b>              |    | 8,620         | 6,754         |
| Adjusted basic earnings per share                                 | 15 | 10.2p         | 5.4p          |
| Adjusted diluted earnings per share                               | 15 | 10.2p         | 5.4p          |

## Group statement of comprehensive income

Year ended 31 March 2017

|  | 2017<br>£'000 | 2016<br>£'000 |
|--|---------------|---------------|
| Profit for the year  | 4,990         | 2,685         |
| Items that may be reclassified subsequently to profit or loss                        |               |               |
| Exchange differences on translation of foreign operations                            | 1,803         | 1,330         |
| Losses on a hedge of a net investment taken to equity                                | (5)           | -             |
| Income tax relating to items that may be reclassified subsequently to profit or loss | (361)         | (276)         |
| <b>Total comprehensive income for the year</b>                                       | <b>6,427</b>  | <b>3,739</b>  |
| <b>Attributable to:</b>  |               |               |
| Equity holders of the parent   | 6,775         | 3,739         |
| Non-controlling interests  | (348)         | -             |
| <b>Total comprehensive income for the year</b>                                       | <b>6,427</b>  | <b>3,739</b>  |

# Group balance sheet

At 31 March 2017

|  | Note | 2017<br>£'000   | 2016<br>£'000   |
|--|------|-----------------|-----------------|
| <b>Non-current assets</b>                    |      |                 |                 |
| Intangible assets                            | 16   | 10,833          | 11,088          |
| Property, plant and equipment                | 17   | 24,136          | 28,143          |
| Interests in associates                      | 19   | 198             | 206             |
| Deferred tax asset                           | 23   | 1,500           | 1,467           |
|  |      | <u>36,667</u>   | <u>40,904</u>   |
| <b>Current assets</b>                        |      |                 |                 |
| Inventories                                  | 20   | 42,822          | 44,378          |
| Trade and other receivables                  | 21   | 14,669          | 10,767          |
| Cash and cash equivalents                    | 21   | 21,093          | 14,014          |
|  |      | <u>78,584</u>   | <u>69,159</u>   |
| <b>Total assets</b>                          |      | <u>115,251</u>  | <u>110,063</u>  |
| <b>Current liabilities</b>                   |      |                 |                 |
| Trade and other payables                     | 24   | (28,350)        | (27,805)        |
| Current tax liabilities                      |      | (1,257)         | (2,342)         |
| <b>Total liabilities</b>                     |      | <u>(29,607)</u> | <u>(30,147)</u> |
| <b>Net assets</b>                            |      | <u>85,644</u>   | <u>79,916</u>   |
| <b>Equity</b>                                |      |                 |                 |
| Share capital                                | 25   | 3,000           | 3,000           |
| Share premium account                        |      | 11,961          | 11,961          |
| Own share reserve                            | 26   | (1,461)         | (1,474)         |
| Capital redemption reserve                   | 26   | 154             | 154             |
| Cashflow hedge reserve                       | 31   | (5)             | -               |
| Foreign exchange reserve                     |      | 1,063           | (379)           |
| Retained earnings                            |      | 69,957          | 66,654          |
| Equity attributable to holders of the parent |      | 84,669          | 79,916          |
| Non-controlling interests                    |      | 975             | -               |
| <b>Total equity</b>                          |      | <u>85,644</u>   | <u>79,916</u>   |

The financial statements of Mulberry Group plc (company number 01180514) were approved by the Board of Directors and authorised for issue on 13 June 2017.

They were signed on its behalf by:

Thierry Andretta  
Director

Neil Ritchie  
Director



# Group statement of changes in equity

Year ended 31 March 2017

|  | Share capital<br>£'000 | Share premium account<br>£'000 | Own share reserve<br>£'000 | Capital redemption reserve<br>£'000 | Special reserve*<br>£'000 | Cashflow hedge reserve<br>£'000 | Foreign exchange reserve<br>£'000 | Retained earnings<br>£'000 | Total<br>£'000 | Non-controlling interest<br>£'000 | Total equity<br>£'000 |
|--|------------------------|--------------------------------|----------------------------|-------------------------------------|---------------------------|---------------------------------|-----------------------------------|----------------------------|----------------|-----------------------------------|-----------------------|
| <b>As at 1 April 2015</b>                                    | 3,000                  | 11,961                         | (1,601)                    | 154                                 | 1,467                     | -                               | (1,433)                           | 65,141                     | 78,689         | -                                 | 78,689                |
| Profit for the year  | -                      | -                              | -                          | -                                   | -                         | -                               | -                                 | 2,685                      | 2,685          | -                                 | 2,685                 |
| Other comprehensive income for the year                      | -                      | -                              | -                          | -                                   | -                         | -                               | 1,054                             | -                          | 1,054          | -                                 | 1,054                 |
| Total comprehensive income for the year                      | -                      | -                              | -                          | -                                   | -                         | -                               | 1,054                             | 2,685                      | 3,739          | -                                 | 3,739                 |
| Charge for employee share-based payments                     | -                      | -                              | -                          | -                                   | -                         | -                               | -                                 | 478                        | 478            | -                                 | 478                   |
| Exercise of share options                                    | -                      | -                              | -                          | -                                   | -                         | -                               | -                                 | (149)                      | (149)          | -                                 | (149)                 |
| Own shares   | -                      | -                              | 127                        | -                                   | -                         | -                               | -                                 | -                          | 127            | -                                 | 127                   |
| Dividends paid   | -                      | -                              | -                          | -                                   | -                         | -                               | -                                 | (2,968)                    | (2,968)        | -                                 | (2,968)               |
| Redemption of reserve  | -                      | -                              | -                          | -                                   | (1,467)                   | -                               | -                                 | 1,467                      | -              | -                                 | -                     |
| <b>Balance at 31 March 2016</b>                              | 3,000                  | 11,961                         | (1,474)                    | 154                                 | -                         | -                               | (379)                             | 66,654                     | 79,916         | -                                 | 79,916                |
| Profit for the year  | -                      | -                              | -                          | -                                   | -                         | -                               | -                                 | 4,990                      | 4,990          | -                                 | 4,990                 |
| Other comprehensive income for the year                      | -                      | -                              | -                          | -                                   | -                         | (5)                             | 1,442                             | -                          | 1,437          | -                                 | 1,437                 |
| Total comprehensive income for the year                      | -                      | -                              | -                          | -                                   | -                         | (5)                             | 1,442                             | 4,990                      | 6,427          | -                                 | 6,427                 |
| Charge for employee share-based payments                     | -                      | -                              | -                          | -                                   | -                         | -                               | -                                 | 1,086                      | 1,086          | -                                 | 1,086                 |
| Exercise of share options                                    | -                      | -                              | -                          | -                                   | -                         | -                               | -                                 | (153)                      | (153)          | -                                 | (153)                 |
| Own shares   | -                      | -                              | 13                         | -                                   | -                         | -                               | -                                 | -                          | 13             | -                                 | 13                    |
| Adjustment arising from movement in non-controlling interest | -                      | -                              | -                          | -                                   | -                         | -                               | -                                 | 348                        | 348            | 975                               | 1,323                 |
| Dividends paid   | -                      | -                              | -                          | -                                   | -                         | -                               | -                                 | (2,968)                    | (2,968)        | -                                 | (2,968)               |
| <b>Balance at 31 March 2017</b>                              | 3,000                  | 11,961                         | (1,461)                    | 154                                 | -                         | (5)                             | 1,063                             | 69,957                     | 84,669         | 975                               | 85,644                |

\* The special reserve was created as part of a capital restructuring of the Group in 2004. It was released to retained earnings during 2016.

## Group cash flow statement

Year ended 31 March 2017

|   | 2017<br>£'000 | 2016<br>£'000 |
|---|---------------|---------------|
| <b>Operating profit for the year</b>                            | 7,107         | 6,110         |
| <b>Adjustments for:</b>   |               |               |
| Depreciation and impairment of property, plant and equipment    | 8,763         | 8,442         |
| Amortisation of intangible assets                               | 1,852         | 1,949         |
| Loss/(profit) on sale of property, plant and equipment          | 325           | (1,316)       |
| Share-based payments charge                                     | 1,086         | 478           |
| <b>Operating cash flows before movements in working capital</b> | 19,133        | 15,663        |
| Decrease/(increase) in inventories                              | 2,344         | (4,485)       |
| (Increase)/decrease in receivables                              | (2,326)       | 2,574         |
| Increase/(decrease) in payables                                 | 168           | (1,041)       |
| <b>Cash generated from operations</b>                           | 19,319        | 12,711        |
| Income taxes paid   | (4,021)       | (4,145)       |
| Interest paid   | (17)          | (66)          |
| <b>Net cash inflow from operating activities</b>                | 15,281        | 8,500         |
| <b>Investing activities:</b>                                    |               |               |
| Interest received   | 232           | 4             |
| Dividend received from associate                                | 195           | 167           |
| Purchases of property, plant and equipment                      | (4,409)       | (5,050)       |
| Proceeds from disposal of property, plant and equipment         | 40            | 4,460         |
| Acquisition of intangible fixed assets                          | (962)         | (855)         |
| <b>Net cash used in investing activities</b>                    | (4,904)       | (1,274)       |
| <b>Financing activities:</b>                                    |               |               |
| Dividends paid  | (2,968)       | (2,968)       |
| Settlement of share awards                                      | (153)         | (24)          |
| <b>Net cash used in financing activities</b>                    | (3,121)       | (2,992)       |
| <b>Net increase in cash and cash equivalents</b>                | 7,256         | 4,234         |
| Cash and cash equivalents at beginning of year                  | 14,014        | 9,900         |
| Effect of foreign exchange rate changes                         | (177)         | (120)         |
| <b>Cash and cash equivalents at end of year</b>                 | 21,093        | 14,014        |

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated balance sheet position as shown above.

# Notes to the Group financial statements

Year ended 31 March 2017

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## 1. GENERAL INFORMATION

Mulberry Group plc is a company incorporated in England and Wales. The address of the registered office is given on page 10. The nature of the Group's operations and its principal activities are set out in note 6 and in the Strategic report.

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

## 2. ADOPTION OF NEW AND REVISED STANDARDS

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

- Amendments to IAS 16: Property, Plant and Equipment and IAS 38: Intangible assets.

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

- IFRS 9: Financial Instruments;
- IFRS 15: Revenue from Contracts with Customers;
- IFRS 16: Leases;
- IFRS 2 (amendments);
- IAS 7 (amendments); and
- IAS 12 (amendments).

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. It replaces IAS 17 Leases and IFRIC 4 Determining whether an arrangement contains a lease. The most significant changes are in relation to lessee accounting. Under the new Standard, the concept of assessing a lease contract as either operating or financing is replaced by a single lessee accounting model. Under this new model, substantially all lease contracts will result in a lessee acquiring a right-to-use asset and obtaining financing. The lessee will be required to recognise a corresponding asset and liability. The asset will be depreciated over the term of the lease and the interest on the financing liability will be charged over the same period. The Standard is effective for annual periods beginning on or after 1 January 2019, however it is not currently endorsed by the European Union. Adopting this new Standard will result in a fundamental change to the Group's balance sheet, with right-to-use assets and accompanying financing liabilities for the Group's retail stores, warehouses and offices being recognised for the first time. The income statement will also be impacted, with rent expense relating to operating leases being replaced by a depreciation charge arising from the right-to-use assets and interest charges arising from lease financing. The full impact of these changes will be quantified closer to the date of adoption.

Except for IFRS 16, the Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods. Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these Standards until a detailed review has been completed.

### Basis of accounting

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

For the year ended 31 March 2017, the financial year runs for the 52 weeks to 25 March 2017 (2016: 52 weeks ended 26 March 2016).

The financial statements are prepared under the historical cost basis except for financial instruments that are measured at fair values at the end of each reporting period as explained in the accounting policies below. The principal accounting policies adopted are set out below.

### 3. SIGNIFICANT ACCOUNTING POLICIES

#### 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 detail is contained in the Directors' report.

#### Basis of consolidation

The Group 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 when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable return from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholder meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

# Notes to the Group financial statements (continued)

Year ended 31 March 2017

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## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair value of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date.

### 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 and any recognised impairment loss. Amortisation is charged to the income statement on a straight-line basis over the estimated useful life of the asset. Assets in the course of construction are carried at cost less any recognised impairment loss.

Lease costs comprise the lease premium and related costs associated with the Group's Paris store. The costs relating to the store at 275 Rue Saint-Honoré are not being amortised but are subject to annual impairment review. The intangible is considered to have an indefinite economic life because it is associated with the location of the store. The value is supported by an annual external valuation.

Included in software is computer software and website development costs which are amortised over the estimated useful life of the asset (typically four to five years).

Computer software which is considered integral to an item of hardware is included as property, plant and equipment.

### 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 incurred directly in relation to construction of assets.

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

|                                    |                            |
|------------------------------------|----------------------------|
| Freehold buildings                 | 4% to 5%                   |
| Short leasehold land and buildings | Over the term of the lease |
| Fixtures, fittings and equipment   | 10% to 50%                 |
| Plant and equipment                | 14% to 25%                 |
| Motor vehicles                     | 25%                        |

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

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.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **Impairment of tangible and intangible assets**

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

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax or post-tax discount rate (as applicable based on the tax status of the entity) 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. When an impairment loss subsequently reverses, the carrying amount of the asset (or 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 (or cash-generating unit) in prior years.

#### **Investments in associates**

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

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

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

#### **Inventories**

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

# Notes to the Group financial statements (continued)

Year ended 31 March 2017

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## 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 based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

### Leases

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

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease. Contingent lease rentals arising under operating leases are recognised as an expense in the period in which they are incurred. 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.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Provisions

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

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

The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

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, performance conditions, exercise restrictions and behavioural considerations.

#### Retirement benefit costs

The Group operates a defined contribution pension scheme. Payments to employees' personal pension plans are charged as an expense as they fall due. Differences between contributions payable in the year and contributions actually paid are shown as accruals in the balance sheet.

#### Revenue recognition

Revenue is measured at the fair value of the consideration receivable and 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 and online businesses, when goods are despatched. Sales of gift vouchers are recognised on presentation of the voucher for payment of goods.

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



# Notes to the Group financial statements (continued)

Year ended 31 March 2017

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## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

### Operating profit

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

### Foreign currencies

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the Group 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 Group financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions.

At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

For the purposes of presenting the Group 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.

### Derivative financial instruments and hedge accounting

Derivative financial instruments ("derivatives") are used to manage risks arising from changes in foreign currency exchange rates relating to the purchase of overseas sourced raw materials and finished products. The Group does not enter into derivatives for speculative purposes. Foreign currency derivatives are stated at their fair value, being the estimated amount that the Group would receive or pay to terminate them at the balance sheet date based on prevailing foreign currency rates.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Foreign currency derivatives

Changes in the fair value of foreign currency derivatives which are designated and effective as hedges of future cash flows are recognised in equity in the cashflow hedge reserve, and subsequently transferred to the carrying amount of the hedged item or the income statement. Realised gains or losses on cash flow hedges are therefore recognised in the income statement in the same period as the hedged item. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument previously recognised in equity is retained in equity until the hedged transaction occurs. If the hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is then transferred to the income statement.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designated derivatives as hedges of highly probable forecast transactions.

Changes in the fair value of foreign currency derivatives which are ineffective or do not meet the criteria for hedge accounting in IAS 39 are recognised in the income statement.

#### Trade receivables

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

#### Cash and cash equivalents

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

#### Derecognition of financial assets

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

#### Financial liabilities and equity

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

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

#### Bank borrowings

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

#### Trade payables

Trade payables are not interest-bearing and are stated at their amortised cost.

#### Derecognition of financial liabilities

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

## Notes to the Group financial statements (continued)

Year ended 31 March 2017

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### 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.

#### **Critical judgements in applying the Group's accounting policies**

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

#### **Share-based payments – accounting as equity-settled**

The Group accounts for its share schemes as equity-settled but during the year some exercises were settled in cash and therefore the Directors have needed to consider whether these should now be accounted for as cash-settled options. Settling the equity-settled share options for a cash alternative was at the Directors' discretion and was due to the very small number of exercises, the fact that the Group had sufficient cash at the time and this was administratively easier. In making their judgement to account for the share options as equity-settled share options the Directors are satisfied that the Group has no constructive obligation to settle in cash and as such the schemes can continue to be accounted for as equity-settled.

#### **Key sources of estimation uncertainty**

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that may 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 annually for impairment or 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 or net realisable value calculations and is prepared on the basis of management's assumptions and estimates. These include assumptions on future growth rates and cost of capital. During the current year this has resulted in an impairment of retail assets of £1,087,000 (2016: £1,221,000). Please refer to note 17.

#### **Recoverability of intangible assets**

The carrying value of lease premiums and related costs for stores are reassessed each year based on the ongoing performance of the store and the realisable value of the lease. The Group acquired the rights to a lease at 275 Rue Saint-Honoré in the prior year. Given the significant value, the Directors have sought an independent assessment of the realisable value at the year end and this supported that the asset was not impaired. This valuation is dependent on property prices in Paris and it is possible that these prices could change over the next 12 months.

## 5. TOTAL REVENUE

|   | 2017<br>£'000         | 2016<br>£'000         |
|---|-----------------------|-----------------------|
| <b>Revenue</b>                                      |                       |                       |
| Sale of goods                                       | 168,121               | 155,867               |
| <b>Other operating income</b>                       |                       |                       |
| Royalty income                                      | 214                   | 200                   |
| Other income  | 268                   | 226                   |
| Profit on disposal of property, plant and equipment | -                     | 1,316                 |
|   | <u>482</u>            | <u>1,742</u>          |
| <b>Finance income</b>                               |                       |                       |
| Interest earned on cash balances                    | 14                    | 4                     |
| Gains on foreign exchange                           | 281                   | -                     |
|   | <u>295</u>            | <u>4</u>              |
| <b>Total revenue</b>                                | <u><u>168,898</u></u> | <u><u>157,613</u></u> |

## 6. BUSINESS AND GEOGRAPHICAL SEGMENTS

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

### (A) Business segments

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

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

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

Inter segment sales for both years are charged at market prices in line with third party wholesale customers, less applicable discounts to support business development.

## Notes to the Group financial statements (continued)

Year ended 31 March 2017

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

Segment information about these businesses is presented below.

|                               | Design<br>2017<br>£'000 | Retail<br>2017<br>£'000 | Eliminations<br>2017<br>£'000 | Group<br>2017<br>£'000 |
|-------------------------------|-------------------------|-------------------------|-------------------------------|------------------------|
| <b>Revenue</b>                |                         |                         |                               |                        |
| External sales <sup>(1)</sup> | 39,440                  | 128,681                 | -                             | 168,121                |
| Inter-segment sales           | 56,138                  | -                       | (56,138)                      | -                      |
| <b>Total revenue</b>          | 95,578                  | 128,681                 | (56,138)                      | 168,121                |
| <b>Segment result</b>         | (1,893)                 | 9,636                   | -                             | 7,743                  |
| Central administration costs  |                         |                         |                               | (636)                  |
| Share of results of associate |                         |                         |                               | 148                    |
| Net finance income            |                         |                         |                               | 278                    |
| <b>Profit before tax</b>      |                         |                         |                               | 7,533                  |

Included within the Retail segment depreciation and amortisation is £1,087,000 (2016: £1,221,000) relating to impairment.

<sup>(1)</sup> Included within Retail external sales is £375,000 of wholesale sales which have been invoiced by a Retail company within the Group.

|                               | Design<br>2016<br>£'000 | Retail<br>2016<br>£'000 | Eliminations<br>2016<br>£'000 | Group<br>2016<br>£'000 |
|-------------------------------|-------------------------|-------------------------|-------------------------------|------------------------|
| <b>Revenue</b>                |                         |                         |                               |                        |
| External sales                | 37,166                  | 118,701                 | -                             | 155,867                |
| Inter-segment sales           | 51,369                  | -                       | (51,369)                      | -                      |
| <b>Total revenue</b>          | 88,535                  | 118,701                 | (51,369)                      | 155,867                |
| <b>Segment result</b>         | 8,913                   | (386)                   | -                             | 8,527                  |
| Central administration costs  |                         |                         |                               | (2,417)                |
| Share of results of associate |                         |                         |                               | 169                    |
| Net finance expense           |                         |                         |                               | (62)                   |
| <b>Profit before tax</b>      |                         |                         |                               | 6,217                  |

## 6. BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

|                                 | Design<br>2017<br>£'000 | Retail<br>2017<br>£'000 | Total<br>2017<br>£'000 | Design<br>2016<br>£'000 | Retail<br>2016<br>£'000 | Total<br>2016<br>£'000 |
|---------------------------------|-------------------------|-------------------------|------------------------|-------------------------|-------------------------|------------------------|
| <b>Other information</b>        |                         |                         |                        |                         |                         |                        |
| Additions to non-current assets | 1,511                   | 3,771                   | 5,282                  | 1,754                   | 3,551                   | 5,305                  |
| Depreciation and amortisation   | 2,537                   | 6,062                   | 8,599                  | 2,899                   | 6,027                   | 8,926                  |

In addition, £88,000 (2016: £388,000) of capital expenditure and £1,526,000 (2016: £1,465,000) of depreciation was incurred by the Parent Company which is not included in the segments above.

|                                   | Design<br>2017<br>£'000 | Retail<br>2017<br>£'000 | Total<br>2017<br>£'000 | Design<br>2016<br>£'000 | Retail<br>2016<br>£'000 | Total<br>2016<br>£'000 |
|-----------------------------------|-------------------------|-------------------------|------------------------|-------------------------|-------------------------|------------------------|
| <b>Balance sheet</b>              |                         |                         |                        |                         |                         |                        |
| Segment assets                    | 42,412                  | 66,616                  | 109,028                | 39,501                  | 62,886                  | 102,387                |
| Interests in associates           |                         |                         | 198                    |                         |                         | 206                    |
| Unallocated corporate assets      |                         |                         | 6,025                  |                         |                         | 7,470                  |
| <b>Consolidated assets</b>        |                         |                         | 115,251                |                         |                         | 110,063                |
| Segment liabilities               | 16,862                  | 10,665                  | 27,527                 | 17,591                  | 8,894                   | 26,485                 |
| Unallocated corporate liabilities |                         |                         | 2,080                  |                         |                         | 3,662                  |
| <b>Consolidated liabilities</b>   |                         |                         | 29,607                 |                         |                         | 30,147                 |

For the purposes of monitoring the segment performance and allocating resources between segments the Group's Chief Executive monitors the tangible, intangible and financial assets attributable to each segment. All assets are allocated to reportable segments with the exception of investments in associates, other financial assets (except for trade and other receivables) and tax assets.

# Notes to the Group financial statements (continued)

Year ended 31 March 2017

## 6. BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

### (B) Geographical segments

|                | Sales revenue by geographical market |               | Non-current assets by geographical market |               |
|----------------|--------------------------------------|---------------|---|---------------|
|                | 2017<br>£'000                        | 2016<br>£'000 | 2017<br>£'000                             | 2016<br>£'000 |
| UK             | 121,863                              | 112,467       | 23,173                                    | 25,033        |
| Rest of Europe | 24,241                               | 23,076        | 11,433                                    | 12,246        |
| Asia           | 11,654                               | 9,593         | -   | -             |
| North America  | 9,533                                | 9,829         | 2,061                                     | 3,625         |
| Rest of world  | 830                                  | 902           | -   | -             |
| Total revenue  | 168,121                              | 155,867       | 36,667                                    | 40,904        |

### (C) Product categories

Leather accessories account for over 90% of the Group's revenues, within which bags represent over 70% of revenues. Other important product categories include small leather goods, shoes, soft accessories and women's ready-to-wear. Net asset information is not allocated by product category.

## 7. OPERATING EXPENSES

The operating expenses for the year of £1,087,000 (2016: £1,615,000) include:

- An impairment charge of £1,087,000 (2016: £1,221,000) relating to the retail assets of two international stores. These stores have not been trading in line with their expected potential (see note 17); and
- An impairment charge of £nil (2016: £394,000) for the contribution towards the opening of a flagship store for a distribution partner in prior years and where the store has now been closed.

## 8. PROFIT FOR THE YEAR

|  | 2017<br>£'000 | 2016<br>£'000 |
|--|---------------|---------------|
| <b>Profit for the year has been arrived at after (crediting)/charging:</b> |               |               |
| Net foreign exchange gain  | (192)         | (448)         |
| Depreciation of property, plant and equipment                              | 7,676         | 7,221         |
| Impairment of property, plant and equipment                                | 1,087         | 1,221         |
| Impairment of store contribution   | -             | 394           |
| Amortisation of intangible assets *  | 1,852         | 1,949         |
| Write-downs of inventories recognised as an expense                        | 1,384         | 710           |
| Cost of inventories recognised as an expense                               | 62,451        | 58,533        |
| Staff costs  | 42,192        | 40,410        |
| Impairment of trade receivables  | -             | 121           |
| Loss/(profit) on disposal of property, plant and equipment                 | 325           | (1,316)       |

\* Amortisation of intangible assets is included in operating expenses

## 9. AUDITOR REMUNERATION

|  | 2017<br>£'000 | 2016<br>£'000 |
|--|---------------|---------------|
| <b>The analysis of auditors remuneration is as follows:</b>                          |               |               |
| Fees payable to the Company's auditor for the audit of the Company's annual accounts | 38            | 35            |
| The audit of the Company's subsidiaries  | 54            | 49            |
|  | <u>92</u>     | <u>84</u>     |
|  | <b>£'000</b>  | <b>£'000</b>  |
| Other taxation advisory services   | 67            | 93            |
| Other services   | 3             | 3             |
|  | <u>70</u>     | <u>96</u>     |

Tax services in both years include advice in relation to international structuring and Company share schemes.

## 10. STAFF COSTS

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

|   | 2017<br>Number | 2016<br>Number |
|---|----------------|----------------|
| Production                              | 688            | 699            |
| Sales and distribution                  | 552            | 533            |
| Administration                          | 227            | 220            |
|   | <u>1,467</u>   | <u>1,452</u>   |
|   | <b>£'000</b>   | <b>£'000</b>   |
| Their aggregate remuneration comprised: |                |                |
| Wages and salaries                      | 36,180         | 34,919         |
| Social security costs                   | 4,627          | 4,180          |
| Other pension costs (see note 30)       | 853            | 833            |
| Share-based payments (see note 29)      | 532            | 478            |
|   | <u>42,192</u>  | <u>40,410</u>  |

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



# Notes to the Group financial statements (continued)

Year ended 31 March 2017

## 11. FINANCE INCOME

|   | 2017<br>£'000 | 2016<br>£'000 |
|---|---------------|---------------|
| Gains on foreign exchange forward contracts | 281           | -             |
| Interest income on cash balances            | 14            | 4             |
|   | <u>295</u>    | <u>4</u>      |

## 12. FINANCE EXPENSE

|   | 2017<br>£'000 | 2016<br>£'000 |
|---|---------------|---------------|
| Interest on bank overdraft  | 13            | 27            |
| Interest on bank loans  | -             | 39            |
| Interest arising on adjustment for the hedged item in a designated fair value hedge accounting relationship | 4             | -             |
|   | <u>17</u>     | <u>66</u>     |

### 13. TAX

|   | 2017<br>£'000 | 2016<br>£'000 |
|---|---------------|---------------|
| Current tax                                       |               |               |
| UK corporation tax                                |               |               |
| Current tax on income                             | 2,417         | 3,745         |
| Adjustment to prior year corporation tax          | 158           | (6)           |
| Deferred tax (note 23)                            |               |               |
| UK deferred tax                                   |               |               |
| Origination and reversal of temporary differences | (68)          | (237)         |
| Adjustments in respect of prior years             | 36            | 30            |
|   | <u>2,543</u>  | <u>3,532</u>  |

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

|  | 2017<br>£'000 | 2016<br>£'000 |
|--|---------------|---------------|
| Profit before tax  | 7,533         | 6,217         |
| Tax at the UK corporation tax rate of 20% (2016: 20%)                        | 1,507         | 1,243         |
| Tax effect of expenses that are not deductible in determining taxable profit | 949           | 1,065         |
| Overseas losses not utilised or carried forward – normal trading losses      | 258           | 1,206         |
| Prior year overseas tax losses recognised in the year                        | (564)         | -             |
| Effect of change in corporation tax rate                                     | 199           | (6)           |
| Prior year adjustments   | 194           | 24            |
| Tax expense for the year   | <u>2,543</u>  | <u>3,532</u>  |

Current tax of £361,000 has been recognised directly in equity in relation to foreign currency movements (2016: £276,000).

The Finance Act 2016 which was enacted on 15 September 2016 reduced the main rate of corporation tax from 20% to 19% with effect from 1 April 2017 and from 19% to 17% with effect from 1 April 2020. Therefore 19% and 17% has been used to calculate the position on deferred tax for assets and liabilities expected to unwind before 1 April 2017 and 1 April 2020 respectively (2016: 20%). The Directors are not aware of any other factors that will materially affect the future tax charge.

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related benefit through the future taxable profits is probable. In 2017 the Group recognised deferred tax assets of £361,000 (2016: £nil) in respect of losses that are expected be set off against future taxable income. Deferred tax assets can be recognised in 2017, as profits are expected in overseas territories as a result of the revised transfer pricing policy targeting a 3% profit on operating margin. The Group did not recognise deferred tax assets of £406,000 (2016: £7,023,000) in respect of losses that can be set off against future taxable income. The time limit for the recovery of these potential assets ranges from 2 to 20 years (2016: 3 to 20 years).

The adjustments in respect of prior years have arisen on finalisation of corporation tax computations for the year ended 31 March 2016 when compared with the estimated tax provision previously calculated.

# Notes to the Group financial statements (continued)

Year ended 31 March 2017

## 14. DIVIDENDS

|   | 2017<br>£'000 | 2016<br>£'000 |
|---|---------------|---------------|
| Dividend for the year ended 31 March 2016 of 5p (2015: 5p) per share paid on 24 November 2016 | 2,968         | 2,968         |
| Proposed dividend for the year ended 31 March 2017 of 5p per share (2016: 5p)                 | 2,968         | 2,968         |

This proposed 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')

|                                     | 2017<br>pence | 2016<br>pence |
|-------------------------------------|---------------|---------------|
| Basic earnings per share            | 8.4           | 4.5           |
| Diluted earnings per share          | 8.4           | 4.5           |
| Adjusted basic earnings per share   | 10.2          | 5.4           |
| Adjusted diluted earnings per share | 10.2          | 5.4           |

Earnings per share is calculated based on the following data:

|   | £'000 | £'000   |
|---|-------|---------|
| Profit for the year for basic and diluted earnings per share          | 4,990 | 2,685   |
| Adjustments to exclude:   |       |         |
| Impairment relating to retail assets                                  | 1,087 | 1,615   |
| Profit on disposal of retail stores                                   | -     | (1,078) |
| Adjusted profit for the year for basic and diluted earnings per share | 6,077 | 3,222   |

|   | Million | Million |
|---|---------|---------|
| Weighted average number of ordinary shares for the purpose of basic EPS   | 59.4    | 59.3    |
| Effect of dilutive potential ordinary shares : share options              | 0.1     | 0.5     |
| Weighted average number of ordinary shares for the purpose of diluted EPS | 59.5    | 59.8    |

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<br>£'000 | Lease<br>costs<br>£'000 | Total<br>£'000 |
|------------------------------|-------------------|-------------------------|----------------|
| <b>Cost</b>                  |                   |                         |                |
| At 1 April 2015              | 10,196            | 8,401                   | 18,597         |
| Additions                    | 855               | -                       | 855            |
| Disposals                    | -                 | (1,676)                 | (1,676)        |
| Foreign currency translation | -                 | 641                     | 641            |
| At 1 April 2016              | 11,051            | 7,366                   | 18,417         |
| Additions                    | 962               | -                       | 962            |
| Disposals                    | (117)             | -                       | (117)          |
| Foreign currency translation | -                 | 635                     | 635            |
| At 31 March 2017             | 11,896            | 8,001                   | 19,897         |
| <b>Amortisation</b>          |                   |                         |                |
| At 1 April 2015              | 5,386             | 498                     | 5,884          |
| Charge for the year          | 1,943             | 6                       | 1,949          |
| Disposals                    | -                 | (502)                   | (502)          |
| Foreign currency translation | -                 | (2)                     | (2)            |
| At 1 April 2016              | 7,329             | -                       | 7,329          |
| Charge for the year          | 1,852             | -                       | 1,852          |
| Disposals                    | (117)             | -                       | (117)          |
| Foreign currency translation | -                 | -                       | -              |
| At 31 March 2017             | 9,064             | -                       | 9,064          |
| <b>Carrying amount</b>       |                   |                         |                |
| At 31 March 2017             | 2,832             | 8,001                   | 10,833         |
| At 31 March 2016             | 3,722             | 7,366                   | 11,088         |
| At 31 March 2015             | 4,810             | 7,903                   | 12,713         |

At 31 March 2017, the Group had entered into contractual commitments for the acquisition of software of £37,000 (2016: £20,000). Included within software is £226,000 of projects still in development and where depreciation will not commence until the projects are complete and the assets come into use (2016: £122,000).

As at 31 March 2017 the carrying amount of website development costs within software is £1,254,000 (2016: £1,466,000).

# Notes to the Group financial statements (continued)

Year ended 31 March 2017

## 17. PROPERTY, PLANT AND EQUIPMENT

|  | Freehold<br>land and<br>buildings<br>£'000 | Short<br>leasehold<br>land and<br>buildings<br>£'000 | Plant and<br>equipment<br>£'000 | Fixtures,<br>fittings and<br>equipment<br>£'000 | Motor<br>vehicles<br>£'000 | Total<br>£'000 |
|--|--|--|---------------------------------|---|----------------------------|----------------|
| <b>Cost</b>  |  |  |                                 |   |                            |                |
| At 1 April 2015  | 11,788                                     | 21,371   | 8,363                           | 25,133  | 52                         | 66,707         |
| Additions  | 286  | 426  | 925                             | 3,201   | -                          | 4,838          |
| Disposals  | -  | (2,023)  | (914)                           | (1,845)   | -                          | (4,782)        |
| Foreign currency translation   | -  | 393  | 19                              | 991   | -                          | 1,403          |
| At 1 April 2016  | 12,074                                     | 20,167   | 8,393                           | 27,480  | 52                         | 68,166         |
| Additions  | 83   | 637  | 1,027                           | 2,661   | -                          | 4,408          |
| Disposals  | (36)                                       | (231)  | (550)                           | (1,082)   | (2)                        | (1,901)        |
| Foreign currency translation   | -  | 1,150  | 70                              | 1,545   | -                          | 2,765          |
| At 31 March 2017   | 12,121                                     | 21,723   | 8,940                           | 30,604  | 50                         | 73,438         |
| <b>Accumulated depreciation and impairment</b>   |  |  |                                 |   |                            |                |
| At 1 April 2015  | 2,627                                      | 11,654   | 4,868                           | 14,223  | 46                         | 33,418         |
| Charge for the year  | 426  | 2,022  | 1,224                           | 3,543   | 6                          | 7,221          |
| Impairment charge  | -  | 715  | 34                              | 472   | -                          | 1,221          |
| Disposals  | -  | (598)  | (885)                           | (1,358)   | -                          | (2,841)        |
| Foreign currency translation   | -  | 333  | 21                              | 650   | -                          | 1,004          |
| At 1 April 2016  | 3,053                                      | 14,126   | 5,262                           | 17,530  | 52                         | 40,023         |
| Charge for the year  | 412  | 2,425  | 1,055                           | 3,784   | -                          | 7,676          |
| Impairment charge  | -  | 199  | 12                              | 876   | -                          | 1,087          |
| Disposals  | (2)  | (24)   | (547)                           | (959)   | (2)                        | (1,534)        |
| Foreign currency translation   | -  | 885  | 60                              | 1,105   | -                          | 2,050          |
| At 31 March 2017   | 3,463                                      | 17,611   | 5,842                           | 22,336  | 50                         | 49,302         |
| <b>Carrying amount</b>   |  |  |                                 |   |                            |                |
| At 31 March 2017   | 8,658                                      | 4,112  | 3,098                           | 8,268   | -                          | 24,136         |
| At 31 March 2016   | 9,021                                      | 6,041  | 3,131                           | 9,950   | -                          | 28,143         |
| At 31 March 2015   | 9,161                                      | 9,717  | 3,495                           | 10,910  | 6                          | 33,289         |
| Included within the table above are the following assets under the course of construction which are not being depreciated: |  |  |                                 |   |                            |                |
| At 31 March 2017   | 15   | -  | 114                             | -   | -                          | 129            |
| At 31 March 2016   | 218  | 21   | 142                             | -   | -                          | 381            |

## 17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Group has the following contractual commitments:

|                  | Freehold<br>land and<br>buildings<br>£'000 | Short<br>leasehold<br>land and<br>buildings<br>£'000 | Plant and<br>equipment<br>£'000 | Fixtures,<br>fittings and<br>equipment<br>£'000 | Motor<br>vehicles<br>£'000 | Total<br>£'000 |
|------------------|--|--|---------------------------------|---|----------------------------|----------------|
| At 31 March 2017 | -  | 411  | 91                              | 429   | -                          | 931            |
| At 31 March 2016 | 93   | 67   | 122                             | 22  | -                          | 304            |

Freehold land of £2,029,000 (2016: £2,029,000) has not been depreciated.

The Group tests property, plant and equipment annually for impairment, or more frequently if there are indications that assets might be impaired.

During the year, an impairment charge of £1,087,000 (2016: £1,221,000) was identified as part of the Directors' impairment review of the retail store assets. £812,000 relates to the store in Frankfurt and £275,000 relates to the store in Dallas. Accelerated depreciation of £741,000 has also been charged in respect of Dallas in recognition of a break clause in 2018. In the prior year the stores impaired were Bloor Street in Toronto and San Jose. The total recoverable amount for these stores at the balance sheet date is considered to be £nil for Frankfurt and Dallas.

Where indicators of impairment are identified, the recoverable amounts of the cash-generating units ('CGU') are determined from value in use calculations and are compared to the assets' carrying values at 31 March 2017.

The key assumptions for the value in use calculations are those regarding the discount rates, sales growth rates and expected changes to selling prices and direct costs during the period covered by the projections. Management estimates discount rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. Post-tax rates are used where the local entity is not expected to be tax paying and pre-tax where tax is predicted in the period being reviewed. The cash flow projections were based on the most recent financial budgets approved by the Board for the next 12 months, the Group's 5 year strategic plan for years two to five and subsequent to this a nominal growth rate is used. The growth rates used are as follows:

France: 70% growth in revenue in year one, taking into account the continued impact of terrorist activity in France since 2015, 10% to 20% in years two to five.

Rest of Europe: 2% to 15% growth in revenue in year one, 8% to 25% in years two to five.

North America and Canada: 13% to 27% growth in revenue in year one, 5% to 22% in years two to five.

The growth rates start from a relatively low base as these stores are new and are based on past experience and expectations of future changes in the market. After five years this rate reduces to 3%, being the approximate average long term growth rate for the relevant markets. The Group has conducted a sensitivity analysis on the impairment test of each CGU's carrying value and a possible change where forecast revenue falls below the budget by 15% to 20% from 2018 to 2022 would lead to an additional impairment charge of £1,785,000 of store fixed assets.

The post-tax discount rates used in these calculations was between 8.7% and 9.6% (2016: 10%). This is based on the Group's weighted average cost of capital adjusted for country specific tax rates and risks. The Group has conducted a sensitivity analysis on the impairment test of each CGU's carrying value.

## 18. SUBSIDIARIES

A list of the investments in subsidiaries, including the name, country of incorporation and proportion of ownership interest is given in note 38 to the Company's separate financial statements.

# Notes to the Group financial statements (continued)

Year ended 31 March 2017

## 19. INTERESTS IN ASSOCIATES

|   | 2017<br>£'000 | 2016<br>£'000 |
|---|---------------|---------------|
| Total assets                                  | 831           | 993           |
| Total liabilities                             | (7)           | (289)         |
| <b>Total net assets</b>                       | <b>824</b>    | <b>704</b>    |
| Group's share of net assets of associate      | 198           | 206           |
| Dividends received from associate in the year | 195           | -             |

The above carrying value represents the initial cost of the investment undertaken, as well as any subsequent change in net assets of the associate, as at 31 March 2017.

|                                      | £'000 | £'000 |
|--------------------------------------|-------|-------|
| Total revenue                        | 2,139 | 2,127 |
| Profit for the year                  | 316   | 345   |
| Group's share of profit of associate | 148   | 169   |

## 20. INVENTORIES

|                  | 2017<br>£'000 | 2016<br>£'000 |
|------------------|---------------|---------------|
| Raw materials    | 2,498         | 3,494         |
| Work-in-progress | 981           | 649           |
| Finished goods   | 39,343        | 40,235        |
|                  | <b>42,822</b> | <b>44,378</b> |

## 21. OTHER FINANCIAL ASSETS

### Trade and other receivables

|   | 2017<br>£'000 | 2016<br>£'000 |
|---|---------------|---------------|
| Amount receivable for the sale of goods | 8,007         | 4,809         |
| Allowance for doubtful debts            | (331)         | (261)         |
|   | <b>7,676</b>  | <b>4,548</b>  |
| Amounts owed by associate undertakings  | 88            | 52            |
| Other debtors                           | 3,876         | 2,202         |
| Prepayments                             | 2,770         | 3,189         |
| Accrued income                          | 259           | 776           |
|   | <b>14,669</b> | <b>10,767</b> |

## 21. OTHER FINANCIAL ASSETS (CONTINUED)

### Trade receivables

The average credit period taken on the sale of goods is 54 days (2016: 44 days). No interest is charged on the outstanding receivables. The carrying amount of receivables approximates to their fair value.

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

The Group's receivables comprise primarily department stores, franchisee partners and associates, and wholesale customers. Those customers who represented more than 10% of the total balance of trade receivables at the year end were:

- A UK based department store in which Mulberry operates concession stores with retail revenue in the UK of £15,409,000 (2016: £13,956,000); and
- A distribution partner in Korea with total revenue of £4,002,000 (2016: £3,646,000).

Included in the Group's trade receivables balance are debtors with a carrying amount of £1,117,000 (2016: £1,008,000) 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.

Ageing of past due but not impaired receivables:

|                       | 2017<br>£'000 | 2016<br>£'000 |
|-----------------------|---------------|---------------|
| 0 to 30 days overdue  | 1,017         | 900           |
| 31 to 60 days overdue | 100           | 108           |
|                       | <u>1,117</u>  | <u>1,008</u>  |

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

### Cash and cash equivalents

|                           | £'000         | £'000         |
|---------------------------|---------------|---------------|
| Cash and cash equivalents | <u>21,093</u> | <u>14,014</u> |

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

## 22. BORROWINGS

No borrowings were outstanding at the year end (2016: £nil). During June 2016, the Group renewed its £7,500,000 revolving credit facility until 30 October 2018. The interest rate when drawn down is 1.25% over LIBOR and incurs a commitment fee of 35% of the margin above LIBOR when unutilised.

In June 2017 the Group renewed its borrowing facilities to include trade facilities of £2,000,000 at the year end (2016: £2,000,000) together with a multi-currency overdraft facility of £4,000,000 (2016: £4,000,000) which would be repayable on demand and is secured by fixed and floating charges over the Group's assets, together with Group cross guarantees. The interest rates are determined based on 1.25% over base.



## Notes to the Group financial statements (continued)

Year ended 31 March 2017

### 23. DEFERRED TAX

|  | Losses in<br>overseas<br>territories<br>£'000 | Accelerated<br>tax<br>depreciation<br>£'000 | Short term<br>timing<br>differences<br>£'000 | Total<br>£'000 |
|--|---|---|--|----------------|
| At 1 April 2015                        | -   | (644)                                       | (616)  | (1,260)        |
| (Credit)/charge to income              | -   | (254)                                       | 47   | (207)          |
| At 1 April 2016                        | -   | (898)                                       | (569)  | (1,467)        |
| (Credit)/charge to income              | (360)   | (48)  | 375  | (33)           |
| Deferred tax asset as at 31 March 2017 | (360)   | (946)                                       | (194)  | (1,500)        |

£1,222,000 (2016: £1,447,000) of the deferred tax asset is expected to unwind in more than one year.

At the balance sheet date, the Group has unused tax losses of £360,000 (2016: £nil) available for offset against future profits. A deferred tax asset has been recognised in respect of £362,000 (2016: £nil) of such losses.

### 24. OTHER FINANCIAL LIABILITIES

#### Trade and other payables

|                                  | 2017<br>£'000 | 2016<br>£'000 |
|----------------------------------|---------------|---------------|
| Trade payables                   | 8,519         | 9,757         |
| Accruals and deferred income     | 18,873        | 17,223        |
| Other payables                   | 948           | 825           |
| Derivative financial instruments | 10            | -             |
|                                  | <u>28,350</u> | <u>27,805</u> |

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 20 days (2016: 21 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 time frame.

Foreign exchange contracts are forward contracts, which are used to hedge exchange risk arising from the Group's purchase of overseas sourced raw materials and finished products (note 31). These instruments are for US Dollars and Euros.

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

## 25. SHARE CAPITAL

|  | 2017<br>£'000 | 2016<br>£'000 |
|--|---------------|---------------|
| <b>Authorised</b>  |               |               |
| 65,000,000 ordinary shares of 5p each (2016: 65,000,000) | 3,250         | 3,250         |
| <b>Issued and fully paid</b>                             |               |               |
| 59,997,458 ordinary shares of 5p each (2016: 59,997,458) | 3,000         | 3,000         |

There were no shares issued during the year.

The Company has granted 208,500 options in respect of 5p ordinary shares during the year (2016: 520,437).

## 26. RESERVES

The Own share reserve represents 639,844 5p ordinary shares (2016: 645,405) at a cost of £1,461,289 (2016: £1,473,989). The shares have been purchased in the market or issued as new shares by the Company, and are held by the Mulberry Group Plc Employee Share Trust to satisfy the deferred and matching shares under the Deferred Bonus Plan and Co-ownership Equity Incentive Plan.

During the year, the reserve reduced as a result of the transfer of 5,561 shares with a value of £12,700 (2016: 55,626 shares with a value of £127,039) to satisfy the vesting of share awards. The maximum number of own shares held during the year was 645,405 (2016: 701,031).

The Capital redemption reserve arose following a capital reconstruction on admission of the Company's shares to the Alternative Investment Market on 23 May 1996. The Company purchased 3,074,396 of its own 5p ordinary shares at par.

## 27. OPERATING LEASE ARRANGEMENTS

|  | 2017<br>£'000 | 2016<br>£'000 |
|--|---------------|---------------|
| Minimum lease payments under operating leases recognised as an expense in the year | 16,158        | 15,315        |

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                        | 15,876  | 14,340  |
| In the second to fifth years inclusive | 50,009  | 42,516  |
| After five years                       | 45,369  | 47,991  |
|  | 111,254 | 104,847 |

Operating lease payments represent rentals payable by the Group for certain of its retail stores, warehouses 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 £934,000 (2016: £921,000).

# Notes to the Group financial statements (continued)

Year ended 31 March 2017

## 28. CONTINGENT LIABILITIES

Mulberry Group plc has acted as a guarantor on various property leases entered into between its subsidiaries and third party lessors. No amounts were outstanding at the year end in respect of such guarantees (2016: £nil).

In prior years the Group received £2,500,000 of Government grants towards the operating costs of a new factory in Bridgwater, Somerset. The Group has to fulfil certain requirements through to June 2020, which if not met, some or all of the grant will need to be repaid. The Group is currently in compliance with these requirements and does not envisage that this situation will change and therefore there are no outstanding liabilities at the year end (2016: £nil).

## 29. SHARE-BASED PAYMENTS

The Group operated the following schemes during the year.

### Mulberry Group plc 2008 Unapproved Share Option Scheme

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

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

|  | 2017<br>Number of<br>share<br>options | 2017<br>Weighted<br>average<br>exercise<br>price (in £) | 2016<br>Number of<br>share<br>options | 2016<br>Weighted<br>average<br>exercise<br>price (in £) |
|--|---------------------------------------|---|---------------------------------------|---|
| Outstanding at the beginning of the year | 715,415                               | 8.34  | 377,400                               | 7.97  |
| Granted during the year                  | 208,500                               | 10.34   | 409,815                               | 8.82  |
| Forfeited during the year                | (85,200)                              | 8.91  | (71,800)                              | 9.38  |
| Exercised during the year                | (11,000)                              | 8.10  | -                                     | -   |
| Outstanding at the end of the year       | 827,715                               | 8.79  | 715,415                               | 8.34  |
| Exercisable at the end of the year       | 180,000                               | 7.89  | 60,000                                | 9.00  |

The weighted average share price at the date of exercise for share options exercised during the year was £10.97 (2016: £nil). The options outstanding at 31 March 2017 had a weighted average remaining contractual life of 1.2 years (2016: 1.7 years).

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

|                          | 2017    | 2016                  |
|--------------------------|---------|-----------------------|
| Share price              | £10.34  | £8.68 to £9.00        |
| Exercise price           | £10.34  | £8.68 to £9.00        |
| Expected volatility      | 18.4%   | 55.5% to 57.5%        |
| Expected life            | 3 years | 3 years to 3.25 years |
| Risk-free rate           | 0.51%   | 0.76%                 |
| Expected dividend yields | 0.58%   | 0.58%                 |

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.

## 29. SHARE-BASED PAYMENTS (CONTINUED)

### Mulberry Group plc 2008 Deferred Bonus Plan

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

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

|  | 2017<br>Number<br>of<br>matching<br>shares | 2016<br>Number<br>of<br>matching<br>shares |
|--|--|--|
| Outstanding at the beginning of the year | 23,302                                     | 29,097                                     |
| Exercised during the year                | (12,506)                                   | (5,795)                                    |
| Outstanding at the end of the year       | 10,796                                     | 23,302                                     |
| Exercisable at the end of the year       | 10,796                                     | 23,302                                     |

The weighted average share price at the date of exercise for share options exercised during the year was £10.26 (2016: £9.18). The options outstanding at 31 March 2017 had a weighted average remaining contractual life of nil years (2016: nil years) and have an exercise price of £nil.

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

|                          | 2017 and 2016 |
|--------------------------|---------------|
| Share price              | £14.75        |
| Exercise price           | £nil          |
| Expected volatility      | 42%           |
| Expected life            | 2 years       |
| Risk-free rate           | 0.27%         |
| Expected dividend yields | 0.2%          |

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 generally three years. The jointly owned shares may be forfeited if the employee leaves the Group prior to vesting and the rights of the participant lapse if the award has not been exercised after a period of seven years from the date of vesting.

# Notes to the Group financial statements (continued)

Year ended 31 March 2017

## 29. SHARE-BASED PAYMENTS (CONTINUED)

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

|  | 2017<br>Number<br>of<br>Share<br>options | 2017<br>Weighted<br>average<br>exercise<br>price (in<br>£) | 2016<br>Number<br>of<br>Share<br>options | 2016<br>Weighted<br>average<br>exercise<br>price (in<br>£) |
|--|--|--|--|--|
| Outstanding at the beginning of the year | 300,000                                  | 1.46   | 350,000                                  | 1.46   |
| Exercised during the year                | -  |  | (50,000)                                 | 1.46   |
| Outstanding at the end of the year       | 300,000                                  | 1.46   | 300,000                                  | 1.46   |
| Exercisable at the end of the year       | 300,000                                  | -  | 300,000                                  | -  |

The co-owned share rights outstanding at 31 March 2017 had a weighted average remaining contractual life of nil years (2016: nil years). The weighted average share price at the date of exercise for share awards exercised during the year was £nil.

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

|                          | 2017 and 2016         |
|--------------------------|-----------------------|
| Share price              | £1.21½ to £18.89½     |
| Exercise price           | £1.46 to £23.02       |
| Expected volatility      | 47.96% to 53.79%      |
| Expected life            | 2.25 years to 4 years |
| Risk-free rate           | 0.41% to 2.16%        |
| Expected dividend yields | 0.4% to 1.6%          |

### Mulberry Group plc Long Term Incentive Plan

The plan was established on 19 December 2012. The vesting period is generally three years and is dependent upon attainment of certain performance conditions, including achievement of Group revenue and EBIT growth. The options may be forfeited if the employee leaves the Group and the rights of the participant lapse if the award has not been exercised after a period of five years from the date of vesting.

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

|  | 2017<br>Number<br>of shares | 2016<br>Number<br>of shares |
|--|-----------------------------|-----------------------------|
| Outstanding at the beginning of the year | 61,400                      | 117,766                     |
| Forfeited during the year                | (61,400)                    | (56,366)                    |
| Outstanding at the end of the year       | -                           | 61,400                      |
| Exercisable at the end of the year       | -                           | -                           |

## 29. SHARE-BASED PAYMENTS (CONTINUED)

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

|                          | 2017 and 2016        |
|--------------------------|----------------------|
| Share price              | £10.00 to £11.63     |
| Exercise price           | £nil                 |
| Expected volatility      | 53% to 60%           |
| Expected life            | 1.5 years to 3 years |
| Risk-free rate           | 0.27% to 0.66%       |
| Expected dividend yields | 0.2% to 0.5%         |

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 Idea'Spring Option Plan

This option grant was made on 11 August 2015. The vesting period is at the discretion of the Board and upon attainment of certain performance conditions, including achievement of Group revenue. The options may be forfeited if the individual ceases to provide consultancy services to the Group and the rights of the participant lapse if the award has not been exercised after a period of eight years from the date of vesting.

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

|  | 2017<br>Number<br>of<br>Share<br>options | 2017<br>Weighted<br>average<br>exercise<br>price<br>(in £) | 2016<br>Number<br>of<br>Share<br>options | 2016<br>Weighted<br>average<br>exercise<br>price<br>(in £) |
|--|--|--|--|--|
| Outstanding at the beginning of the year | 110,622                                  | 0.05   | 110,622                                  | 0.05   |
| Outstanding at the end of the year       | 110,622                                  | 0.05   | 110,622                                  | 0.05   |
| Exercisable at the end of the year       | -  | -  | -  | -  |

The options outstanding at 31 March 2017 had a weighted average remaining contractual life of 6.3 years (2016: 7.3 years).

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

|                          | 2017 and 2016 |
|--------------------------|---------------|
| Share price              | £9.14         |
| Exercise price           | £0.05         |
| Expected volatility      | 17%           |
| Expected life            | 2 years       |
| Risk-free rate           | 1.11%         |
| Expected dividend yields | 0.5%          |

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

## Notes to the Group financial statements (continued)

Year ended 31 March 2017

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

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

|  | 2017<br>£'000 | 2016<br>£'000 |
|--|---------------|---------------|
| Mulberry Group plc 2008 Unapproved Share Option Scheme     | 532           | 434           |
| Mulberry Group plc 2008 Deferred Bonus Plan                | -             | -             |
| Mulberry Group plc 2009 Co-ownership Equity Incentive Plan | -             | -             |
| Mulberry Group plc Long Term Incentive Plan                | -             | -             |
| Mulberry Group plc Idea'Spring Option Plan                 | 554           | 44            |
|  | <u>1,086</u>  | <u>478</u>    |

### 30. RETIREMENT BENEFIT SCHEMES

The Group contributes to personal pension plans for all qualifying employees. The total cost charged to income of £853,000 (2016: £859,000) represents contributions payable to these personal plans by the Group at rates contractually agreed. As at 31 March 2017, contributions due in respect of the current reporting period which had not been paid over to the plans were £131,000 (2016: £152,000).

### 31. FINANCIAL INSTRUMENTS

#### Capital risk management

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

|   | 2017<br>£'000 | 2016<br>£'000 |
|---|---------------|---------------|
| <b>Financial assets</b>                                     |               |               |
| Loans and receivables (including cash and cash equivalents) | 28,857        | 18,614        |
| <b>Financial liabilities</b>                                |               |               |
| Amortised cost  | 8,519         | 9,757         |
| Derivatives in designated hedging relationships             | 10            | -             |

### 31. FINANCIAL INSTRUMENTS (CONTINUED)

#### Fair value measurements

The information set out below provides information about how the Group determines fair values of derivatives in designated hedging relationships. These are within the Level 2 fair value measurement hierarchy derived indirectly from quoted prices.

| Financial assets/<br>financial liabilities            | Fair value<br>as at<br>2017<br>£'000      | Fair value<br>as at<br>2016<br>£'000       | Valuation techniques<br>and key inputs  | Significant<br>unobservable<br>inputs | Relationship of<br>unobservable<br>inputs to fair<br>value |
|---|---|--|---|---------------------------------------|--|
| Derivatives in<br>designated hedging<br>relationships | Assets - £nil<br>and liabilities<br>- £10 | Assets - £nil<br>and liabilities<br>- £nil | Discounted cash flow.<br>Future cash flows are estimated based on<br>forward exchange rates (from observable<br>forward exchange rates at the end of the<br>reporting period) and contract forward<br>rates, discounted at a rate that reflects<br>the credit risk of various counterparties. | n/a                                   | n/a  |

#### Financial risk management objectives

The Group's Chief Financial Officer 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. In accordance with the Board approved foreign currency risk management policy, the Group uses derivative financial instruments to manage its foreign currency exposure. 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.

#### Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. The Group's principal foreign currency exposure arises from purchase of overseas sourced raw materials and finished products. The Board regularly review the Group's foreign currency exposure, including the current market value of outstanding foreign exchange contracts, and set an appropriate hedging strategy for the near term future. This is determined in conjunction with percentage cover taken by season and financial year and current market conditions.

The fair values of foreign exchange derivatives are as follows:

|   | 2017<br>£'000 | 2016<br>£'000 |
|---|---------------|---------------|
| Derivatives in designated hedging relationships | 10            | -             |



## Notes to the Group financial statements (continued)

Year ended 31 March 2017

### 31. FINANCIAL INSTRUMENTS (CONTINUED)

The total notional amount of outstanding foreign exchange contracts at the balance sheet date is as follows:

|           | 2017<br>£'000 | 2016<br>£'000 |
|-----------|---------------|---------------|
| Euro      | 2,155         | -             |
| US Dollar | 880           | -             |

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

|                   | Liabilities<br>2017<br>£'000 | Liabilities<br>2016<br>£'000 | Assets<br>2017<br>£'000 | Assets<br>2016<br>£'000 |
|-------------------|------------------------------|------------------------------|-------------------------|-------------------------|
| Euro              | 5,003                        | 5,013                        | 8,875                   | 5,790                   |
| US Dollar         | 2,338                        | 2,333                        | 3,699                   | 986                     |
| Hong Kong Dollar  | 122                          | -                            | 3,308                   | -                       |
| Australian Dollar | 40                           | -                            | 603                     | -                       |

#### Foreign currency sensitivity analysis

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

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

|                   | Impact<br>on profit<br>2017<br>£'000 | Impact<br>on profit<br>2016<br>£'000 |
|-------------------|--------------------------------------|--------------------------------------|
| Euro              | 352                                  | 71                                   |
| US Dollar         | 124                                  | 122                                  |
| Hong Kong Dollar  | 290                                  | -                                    |
| Australian Dollar | 51                                   | -                                    |

#### 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 2017 would have decreased by £61,000 (2016: profit decreased by £16,000). This is mainly attributable to the Group's exposure to interest rates on its overdraft facility.

### 31. FINANCIAL INSTRUMENTS (CONTINUED)

#### Credit risk management

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

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

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

#### Liquidity risk management

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

#### Liquidity and interest risk tables

The Group's financial assets all contractually mature within the next year. Trade receivables do not accrue interest. The weighted average interest rate on cash and cash equivalents was +0.05% (2016: -3.5%).

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

|  | Weighted<br>average<br>interest<br>rate<br>£'000 | Less<br>than 1<br>year<br>£'000 | 1 to 2<br>years<br>£'000 | 2 to 3<br>years<br>£'000 | 3 to 4<br>years<br>£'000 | 4 to 5<br>years<br>£'000 | Total<br>£'000 |
|--|--|---------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|----------------|
|--|--|---------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|----------------|

#### 2017

|                               |   |         |   |   |   |   |         |
|-------------------------------|---|---------|---|---|---|---|---------|
| Current liabilities           | - | -       | - | - | - | - | -       |
| Derivatives: gross<br>settled |   |         |   |   |   |   |         |
| Cash inflows                  | - | 3,035   | - | - | - | - | 3,035   |
| Cash outflows                 | - | (3,061) | - | - | - | - | (3,061) |

|  | Weighted<br>average<br>interest<br>rate<br>£'000 | Less than<br>1 year<br>£'000 | 1 to 2<br>years<br>£'000 | 2 to 3<br>years<br>£'000 | 3 to 4<br>years<br>£'000 | 4 to 5<br>years<br>£'000 | Total<br>£'000 |
|--|--|------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|----------------|
|--|--|------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|----------------|

#### 2016

|                     |   |        |   |   |   |   |        |
|---------------------|---|--------|---|---|---|---|--------|
| Current liabilities | - | 30,403 | - | - | - | - | 30,403 |
|---------------------|---|--------|---|---|---|---|--------|

#### 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 except for derivatives in designated hedging relationships which are valued at fair value.

# Notes to the Group financial statements (continued)

Year ended 31 March 2017

## 32. ACQUISITIONS AND BUSINESS COMBINATIONS

During the year, Mulberry Company (Australia) Pty Limited, a wholly owned subsidiary of Mulberry Group plc, acquired the Mulberry store in Westfield Shopping Centre, Sydney and the related assets from its long-standing distribution partner, Club 21 Australia Pty Limited. The stock was acquired at cost (£0.3 million) and the lease and employees were transferred for £nil consideration.

This store has contributed £815,000 to revenue and £26,000 to profit to the Group results in 2017. Had the acquisition happened on 1 April 2016 these results would not be materially different.

## 33. SUBSEQUENT EVENTS

On 3 April 2017 Mulberry (Asia) Limited took control of 4 stores previously owned by Club 21 in Hong Kong, Taiwan and China. A subsidiary in China and a branch office in Taiwan are expected to be operational during 2017, once the relevant business licences for those territories have been received. The value of stock purchased from Club 21 across all 3 territories (Hong Kong, Taiwan and China) was £1.7 million. The lease and employees were acquired for £nil consideration. The fair value of assets acquired is provisional.

## 34. RELATED PARTY TRANSACTIONS

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

### Trading transactions

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

|                                     | Sale of goods |               | Amounts owed<br>by/(from) related<br>parties |               |
|-------------------------------------|---------------|---------------|--|---------------|
|                                     | 2017<br>£'000 | 2016<br>£'000 | 2017<br>£'000                                | 2016<br>£'000 |
| Mulberry Oslo AS                    | 1,148         | 1,101         | 88   | 52            |
| Club 21 Retail (Hong Kong) Limited* | 1,143         | 2,315         | 232  | 59            |
| Club 21 (Hong Kong) Limited*        | -             | 1             | -  | -             |
| Club 21 Shanghai Limited*           | 310           | 60            | 89   | 7             |
| Club 21 Pte Limited*                | 1,817         | 658           | 114  | 16            |
| Club 21 (Thailand) Co Limited*      | 764           | 810           | 122  | 20            |
| Club 21 Pte Limited Taiwan Branch*  | 185           | 295           | 23   | 8             |
| Club Twenty-One Retail (M) Sdn Bhd* | 461           | 319           | 34   | 22            |
| Club 21 Australia Pty Limited*      | (2)           | 198           | (1)  | (113)         |
| Club 21 Japan Company Limited*      | 500           | 350           | (5)  | 17            |
| PT Kelab 21 Retail*                 | -             | 140           | -  | 8             |
| Club 21 (Macau) Limited*            | -             | 18            | -  | -             |
| Challice Limited                    | -             | -             | 1,323  | -             |

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

### 34. 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.

During the year Mulberry Company (USA) Inc paid rent of £123,710 (2016: £105,751) to Como Holdings USA Inc, a company which is a related party to Challice Limited, the majority shareholder of the Company, and whose Chief Executive Officer is Steven Grapstein. No amounts were outstanding in relation to this at the year end or prior year end.

#### Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 'Related Party Disclosures'. The Directors' remuneration report on pages 12 to 14 of this Annual Report forms part of these financial statements. Further information about the remuneration of individual Directors is provided within the audited section of the Directors' remuneration report.

|                              | 2017<br>£'000 | 2016<br>£'000 |
|------------------------------|---------------|---------------|
| Short term employee benefits | 1,778         | 1,694         |
| Post-employment benefits     | 19            | 79            |
| Share-based payments         | 292           | 337           |
|                              | <u>2,089</u>  | <u>2,110</u>  |

### 35. CONTROLLING PARTY

At the year end and at the date of this report, Challice Limited controlled 56.21% of the issued share capital of the Company. The ultimate controlling parties of Challice Limited are Mr Ong Beng Seng and Mrs Christina Ong.

Challice Limited is registered outside the UK and is not required to prepare consolidated accounts. Therefore the consolidated financial statements of Mulberry Group plc represent the highest level at which a consolidation is prepared for the Group.

# Company financial statements

Year ended 31 March 2017

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# Company balance sheet

At 31 March 2017

|  | Note | 2017<br>£'000 | 2016<br>£'000 |
|--|------|---------------|---------------|
| <b>Fixed assets</b>                          |      |               |               |
| Tangible assets                              | 39   | 4,498         | 5,938         |
| Investments                                  | 38   | 20,810        | 18,496        |
|  |      | <u>25,308</u> | <u>24,434</u> |
| <b>Current assets</b>                        |      |               |               |
| Debtors falling due within one year          | 40   | 59,221        | 56,082        |
| Total assets                                 |      | <u>84,529</u> | <u>80,516</u> |
| <b>Current liabilities</b>                   |      |               |               |
| <b>Amounts falling due within one year</b>   | 41   | (66,857)      | (60,342)      |
| <b>Total assets less current liabilities</b> |      | <u>17,672</u> | <u>20,174</u> |
| Provision for liabilities                    |      | (32)          | (104)         |
| <b>Net assets</b>                            |      | <u>17,640</u> | <u>20,070</u> |
| <b>Capital and reserves</b>                  |      |               |               |
| Called up share capital                      | 25   | 3,000         | 3,000         |
| Share premium account                        |      | 11,961        | 11,961        |
| Own share reserve                            | 26   | (1,461)       | (1,474)       |
| Capital redemption reserve                   | 26   | 154           | 154           |
| Retained earnings                            |      | <u>3,986</u>  | <u>6,429</u>  |
| <b>Total equity</b>                          |      | <u>17,640</u> | <u>20,070</u> |

The Company reported a loss for the financial year ended 31 March 2017 of £408,000 (2016: profit of £1,010,000).

The financial statements of Mulberry Group plc (company number 01180514) were approved by the Board of Directors and authorised for issue on 13 June 2017.

They were signed on its behalf by:

Thierry Andretta  
Director

Neil Ritchie  
Director

# Company statement of changes in equity

Year ended 31 March 2017

|  | Share capital<br>£'000 | Share premium<br>account<br>£'000 | Own share<br>reserve<br>£'000 | Capital<br>redemption<br>reserve<br>£'000 | Special<br>reserve*<br>£'000 | Retained<br>earnings<br>£'000 | Total<br>£'000 |
|--|------------------------|-----------------------------------|-------------------------------|---|------------------------------|-------------------------------|----------------|
| <b>As at 1 April 2015</b>                | 3,000                  | 11,961                            | (1,601)                       | 154                                       | 4,187                        | 3,871                         | 21,572         |
| Profit for the year                      | -                      | -                                 | -                             | -   | -                            | 1,010                         | 1,010          |
| Total comprehensive income for the year  | -                      | -                                 | -                             | -   | -                            | 1,010                         | 1,010          |
| Charge for employee share-based payments | -                      | -                                 | -                             | -   | -                            | 478                           | 478            |
| Exercise of share options                | -                      | -                                 | -                             | -   | -                            | (149)                         | (149)          |
| Own shares                               | -                      | -                                 | 127                           | -   | -                            | -                             | 127            |
| Ordinary dividends paid                  | -                      | -                                 | -                             | -   | -                            | (2,968)                       | (2,968)        |
| Redemption of reserve                    | -                      | -                                 | -                             | -   | (4,187)                      | 4,187                         | -              |
| <b>Balance at 31 March 2016</b>          | 3,000                  | 11,961                            | (1,474)                       | 154                                       | -                            | 6,429                         | 20,070         |
| Other comprehensive loss for the year    | -                      | -                                 | -                             | -   | -                            | (408)                         | (408)          |
| Total comprehensive loss for the year    | -                      | -                                 | -                             | -   | -                            | (408)                         | (408)          |
| Charge for employee share-based payments | -                      | -                                 | -                             | -   | -                            | 1,086                         | 1,086          |
| Exercise of share options                | -                      | -                                 | -                             | -   | -                            | (153)                         | (153)          |
| Own shares                               | -                      | -                                 | 13                            | -   | -                            | -                             | 13             |
| Ordinary dividends paid                  | -                      | -                                 | -                             | -   | -                            | (2,968)                       | (2,968)        |
| <b>Balance at 31 March 2017</b>          | 3,000                  | 11,961                            | (1,461)                       | 154                                       | -                            | 3,986                         | 17,640         |

\* The special reserve was created as part of a capital restructuring of the Group in 2004. It was released to retained earnings during 2016.

# Notes to the Company financial statements

Year ended 31 March 2017

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## 36. SIGNIFICANT ACCOUNTING POLICIES

### Basis of accounting

Please refer to note 1 for full details of the Company's incorporation, registered office, operations and principal activity.

Please refer to note 35 regarding the Company's ultimate controlling party.

The separate financial statements of the Company are presented as required by the Companies Act 2006. The Company meets the definition of a qualifying entity under FRS 101 (Financial Reporting Standard 101) issued by the Financial Reporting Council. The financial statements have therefore been prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that Standard in relation to share-based payments, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement and certain related party transactions. Where required, equivalent disclosures are given in the Group financial statements.

The financial statements have been prepared on the historical cost basis. The principal accounting policies, and critical accounting judgements and key sources of estimation uncertainty adopted are the same as those set out in notes 3 and 4 to the Group financial statements except as noted below. These have been applied consistently throughout the year and the preceding year.

### Investments

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

## 37. 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 loss for the financial year ended 31 March 2017 of £408,000 (2016: profit of £1,010,000). Included in the loss for the year is a provision of £14,183,000 (2016: £5,729,000) against intercompany balances and the release of a provision for impairment of investments of £nil (2016: release of provision of £5,000,000).

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



# Notes to the Company financial statements (continued)

Year ended 31 March 2017

## 38. FIXED ASSET INVESTMENTS

|                                 | Subsidiaries<br>shares<br>£'000 | Subsidiaries<br>loans<br>£'000 | Total<br>£'000 |
|---------------------------------|---------------------------------|--------------------------------|----------------|
| <b>Cost</b>                     |                                 |                                |                |
| At 1 April 2016                 | 8,561                           | 11,804                         | 20,365         |
| Additions                       | 2,314                           | -                              | 2,314          |
| Disposals                       | -                               | -                              | -              |
| At 31 March 2017                | 10,875                          | 11,804                         | 22,679         |
| <b>Provision for impairment</b> |                                 |                                |                |
| At 1 April 2016                 | 1,869                           | -                              | 1,869          |
| Charge for the year             | -                               | -                              | -              |
| Impairment charge               | -                               | -                              | -              |
| At 31 March 2017                | 1,869                           | -                              | 1,869          |
| <b>Net Book Value</b>           |                                 |                                |                |
| <b>At 31 March 2017</b>         | 9,006                           | 11,804                         | 20,810         |
| At 31 March 2016                | 6,692                           | 11,804                         | 18,496         |

The Company has investments in the following subsidiaries and associates which contributed to the results or net assets of the Group at the year ended 31 March 2016 and 31 March 2017 (except as highlighted):

| Subsidiaries   | Country of<br>incorporation | Principal activity   | Proportion<br>of ownership<br>interest and<br>voting power |
|--|-----------------------------|--|--|
| Mulberry Company (Design) Limited <sup>(1)</sup>       | England and<br>Wales        | Design and manufacture of clothing and fashion accessories in the UK | 100%   |
| Mulberry Company (Sales) Limited <sup>(1)</sup>        | England and<br>Wales        | Establishment and operation of retail shops in the UK                | 100%**   |
| Mulberry Company (Europe) Limited <sup>(1)</sup>       | England and<br>Wales        | Intermediary holding company   | 100%   |
| Mulberry Company (USA) Inc <sup>(2)</sup>              | USA                         | Establishment and operation of retail stores in the USA              | 100%   |
| Mulberry Group Plc Employee Share Trust <sup>(3)</sup> | Guernsey                    | Operation of an employee share trust                                 | 100%   |
| Mulberry Company (Germany) GmbH <sup>(4)</sup>         | Germany                     | Establishment and operation of retail stores in Germany              | 100%   |
| Mulberry Company (Switzerland) GmbH <sup>(5)</sup>     | Switzerland                 | Establishment and operation of retail stores in Switzerland          | 100%   |
| Mulberry Company (Austria) GmbH <sup>(6)</sup>         | Austria                     | Establishment and operation of retail stores in Austria              | 100%   |

### 38. FIXED ASSET INVESTMENTS (CONTINUED)

| Subsidiaries   | Country of incorporation | Principal activity  | Proportion of ownership interest and voting power |
|--|--------------------------|---|---|
| Mulberry Company (Canada) Inc <sup>(7)</sup>             | Canada                   | Establishment and operation of retail stores in Canada    | 100%  |
| Mulberry Company (France) SARL <sup>(8)</sup>            | France                   | Establishment and operation of retail stores in France    | 100%  |
| Mulberry France Services SARL <sup>(9)</sup>             | France                   | Operation of non-retail services                          | 100%  |
| Mulberry Company (Australia) Pty Limited <sup>(10)</sup> | Australia                | Establishment and operation of retail stores in Australia | 100%  |
| Mulberry Company (Shoes) Limited <sup>(1)</sup>          | England and Wales        | Dormant company   | 100%  |
| Mulberry Company (Holdings) Limited <sup>(1)</sup>       | England and Wales        | Dormant company   | 100%  |
| Mulberry Fashions Limited <sup>(1)</sup>                 | England and Wales        | Dormant company   | 100%***   |
| Mulberry Leathers Limited <sup>(1)</sup>                 | England and Wales        | Dormant company   | 100%***   |
| Mulberry (UK) Limited <sup>(1)</sup>                     | England and Wales        | Dormant company   | 100%  |
| Mulberry Company (Asia) Limited**** <sup>(11)</sup>      | Hong Kong                | Establishment and operation of retail stores in Asia      | 60%   |
| <b>Associates</b>  |                          |   |   |
| Mulberry Oslo AS* <sup>(12)</sup>                        | Norway                   | Operation of retail store in Oslo                         | 50%   |

\* Mulberry Oslo AS is treated as an associate as, while the Group effectively owns 50% of the issued ordinary share capital, the entity is controlled by a third party. It has an accounting reference date of 30 September

\*\* Owned by Mulberry Company (Europe) Limited

\*\*\* Owned by Mulberry Company (Holdings) Limited

\*\*\*\* New company formed in the year ended 31 March 2017

The registered offices of the subsidiaries and associates are as follows:

- (1) The Rookery, Chilcompton, Bath, Somerset, BA3 4EH, England
- (2) 19th Floor, 475 Park Avenue South, New York 10016, USA
- (3) Cambridge House, Le Truchot, St. Peter Port, Guernsey, GY1 3UW
- (4) c/o Osborne Clarke, Innere Kanalstrasse 15, 50823 Cologne, Germany
- (5) Storchengasse 4, 8001 Zurich, Switzerland
- (6) Seitzergasse 2-4, 1010 Vienna, Austria
- (7) 340 Albert Street, Suite 1400, Ottawa, Ontario K1R 0A5, Canada
- (8) 275 rue Saint-Honoré, 75008 Paris, France
- (9) 15 rue Saint-Florentin, 75008 Paris, France
- (10) Level 12, 225 George Street, Sydney NSW 2000, Australia
- (11) Unit 103B 1/F Star House, 3 Salisbury Road TST KLN, Hong Kong
- (12) Akersgata 18, 0158 Oslo, Norway

## Notes to the Company financial statements (continued)

Year ended 31 March 2017

### 39. TANGIBLE ASSETS

|                       | Freehold<br>land and<br>buildings<br>£'000 | Short<br>leasehold<br>land and<br>buildings<br>£'000 | Fixtures<br>and<br>fittings<br>£'000 | Total<br>£'000 |
|-----------------------|--|--|--------------------------------------|----------------|
| <b>Cost</b>           |  |  |                                      |                |
| At 1 April 2016       | 6,572                                      | 7,077  | 714                                  | 14,363         |
| Additions             | 83   | 5  | -                                    | 88             |
| Disposals             | (17)                                       | -  | (3)                                  | (20)           |
| At 31 March 2017      | 6,638                                      | 7,082  | 711                                  | 14,431         |
| <b>Depreciation</b>   |  |  |                                      |                |
| At 1 April 2016       | 2,556                                      | 5,327  | 542                                  | 8,425          |
| Charge for the year   | 232  | 1,182  | 112                                  | 1,526          |
| Disposals             | -  | (15)   | (3)                                  | (18)           |
| At 31 March 2017      | 2,788                                      | 6,494  | 651                                  | 9,933          |
| <b>Net book value</b> |  |  |                                      |                |
| At 31 March 2017      | 3,850                                      | 588  | 60                                   | 4,498          |
| At 31 March 2016      | 4,016                                      | 1,750  | 172                                  | 5,938          |

Freehold land of £997,000 (2016: £997,000) has not been depreciated.

At 31 March 2017, the Company had entered into contractual commitments for the acquisition of property of £nil (2016: £93,000) and there were assets under the course of construction where depreciation has not yet commenced of £13,000 (2016: £218,000).

The Group's borrowing facilities have been secured by fixed and floating charges over the Company's assets.

### 40. DEBTORS

|   | 2017<br>£'000 | 2016<br>£'000 |
|---|---------------|---------------|
| <b>Amounts falling due within one year:</b> |               |               |
| Amounts owed by Group undertakings          | 58,982        | 55,826        |
| Prepayments and accrued income              | 239           | 256           |
|   | 59,221        | 56,082        |

#### 41. CREDITORS

|   | 2017<br>£'000 | 2016<br>£'000 |
|---|---------------|---------------|
| <b>Amounts falling due within one year:</b> |               |               |
| Amounts owed to Group undertakings          | 65,434        | 58,568        |
| Accruals and deferred income                | 822           | 1,319         |
| Current tax                                 | 601           | 455           |
|   | <u>66,857</u> | <u>60,342</u> |

#### 42. DEFERRED TAX

|  | 2017<br>£'000 | 2016<br>£'000 |
|--|---------------|---------------|
| Deferred tax – accelerated capital allowances  | 32            | 104           |
| Deferred tax liability at 1 April 2016         | 104           |               |
| Credit for the year                            | (72)          |               |
| <b>Deferred tax liability at 31 March 2017</b> | <u>32</u>     |               |

#### 43. RELATED PARTY TRANSACTIONS

Details of related party transactions are provided in note 34 of the Group financial statements. The Company has taken advantage of the exemption in FRS 101:8 not to disclose details of transactions with other wholly-owned Group companies.

#### 44. 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 (2016: £nil).

Mulberry Group plc has acted as guarantor on a £2.5 million Regional Growth Fund grant received by its subsidiary, Mulberry Company (Design) Limited, towards the operating costs of a new factory in Bridgwater, Somerset. The Group has to fulfil certain requirements through to June 2020, which if not met, some or all of the grant will need to be repaid. The Group is currently in compliance with these requirements and does not envisage that this situation will change and therefore there are no outstanding liabilities at the year end (2016: £nil).

There is no expectation that any liabilities or cash outflows will arise for the Company as a result of such guarantees.

#### 45. SHARE CAPITAL

The movements in share capital are disclosed in note 25 to the Group financial statements.

#### 46. RESERVES

The movements in the Own share reserve are disclosed in note 26 to the Group financial statements.

Details of the Capital redemption reserve are disclosed in note 26 to the Group financial statements.

# Notes to the Company financial statements (continued)

Year ended 31 March 2017

## 47. PROFIT AND LOSS ACCOUNT

|                                 | £'000        |
|---------------------------------|--------------|
| Balance at 1 April 2015         | 3,871        |
| Profit for the year             | 1,010        |
| Ordinary dividends paid         | (2,968)      |
| Charge for share-based payments | 478          |
| Exercise of share options       | (149)        |
| Redemption of reserve           | 4,187        |
| At 1 April 2016                 | 6,429        |
| Loss for the year               | (408)        |
| Ordinary dividends paid         | (2,968)      |
| Charge for share-based payments | 1,086        |
| Exercise of share options       | (153)        |
| <b>At 31 March 2017</b>         | <b>3,986</b> |

# Notice of Annual General Meeting

Year ended 31 March 2017

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Notice is given that the Annual General Meeting of Mulberry Group plc will be held at Mulberry Group plc's offices, 30 Kensington Church Street, London, W8 4HA on 12 September 2017 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 2017 together with the independent auditor's report be received and adopted.

### Dividend declaration

2. To declare a final dividend of 5.0 pence per ordinary share for the year ended 31 March 2017.

### Re-election of retiring Directors

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

### Appointment of auditor

5. That Deloitte LLP be re-appointed as auditor 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 6 will be proposed as an ordinary resolution, and resolutions 7 and 8 will be proposed as special resolutions:

### Directors' power to allot relevant securities

6. That, in substitution for any equivalent authorities and powers granted to the Directors prior to the passing of this resolution, the Directors be and they are generally and unconditionally authorised pursuant to Section 551 of the Companies Act 2006 ("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 £999,958, 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 2018, 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.

## Notice of Annual General Meeting (continued)

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### Waiver of statutory pre-emption rights

7. 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 6 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 £149,994; 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 2018 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)

8. 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 2,999,873;
  - (b) the minimum price which may be paid for any such Ordinary Share is 5p;
  - (c) the maximum price which may be paid for an Ordinary Share shall be an amount equal to 105% of the average middle market prices for an Ordinary Share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the Ordinary Share is contracted to be purchased; and
  - (d) this authority shall, unless previously renewed, revoked or varied, expire on the earlier of the date falling 18 months after the date of the passing of this resolution and the conclusion of the Annual General Meeting of the Company to be held in 2018, but the Company may enter into a contract for the purchase of Ordinary Shares before the expiry of this authority which would or might be completed (wholly or partly) after its expiry.

By order of the Board

Kate Anthony Wilkinson  
Secretary  
13 June 2017

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

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## 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 8 September 2017.
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 8 September 2017 (or if the AGM is adjourned, 48 hours before the time fixed for the adjourned AGM) shall be entitled to attend and vote at the AGM in respect of the number of shares registered in their name at that time. Any changes to the register of members after such time shall be disregarded in determining the rights of any person to attend or vote at the AGM.
3. Please note that communications regarding the matters set out in this Notice of Annual General Meeting will not be accepted in electronic form other than as specified in the enclosed form of proxy.
4. As at 13 June 2017 (being the last business day prior to the publication of this Notice) the Company's issued share capital consists of 59,997,458 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 13 June 2017 are 59,997,458.
5. The following documents are available for inspection at the registered office of the Company during the usual business hours on any weekday (Saturday, Sunday or public holidays excluded) from the date of this Notice until the conclusion of the AGM and will also be available for inspection at the place of the AGM from 10.45 am on the day of the AGM until its conclusion:
  - (a) the register of Directors' interests in the shares of the Company; and
  - (b) copies of the Executive Directors' service contracts with the Company and letters of appointment of the Non-Executive Directors.



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

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### **RESOLUTION 6 - DIRECTORS' POWER TO ALLOT RELEVANT SECURITIES**

Resolution 6, 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 £999,958, representing approximately one-third of the nominal value of the issued ordinary share capital of the Company as at 13 June 2017, being the latest practicable date before publication of this Notice. The Directors do not have any present intention of exercising the authorities conferred by this resolution but they consider it desirable that the specified amount of unissued share capital is available for issue so that they can more readily take advantage of possible opportunities in the future.

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

### **RESOLUTION 7 - WAIVER OF STATUTORY PRE-EMPTION RIGHTS**

Resolution 7, which will be proposed as a special resolution, authorises the Directors in certain circumstances to allot equity securities for cash other than in accordance with statutory pre-emption rights (which require a company to offer all allotments for cash first to existing shareholders in proportion to their holdings). The relevant circumstances are either where the allotment takes place in connection with a rights issue or the allotment is limited to a maximum nominal amount of £149,994, representing approximately 5% of the nominal value of the issued ordinary share capital of the Company as at 13 June 2017, 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 dis-apply such pre-emption rights. Accordingly, in addition to giving the Directors power to allot unissued ordinary shares on a non pre-emptive basis, resolution 7 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 7 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 8 - AUTHORITY TO PURCHASE ORDINARY SHARES (MARKET PURCHASES)**

Resolution 8, which will be proposed as a special resolution, authorises the Directors to make market purchases of up to 2,999,873 ordinary shares (representing approximately 5% of the Company's issued ordinary shares as at 13 June 2017, being the latest practicable date before publication of this Notice). Shares so purchased may be cancelled or held as treasury shares as noted above. The authority will expire at the end of the next Annual General Meeting of the Company or 18 months from the passing of the resolution, whichever is the earlier. The Directors intend to seek renewal of this authority at subsequent Annual General Meetings.

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

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

## Group five year summary

Year ended 31 March 2017

|   | 2013<br>£'000 | 2014<br>£'000 | 2015<br>£'000 | 2016<br>£'000 | 2017<br>£'000 |
|---|---------------|---------------|---------------|---------------|---------------|
| <b>Results</b>                                    |               |               |               |               |               |
| Revenue   | 165,130       | 163,456       | 148,680       | 155,867       | 168,121       |
| Operating profit                                  | 25,531        | 13,717        | 1,700         | 6,110         | 7,107         |
| Profit before tax                                 | 26,026        | 14,014        | 1,861         | 6,217         | 7,533         |
| Profit/(loss) attributable to equity shareholders | 18,693        | 8,602         | (1,392)       | 2,685         | 5,338         |
| Loss attributable to non-controlling interests    | -             | -             | -             | -             | (348)         |
| <b>Assets employed</b>                            |               |               |               |               |               |
| Non-current assets                                | 39,716        | 43,296        | 47,355        | 40,904        | 36,667        |
| Current assets                                    | 71,789        | 70,768        | 62,539        | 69,159        | 78,584        |
| Current liabilities                               | (32,796)      | (30,106)      | (31,205)      | (30,147)      | (29,607)      |
| <b>Net assets</b>                                 | 78,709        | 83,958        | 78,689        | 79,916        | 85,644        |
| <b>Key statistics</b>                             |               |               |               |               |               |
| Earnings/(loss) per share                         | 32.2p         | 14.5p         | (2.3p)        | 4.5p          | 8.4p          |
| Diluted earnings/(loss) per share                 | 32.0p         | 14.5p         | (2.3p)        | 4.5p          | 8.4p          |



