

Mulberry

Annual Report and Accounts

FOR THE YEAR ENDED 31 MARCH 2018

Highlights

Year ended 31 March 2018

FINANCIAL HIGHLIGHTS

- Profit before tax from existing business* up 36% to £11.3 million (2017: £8.3 million) before start up costs of £2.0 million (2017: £0.8 million) and net operating expense of £2.4 million relating to new Asia subsidiaries
- Reported profit before tax of £6.9 million (2017: £7.5 million)
- Gross margin increased 185 basis points to 63.5%
- Revenue up 1% to £169.7 million (2017: £168.1 million). Retail sales up 3%, with UK broadly flat and International up 20%. Digital up 14% rising to 17% of Group revenue (2017: 15%)
- Cash of £25.1 million at the end of the year (2017: £21.1 million)

OPERATING HIGHLIGHTS

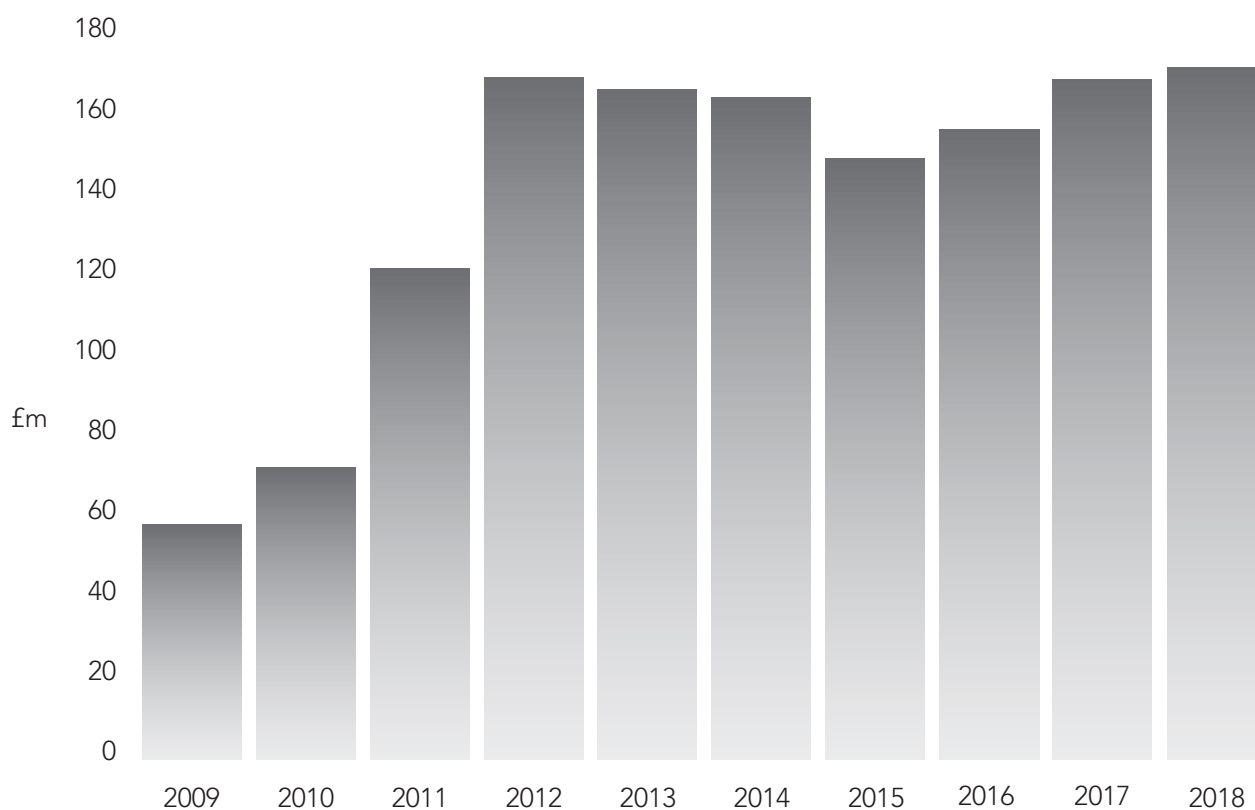
- International pace increased with new entities established in China, Hong Kong, Taiwan and Japan
- Store network in Asia enhanced with five new stores and two relocations
- Extension of omni-channel services across the network and launch of partnership with Toplife in China
- New products continue to gain momentum with a new bestseller, Amberley, established during the year

CURRENT TRADING AND OUTLOOK

- New majority-owned business arrangement to develop the Korean market agreed with SHK
- Retail like-for-like sales down 7% for the 10 weeks to 2 June reflecting International up 1% and UK down 9%, due to lower footfall and fewer tourists, as more widely reported

* Existing business is defined as the UK, Europe, North America and Wholesale and excludes new entities in Asia.

TEN YEAR REVENUE REVIEW



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Strategic report

Year ended 31 March 2018

BUSINESS REVIEW

The Group made progress during the year with profit from its business in the UK, Europe, North America and Wholesale increasing by 36% to £11.3 million (2017: £8.3 million), reflecting a focus on new products and network optimisation.

A significant investment in new businesses in China, Hong Kong, Taiwan and Japan was undertaken with start up costs of £2.0 million (2017: £0.8 million) and a net store operating expense of £2.4 million incurred during the year. Due to these acquisitions and as a result of growth in North America and Europe, International sales have increased.

Reported profit before tax, after the new business costs relating to Asia, is £6.9 million (2017: £7.5 million).

The Group remains cash generative, with cash balances increased by £4.0 million to £25.1 million as at 31 March 2018.

Sales

Group revenue grew by 1% to £169.7 million (2017: £168.1 million). During the year, the Group focused on full price sales, new products and rolling out Digital and omni-channel enhancements across the global network.

Group Retail sales increased 3% to £132.0 million (2017: £128.3 million). Within this, UK Retail sales were broadly flat at £106.3 million (2017: £106.8 million), with a focus on improving margins. International Retail sales increased 20% to £25.7 million (2017: £21.5 million) as new products gained momentum and some Wholesale accounts transitioned to own Retail.

	52 weeks to 31-March 2017 (£ millions)	52 weeks to 31-March 2018 (£ millions)	Total change (this year vs last year)	Like-for-like [†] change (this year vs last year)
UK Retail Sales*	106.8	106.3	0%	-1%
International Retail Sales*	21.5	25.7	+20%	+5%
Group Retail Sales	128.3	132.0	+3%	0%
Wholesale Sales	39.8	37.7	-5%	n/a
Group Total Sales	168.1	169.7	+1%	n/a

* Regional splits include Digital sales; Global Digital sales increased by 14% during the year to 31 March 2018.

† Like-for-like is defined as the year-on-year change in sales from stores which have been trading for 12 months after the store opening.

Product

The Group continues to focus on creativity and innovation with new products gaining further momentum and replacing older lines. Several new women's bag silhouettes were launched including the Bayswater Tote and Seaton, whilst the new Heritage bag family was introduced as part of the men's range. In addition, animations of recently established silhouettes including Bayswater with Strap, Zipped Bayswater and Amberley were introduced.

The Amberley family is available across a number of price points and categories and is proving to be an immediate bestseller. The distinctive Rider's lock has also been introduced across other categories including small leather goods, footwear and jewellery.

An Artisan Studio producing small runs of special editions for the UK and International markets was opened in Somerset and products introduced to selective locations.

Strategic report (continued)

Year ended 31 March 2018

Digital and Omni-channel

Omni-channel services continued to be enhanced including the addition of functionality to purchase store stock online, same day delivery (including on click and collect orders) and the launch of local language mulberry.com sites in China and South Korea and local currency sites in Sweden and Denmark.

The Group engaged in a number of digital partnerships in addition to enhancing its own mulberry.com platform. This included the launch of a partnership with Toplife, JD.com's luxury digital platform in China, to sell Mulberry products.

Global Digital sales increased by 14% to £29.0 million (2017: £25.5 million), accounting for 17% of Group revenue (2017: 15%).

Own Retail Store Network

There were 69 directly operated stores at the end of the year (2017: 67 stores). The international store network was enhanced and expanded with a focus on Asia:

- Hong Kong: The store in Hong Kong was relocated within Harbour City to Ocean Centre and became part of Group Retail sales from April 2017.
- China: A new store was opened in Shanghai Plaza 66 and the store in Beijing China World was relocated. The outlet store in Tianjin was acquired by Mulberry Asia in March 2018. These stores became part of the Group's Retail sales from that date.
- Taiwan: The store in Breeze was acquired in October 2017 and became part of the Group's Retail sales from that date.

Selective Wholesale and Franchise

Wholesale revenue, comprising sales to partner stores and selective multi-brand wholesale accounts, reduced by 5% to £37.7 million (2017: £39.8 million) primarily due to the transition of China and Hong Kong to own Retail and preparation for a new business arrangement in South Korea.

New collections have been well received by the Group's partners and wholesale accounts.

The partner store network at the period end totalled 45 stores in Asia Pacific, Europe and the Middle East (2017: 50 stores).

Franchise partners closed 7 non-strategic stores in Asia Pacific. Four stores in China, Hong Kong and Taiwan, which were open as at 31 March 2017, were transferred to the Group's Retail portfolio as part of the new majority-owned subsidiary, Mulberry (Asia) Limited.

In addition, 5 new stores were opened in Japan as part of the preparation phase for Mulberry Japan in collaboration with Onward Global Fashion. These stores have been acquired by Mulberry Japan following the end of the financial year ended 31 March 2018 and were transferred to the Group's Retail portfolio during May 2018.

Financial

The Group made progress during the year with profit from its business in the UK, Europe, North America and Wholesale increasing by 36% to £11.3 million (2017: £8.3 million), reflecting a focus on new products and network optimisation.

A significant investment in new businesses in China, Hong Kong, Taiwan and Japan was undertaken with start up costs of £2.0 million (2017: £0.8 million) and a net store operating expense of £2.4 million incurred during the year. Due to these acquisitions and as a result of growth in North America and Europe, International sales have increased.

The Group's reported profit before tax was £6.9 million (2017: £7.5 million) after accounting for the costs relating to Asia (£4.4 million), non-cash store impairments £0.4 million (2017: £1.1 million) and other store closure costs of £0.7 million.

Gross margin for the year to 31 March 2018 increased to 63.5% (2017: 61.6%). The improvement in margin reflects a focus on full price sales and lower markdowns, driven by momentum of new products.

Operating expenses (net) increased to £101.0 million (2017: £96.5 million) primarily due to higher Retail store costs of £1.8 million and increased marketing, advertising and promotion costs of £1.9 million.

The tax charge for the year was £2.0 million (2017: £2.5 million).

Capital expenditure during the period was £5.4 million (2017: £5.3 million), including £3.0 million related to stores (including Digital), £1.0 million in IT systems and £0.7 million in factories.

Inventories at 31 March 2018 were £44.6 million (31 March 2017: £42.8 million) and reflect the acquisition of new businesses in Asia and an increase in components and leather to facilitate more responsive supply chain operations.

The Group's cash balances increased by £4.0 million to £25.1 million as at 31 March 2018 (2017: £21.1 million) and the Group has no debt.

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 (2017: 5.0p) which will be paid on 22 November 2018 to shareholders on the register at 26 October 2018.

South Korea new business

The Group has agreed with its long-standing partner, SHK Holdings Limited ("SHK"), to form a new majority-owned entity to operate its business in South Korea.

- The Group will own 60% of the share capital of a newly created entity, Mulberry (Korea) Co., Ltd ('Mulberry Korea'), with SHK owning the remaining 40%
- Mulberry and SHK will together invest £4.6 million to purchase the assets and to develop the business
- Current network consists of 18 points of sale including concessions, outlets and duty free
- Korean mulberry.com site and omni-channel platform will form part of the new business
- Mulberry Korea is expected to commence trading by Autumn 2018
- The Group anticipates incremental costs of c.£3.0 million during the year ending 31 March 2019

Further details of the new entity arrangements can be found in the accompanying announcement on www.mulberry.com/investor-relations.

CURRENT TRADING AND OUTLOOK

Retail Sales

Like-for-like Retail sales (including Digital) were down 7% for the 10 weeks to 2 June 2018 with UK Retail down 9% and International Retail up 1%. Digital sales increased by 14% in the year to 31 March 2018 and increased by 5% in the 10 weeks to 2 June 2018.

	Retail like-for-like sales*		Retail total sales	
	52 weeks to 31-March 2018	10 weeks to 2-June 2018	52 weeks to 31-March 2018	10 weeks to 2-June 2018
This year vs last year (%)				
UK Retail†	-1%	-9%	0%	-10%
International Retail†	+5%	+1%	+20%	+13%
Group Retail Total	0%	-7%	+3%	-5%

* Like-for-like is defined as the year-on-year change in sales from stores which have been trading for 12 months after the store opening.

† Regional splits include Digital sales.

UK

As has been widely reported, the UK retail environment has become more challenging with lower domestic footfall and a reduction in tourists to the UK since January 2018.

It is noted that House of Fraser has announced its intention to enter a Company Voluntary Arrangement ('CVA') during June 2018. The Group operates 21 concessions and has amounts due from House of Fraser in relation to current trade. Under the CVA proposal, five existing Mulberry concessions would be closed.

Strategic report (continued)

Year ended 31 March 2018

International

The Group will continue to invest in international development.

Retail sales during the financial year ending 31 March 2019 will reflect a full year of trading for Mulberry Asia, comprising China, Hong Kong and Taiwan, after a transition from Wholesale to Retail during the financial year ended 31 March 2018.

The set up of Mulberry Japan was completed during May 2018. Five stores have been transferred to Mulberry Japan and revenue will transition from Wholesale to Retail from that date.

In South Korea, the new business arrangement with SHK marks an important milestone in the Group's international development strategy. The transfer of the business to Mulberry Korea is expected to be complete by Autumn 2018. This will reduce the Group's Wholesale revenue and increase Retail revenue. Initial start up costs of c.£3.0 million are anticipated for the financial year ending 31 March 2019.

In relation to the store network, a new store was opened in Xian, China during April 2018 and in Europe and North America, the Group continues to focus on Digital and omni-channel enhancement.

The Group anticipates that International sales will continue to increase as a proportion of Group sales.

Digital and Omni-channel

The Group will continue to invest in its Digital and omni-channel offering with further enhancements planned.

In Digital, mulberry.com sites with additional customer experiences are due to launch in China, Japan and Australia.

Selective Wholesale and Franchise

The Group signed a new franchise agreement with Luxury Retail Group to develop the brand in Australia. This will allow the Group to focus its regional resources on developing North Asia, Japan and South Korea whilst leveraging the local expertise of the new partner.

Capital Expenditure

A new design concept for the Group's stores will be revealed with the new Regent Street store planned for Summer 2018. A roll out across the global store network is expected to commence during 2019 which will lead to increased capital expenditure during the current financial year and in coming years.

Capital expenditure for the full year ending 31 March 2019 is expected to be in the region of £12.0 million (2018: £5.4 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 650 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 114 stores in 23 countries (69 directly operated, 45 partner), the brand's digital site (mulberry.com) and selected wholesale partners.

Digital is a core 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 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 are fulfilled from the US distribution centre. Omni-channel functionality, which includes in-store digital ordering, in-store collection of digital orders (Click & Collect), same day delivery within central London 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, Eire, continental Europe, North America and Asia. In Scandinavia, Mulberry has long-standing partners who run 10 stores in those markets. Partners also run Mulberry stores in Asia (24 stores), the Middle East (two 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

Innovation and creativity are central to the Group's customer-led product strategy which focuses on anticipating the evolving needs of its existing and aspirational customers. This is supported by the Group's integrated marketing approach which aims to drive engagement and relevance with its customers.

Leather goods are the core commercial focus, with the intention to continue to develop and build on recent strong launches with a continued refinement and enhancement of core and new ranges. This approach includes a steady pace of evolution of key icons as well as the introduction of new signatures. An example of this is the 'Rider's lock', which was launched as a key feature of the Amberley bag range and subsequently has been applied to other designs.

Over the longer term, the objective is to reinforce Mulberry's lifestyle brand positioning by strengthening complementary categories to its core leather goods ranges. These categories are men's leather goods, footwear, ready-to-wear, soft accessories and jewellery.

Marketing and Brand

Mulberry continues to invest in building a global brand, 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 new and traditional formats with extensive use of digital, mobile and social media. Digital continues to take the highest share of all media investment.

The Group recently adopted a new format of its seasonal collection launches to reinforce its customer-centric business strategy and enhance the customer experience. After holding previews of the Spring Summer 2018 collection to international press and buyers in Paris, the collection was publicly unveiled during February 2018 during London Fashion Week and offered an instantly shoppable, real-time global consumer experience. The shift to a customer event format will enable the Group to continue to drive engagement and increase relevance with its customers and meet the demand for immediacy.

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

Strategic report (continued)

Year ended 31 March 2018

Retail, Digital and Omni-channel

The Group operates a direct to customer retail model through its international store network and Digital and omni-channel platform.

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 strategic territories, including China, Hong Kong, Australia and South Korea.

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.

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

Manufacturing

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.

A specialist Artisan Studio has been created within each of the two Somerset factories, showcasing the Group's distinctive British craftsmanship on special and limited edition products. This enables the Group to promote key events and develop its Made to Order programme whilst demonstrating its ability to balance a structured production process with high levels of artisan skill.

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 outlined below.

Risk	Potential impact	Mitigation
Economic climate The Group may be impacted by the wider global economic climate.	A significant amount of Mulberry sales are generated in the UK. A decline in the UK economy which reduced consumer spending on luxury goods could materially affect trading results and cash flows.	The Group's strategy to increase the proportion of sales from international markets is expected to reduce this risk over time.
Individual market performance With the strategic goal of international expansion, there is a risk that new markets will not develop in line with expectations.	Should international markets not grow in line with plans, they may represent a draw on cash reserves.	Management prepares and maintains a comprehensive business plan for each individual market. Variations to the business plan are reviewed and approved by senior management on a regular basis.
Cash The management of cash is of fundamental importance in ensuring the Group's ability to pay its ongoing commitments to suppliers and employees.	In the event of a significant downturn in trading or the effects of seasonality, the Group's cash facilities may be insufficient.	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 2019. In addition, the Group has a £7.5 million revolving credit facility until 31 October 2018, with HSBC expressing interest to extend these facilities. As such, the Group is on a firm financial footing and confident of its ability to continue as a going concern.
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.	If Sterling weakens against the Euro and US Dollar there is a consequent increase in raw materials bought in foreign currency which increases cost of sales. However, revenues earned in foreign currency also appreciate when Sterling weakens from revaluation gain creating some natural currency hedge.	A treasury policy which incorporates a hedging strategy has been implemented to manage the risk of exchange rate volatility.

Strategic report (continued)

Year ended 31 March 2018

Risk	Potential impact	Mitigation
Brand and Competition <p>The Group operates in the luxury fashion sector and is subject to a risk of change in fashions and demand for its products. There is risk of potential deterioration in the Group's luxury brand position compared to competitors, or difficulty in establishing brand awareness in new markets.</p> <p>Competitive pressures, changes in luxury fashion trends and hence consumer demand are continuing risks.</p>	Such a deterioration would lead to a loss of customers, which would negatively impact sales and profits.	The Group makes ongoing investment into product development, marketing, retail estate and the digital experience. These are all key to maintaining brand position, along with the opening of flagship stores in strategic global locations, and maintaining strong relations with customers.
Key employees <p>The Group's success is dependent to a certain extent on the continued services of its Directors and senior management who have substantial experience in their specific roles in operation of and management of the business.</p>	Loss of key members of the senior management team or other qualified employees could be detrimental to the business.	This 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.
Cyber risks and IT systems <p>The integrity of the Group's IT systems and operational infrastructure is critical to its operations.</p>	<p>There is a risk that the business's ability to sell and deliver its products would be adversely impacted in the event of a significant IT failure.</p> <p>Cyber crime represents an increasing risk through threat of deletion, theft, disruption or integrity of data, which could also result in reputational damage.</p>	A number of controls are in place which would be implemented in the event of a major failure. IT security is continually reviewed and updated.
UK production <p>The proportion of products being made in Mulberry's own UK based factories has increased to 50% over the last 5 years.</p>	There is a risk that the Group gross margin may be diluted due to currency risk and the higher relative cost of UK manufacturing.	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.

Risk	Potential impact	Mitigation
Terrorist activity or major incident 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.	This may lead to a significant fall in footfall, or potential closure of a store, or a loss of IT systems.	The Group has developed a business continuity plan to mitigate the impact, as well as making sure that adequate business insurance is in place.
Trademarks As with all brands, the Group is exposed to risk from unauthorised use of the Group's trademarks and other intellectual property ('IP').	Any infringement of the Group's IP 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.
Concessions within House of Fraser stores Mulberry operates concession stores within House of Fraser, who have announced their intention to proceed with a Company Voluntary Arrangement ('CVA') in June 2018. This could result in a number of their stores closing and in the recoverability of amounts due to the Group in the event of insolvency.	<p>In the event that the CVA progresses, and the store closure plans are enacted, the Group would close 5 affected concessions, and lose the associated revenues.</p> <p>In the event of failure of House of Fraser, the Group would be exposed to some credit risk.</p>	<p>The Group has requested shorter payment terms to limit credit risk.</p> <p>Some potential loss of revenue from closed concessions would be redeployed to other House of Fraser and Mulberry stores.</p>
UK decision to leave the European Union Until any clear proposals with regard to transitional rules and the terms of an exit plan are announced by the UK Government, there is uncertainty about the longer term implications of Brexit for the Group.	The primary risks following the decision to leave the European Union are uncertainty in UK consumer confidence and the implications of any changes to duty and the ability to freely move goods across borders for the purposes of production and sale of goods.	<p>The economic implications resulting from the impact of Brexit are largely beyond the control of the Group, however, the strategy to expand internationally will reduce the impact of uncertainty in the domestic market.</p> <p>The Group will continue to maintain an open dialogue regarding the impact of Brexit with key suppliers, stakeholders and professional advisors.</p>

Strategic report (continued)

Year ended 31 March 2018

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 650 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 charities are selected by employees for the Group to support. For the year under review these were Time is Precious, a South West based charity who provide a more comfortable environment for children spending long periods in hospital due to illness or disability, and Shelter from the Storm, providing free shelter and support for homeless people in London.

General Data Protection Regulation ('GDPR')

The Group takes its responsibility in handling an individual's data seriously. The security and use of data is discussed at Board level and the Group is compliant with relevant legislation and acts in a manner in keeping with the high expectations of our staff and customers.

Gender Pay

We are proud of our diverse workforce and believe fair and equal reward is vital to our success as an international luxury fashion business. Full details of our gender pay report for 2016/17 can be found on our website.

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 2018

Directors, secretary and advisers

Year ended 31 March 2018

Directors:

Godfrey Pawle Davis FCA
Thierry Patrick Andretta
Neil James Ritchie FCA
Andrew Christopher (Chris) Roberts FCCA
Steven Grapstein CPA
Melissa Ong
Christophe Olivier Cornu
Julie Gilhart

Registered Office:

The Rookery
Chilcompton
Bath
Somerset
BA3 4EH

Company Secretary:

Kate Anthony Wilkinson LLB

Nominated Adviser:

Altium Capital Limited
London

Nominated Broker:

Barclays Bank PLC
London

Registered Auditor:

Deloitte LLP
Bristol

Solicitors:

Osborne Clarke
Bristol

Principal Bankers:

HSBC Bank plc
Bristol

Registrars:

Computershare Investor Services PLC
PO Box 82
The Pavilions
Bridgwater Road
Bristol
BS99 7NH

Corporate governance

Year ended 31 March 2018

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.

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 12 months' notice. The Non-Executive Directors provide their services under 12 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 2018

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 12 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 four 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 intended 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. There were no granted, lapsed or exercised share options under this Plan during the year.

Directors' remuneration report (continued)

Year ended 31 March 2018

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.

A Long Term Incentive Plan, adopted on 19 December 2012 as the Mulberry Group plc Long Term Incentive Plan ('LTIP') and amended and renamed on 10 July 2017 as the Mulberry Group plc 2017 Performance Share Plan. This plan was designed and introduced by the Remuneration Committee to align management and shareholders' interests through rewarding participants for growth in Mulberry's revenue and profit before interest and tax ('PBIT') above specified thresholds over the vesting period. The performance conditions are split equally between revenue growth and PBIT growth compared to targets set in the plan's performance conditions. The vesting period is typically three years from the date of grant of options.

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

	Basic salary/ fees £'000	Bonus £'000	Taxable benefits £'000	Pension contributions ⁽²⁾ £'000	2018 Total £'000	2017 Total £'000
Executive Directors						
Thierry Andretta ⁽¹⁾	622	300	318	10	1,250	1,005
Neil Ritchie	235	80	13	10	338	266
Non-Executive Directors						
Godfrey Davis	200	–	–	–	200	200
Chris Roberts	50	–	1	–	51	51
Steven Grapstein	45	–	–	–	45	45
Melissa Ong	45	–	1	–	46	48
Christophe Cornu	45	–	1	–	46	45
Julie Gilhart	45	–	4	–	49	46
	1,287	380	338	20	2,025	1,706

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) 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 2017	Granted	Exercised	31 March 2018	Exercise price (£)	Date of exercise	Average market price on exercise (£)
Thierry Andretta ⁽¹⁾	230,415	–	–	230,415	8.680	n/a	n/a
Thierry Andretta ⁽²⁾	70,000	–	–	70,000	10.342	n/a	n/a
Neil Ritchie ⁽²⁾	24,500	–	–	24,500	10.342	n/a	n/a

Notes:

(1) 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.

(2) 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.

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

	31 March 2017	Granted	Exercised	31 March 2018	Exercise price (£)	Date of exercise	Average market price on exercise (£)
Godfrey Davis	300,000	–	–	300,000	1.458	n/a	n/a

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 £1.215.

(c) Options granted under the 2017 Performance Share Plan

	31 March 2017	Granted	Lapsed	31 March 2018	Exercise price (£)
Thierry Andretta	–	200,000	–	200,000	nil
Neil Ritchie	–	50,000	–	50,000	nil

For the options granted on 10 July 2017, the market price on the date of grant was £9.89 and may be exercised after the Group's financial results for the financial year ended 31 March 2020 have been announced, and up to 10 years from the date of grant, upon attainment of the relevant performance conditions.

Share price information

The market price of Mulberry Group plc ordinary shares at 31 March 2018 was £7.74 (2017: £10.85) and the range during the year was £7.00 to £11.49 (2017: £9.75 to £11.50).

Directors' report

Year ended 31 March 2018

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 2018.

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 5.0p per ordinary share (2017: 5.0p) to be paid on 22 November 2018 to ordinary shareholders on the register on 26 October 2018.

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 2019, and a revolving credit facility of £7.5 million available until October 2018. The Group's principal bank, HSBC, has indicated its willingness to increase the revolving credit facility at that time. 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, 61, 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, Kering, LVMH Fashion Group and Céline, and was Chief Executive of Buccellati. He is a director (gérant) of SCI TMLS and was a non-executive director of Acne Studios Holding AB (until March 2017). Mr Andretta has extensive experience across the luxury sector, with particular focus on international expansion.

Neil Ritchie FCA, 47, 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. Mr Ritchie has broad operational experience in relation to supply chain and business start-ups, with extensive financial experience across performance management, taxation strategy and treasury matters.

Non-Executive Directors

Godfrey Davis FCA, 69, 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, King's Schools Taunton Limited and Hestercombe Gardens Limited, KST International Limited (appointed 26 August 2015) and a trustee of Hestercombe Gardens Trust. Mr Davis is an experienced leader of private and publicly owned entities and has a strong understanding of the UK AIM market. He has a deep knowledge of the leather goods sector accumulated over many years of experience in the industry.

Andrew Christopher Roberts FCCA, 54, 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. Mr Roberts has a broad experience of international property markets, the branded luxury hospitality sector and global financial markets.

Steven Grapstein CPA, 60, 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 serves on the Board of Directors of Urban Edge, a US publicly listed company on the New York Stock Exchange, and is the Chairman of the Governance Committee and a member of the Audit committee. He also serves as a member of the Board of Directors of David Yurman corp., a privately held US entity and creator of luxury jewellery and time pieces where he is Chairman of the Audit Committee and a member 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. Mr Grapstein has extensive knowledge of the North American retail market and is experienced in corporate finance and US capital markets.

Melissa Ong, 44, 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. Ms Ong is highly experienced in the luxury hospitality sector and brings insight into the Asian market. Her knowledge of relevant technology and application to digital and social media marketing is valuable in relation to enhancing the luxury customer experience.

Christophe Cornu, 54, was appointed on 7 May 2013 and is an independent Director. With effect from 1 July 2018 he will be CEO of Nestlé France SA, having previously served as CEO of Nestlé Suisse SA and Chief Commercial Officer for Nestlé Nespresso SA. Mr Cornu is an experienced marketing leader with a track record of developing major brands and breakthrough concepts. He is consumer focused, with a complete view from brand purpose development through to marketing execution, and provides valuable insight and challenge on brand and marketing related issues.

Julie Gilhart, 60, 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. She is a respected leader within the fashion sector with a history of finding talent and advising and developing growth of businesses. Her expertise relates to the emerging customer, social trends and adaptation of business models to future requirements including focus on sustainability.

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

	5p ordinary shares 2018	5p ordinary shares 2017
Godfrey Davis	718,527	718,527
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.

Directors' report

Year ended 31 March 2018

SUBSTANTIAL SHAREHOLDINGS

At 31 March 2018 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:

Name of holder	Percentage of voting rights and issued share capital	No. of ordinary shares	Nature of holding
Challice Limited ⁽¹⁾	56.19%	33,726,444	Controlling shareholder
Banque Havilland SA	24.30%	14,585,720	Investor
Tybourne Capital Management (HK) Limited ⁽²⁾	11.00%	6,602,240	Investor

(1) Challice Limited is controlled by Mr Ong Beng Seng and Mrs Christina Ong.

(2) Notification was made when the shareholding of Tybourne Capital Management (HK) Limited exceeded 11.0%.

At 12 June 2018 the interest held by Tybourne Capital Management (HK) Limited was 6,621,789 ordinary shares representing 11.03% of the voting rights and issued share capital. There were no changes in the interests held by Challice Limited and Banque Havilland SA.

The Group is party to, and has complied with, a relationship agreement with Challice Limited which includes undertakings that transactions and relationships will be conducted on an arm's length basis on normal commercial terms.

MOVEMENT IN THE COMPANY'S OWN SHAREHOLDING

Please refer to notes 25 and 26.

FUTURE DEVELOPMENTS

The Group has signed an agreement with SHK Holdings Limited ('SHK') to form a new majority-owned entity to operate its business in Korea, which is expected to start trading by Autumn 2018. For further details please refer to the Strategic report.

SUBSEQUENT EVENTS

Please refer to note 35.

BRANCHES

The Group operates branches, as defined in s1046(3) of the Companies Act 2006, in Eire, Netherlands and Taiwan.

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 2018 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 £71,000 (2017: £64,000) 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 32.

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 reappoint them will be proposed at the forthcoming Annual General Meeting.

By order of the Board.

Neil Ritchie
Director
13 June 2018

Directors' responsibilities statement

Year ended 31 March 2018

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 2018 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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

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 2018 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practices) including FRS 101 'Reduced Disclosure Framework'; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Mulberry Group plc (the 'Parent Company') and its subsidiaries (the 'Group') which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and Parent Company balance sheets;
- the consolidated and Parent Company statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 48.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and 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, including FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

SUMMARY OF OUR AUDIT APPROACH

Key audit matters	<p>The key audit matters that we identified in the current year were:</p> <ul style="list-style-type: none">• Impairment of property, plant and equipment in loss making stores; and• Accounting for acquisitions.
Materiality	<p>The materiality that we used for the Group financial statements was £890,000 which was determined on a combination of benchmarks used by stakeholders in the business.</p> <p>Materiality represents 0.5% of revenue and 1% of net assets.</p>
Scoping	<p>Based on our assessment, we identified two components which, in our view, required full scope audit of their financial information in order to ensure sufficient appropriate audit evidence was obtained. Our full scope audit covered 94% of Group revenue, 82% of Group profit before tax* and 86% of Group net assets*.</p> <p>* Percentages are disclosed on an absolute basis to give an appropriate indication of the contribution and size of the component to the Group as a whole.</p>

Independent auditor's report (continued)

Year ended 31 March 2018

CONCLUSIONS RELATING TO GOING CONCERN

We are required by ISAs (UK) to report in respect of the following matters where:

- the Directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of property, plant and equipment in loss making stores

Key audit matter description

The Group owns store fixtures and fittings with a net book value of £6.6 million (2017: £8.3 million) and has recognised an impairment charge of £0.4 million (2017: £0.9 million) against these assets.

Certain overseas stores within the Group generate operating losses and accordingly there is a risk that the in-store fixed assets are impaired.

We have identified a key audit matter around key assumptions applied in management's impairment model which require a significant degree of judgement; specifically the discount rate and the revenue growth assumptions.

Certain stores are designated flagship stores, and incur losses due to their higher operating costs. We have identified a key audit matter around the identification of flagship stores and identification of indicators of impairment in association with flagship stores.

Impairment of property, plant and equipment is included as an area of critical judgement in note 4 to the financial statements. The net book value of store fixtures and fittings and the impairment charge for the year is disclosed in note 17.

How the scope of our audit responded to the key audit matter

We have performed the following procedures around this key audit matter:

- Assessed the design and implementation of relevant controls around management's process for determining the key assumptions that require judgement, that being the discount rate and the projected revenue growth over the impairment review period for retail stores and designation of stores as flagship stores.
- Used internal valuation specialists to challenge the reasonableness of the discount rate used by management.
- Challenged the revenue growth assumptions using supporting evidence such as historical growth rates and growth rates of luxury retail goods. Used this data to develop independent valuations for the discounted cash flows using independent data on discount rate and revenue growth rate
- Assessed the historical accuracy of revenue forecasts prepared by management.
- Challenged management's review for indicators of impairment on flagship stores.

Key observations

We were satisfied that management's judgements in respect of impairment of property, plant and equipment in loss making stores and the Group's flagship stores is considered reasonable and the net book value of these assets are appropriately stated.

Accounting for acquisitions

Key audit matter description	<p>In the year the Group made two acquisitions:</p> <ul style="list-style-type: none"> • On 3 April 2017 the Group invested £2.0 million in 60% of a newly incorporated entity, Mulberry (Asia) Limited, with Challice Limited (a related party) investing the remaining 40%. This company acquired four stores, from the previous Mulberry distributor in this location, Club 21, to operate the Mulberry business in China, Hong Kong and Taiwan. • On 4 December 2017 the Group entered into an agreement to buy 50% of Mulberry Japan Co. Limited, a newly incorporated entity, with Onward Global Fashion Co. acquiring the remaining 50%. The Group invested £1.3 million in equity shares and £0.3 million in the form of a loan note. <p>We have identified a key audit matter around the following:</p> <ul style="list-style-type: none"> • Determining the fair value of the assets acquired by Mulberry (Asia) Limited when the four stores were acquired. • Determining if the results of Mulberry Japan Co. Limited should be fully consolidated into the Mulberry Group plc results for the year ended 31 March 2018. <p>Individual market performance and international expansion is included as a principal risk in the Strategic report on page 11. Accounting for business combinations and the basis for consolidation of entities which are controlled by the Group are included the accounting policies in note 3 and the results associated with the acquisitions in the year are shown in note 34.</p>
How the scope of our audit responded to the key audit matter	<p>We have performed the following procedures around this key audit matter:</p> <ul style="list-style-type: none"> • Assessed the design and implementation of relevant controls applied by management in respect of acquisition accounting. • Reviewed and challenged management's position to support the accounting treatment applied for each transaction by reference to the requirements of IFRS 3 <i>Business Combinations</i>, and IFRS 10 <i>Consolidated financial statements</i>. • Inspected any sale purchase agreements and supporting contracts that were signed in the period to validate the terms of each transaction. • Where applicable, tested, on a sample basis, the fair value of assets acquired back to supporting evidence.
Key observations	<p>We were satisfied that management's judgements in respect of accounting for acquisitions are considered reasonable and the accounting and disclosures for the acquisitions made in the year are appropriately stated.</p>

Independent auditor's report (continued)

Year ended 31 March 2018

OUR APPLICATION OF MATERIALITY

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	£890,000	£756,500
Basis for determining materiality	<p>The basis for determining materiality has taken into account key drivers of the business such as revenue, income before tax and net assets.</p> <p>The determined materiality equates to 0.5% of revenue and 1.0% of net assets.</p>	<p>The basis for determining materiality has taken into account the net assets of the Company and also the Group materiality set.</p> <p>The determined materiality equates to 2.2% of the Parent Company's net assets.</p>
Rationale for the benchmark applied	<p>This approach has been taken to consider a balanced portfolio of benchmarks used by stakeholders in the business. A balanced portfolio approach has been used to take into account the ongoing expansion in overseas markets.</p>	<p>The Parent Company is a holding company, which does not trade. It has therefore been considered that a materiality determined on net assets is the most appropriate basis for an investment holding entity.</p>

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £40,000 for the Group, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

The scope of the Group audit is as follows:

- Full scope audit performed by the Group audit team for the UK and US components;
- Analytical review procedures performed to component materiality by the Group audit team for components in Europe (excluding the UK), Canada and Asia; and
- Audit of the consolidation.

Component materialities, excluding Parent Company materiality, were capped at £756,500, giving the range £445,000 to £756,500.

The scoping decisions made provide the following coverage of revenue, income before tax and net assets across the Group.

- Full scope audit – 94% revenue, 82% profit before tax* and 86% net assets*
- Analytical review procedures - 6% revenue, 18% profit before tax* and 14% net assets*

* Percentages are disclosed on an absolute basis to give an appropriate indication of the contribution and size of the component to the Group as a whole.

OTHER INFORMATION

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon.

We have nothing to report in respect of these matters.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

RESPONSIBILITIES OF DIRECTORS

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, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

USE OF OUR REPORT

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.

Independent auditor's report (continued)

Year ended 31 March 2018

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

OPINIONS 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.

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

We have nothing to report in respect of these matters.

- we have not received all the information and explanations we require for our audit; or
- 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.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made.

We have nothing to report in respect of these matters.

Delyth Jones (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Bristol, United Kingdom
13 June 2018

Group income statement

Year ended 31 March 2018

	Note	2018 £'000	2017 £'000
Revenue	5	169,718	168,121
Cost of sales		(62,000)	(64,535)
Gross profit		107,718	103,586
Operating expenses	7	(101,464)	(96,961)
Other operating income	5	482	482
Operating profit		6,736	7,107
Share of results of associates	19	114	148
Finance income	11	96	295
Finance expense	12	(29)	(17)
Profit before tax		6,917	7,533
Tax	13	(2,011)	(2,543)
Profit for the year		4,906	4,990
Attributable to:			
Equity holders of the parent		6,391	5,338
Non-controlling interests		(1,485)	(348)
Profit for the year		4,906	4,990
Basic earnings per share	15	8.3p	8.4p
Diluted earnings per share	15	8.2p	8.4p
All activities arise from continuing operations.			

Reconciliation to adjusted profit before tax:

		2018 £'000	2017 £'000
Profit before tax		6,917	7,533
Impairment charge related to retail property, plant and equipment	7	378	1,087
Store closure costs	7	675	–
Adjusted Profit before tax – non-GAAP measure		7,970	8,620
Adjusted basic earnings per share	15	10.0p	10.2p
Adjusted diluted earnings per share	15	10.0p	10.2p

Group statement of comprehensive income

Year ended 31 March 2018

	2018 £'000	2017 £'000
Profit for the year	4,906	4,990
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	(447)	1,803
Losses on a hedge of a net investment taken to equity	(115)	(5)
Income tax relating to items that may be reclassified subsequently to profit or loss	107	(361)
Total comprehensive income for the year	4,451	6,427
Attributable to:		
Equity holders of the parent	6,031	6,775
Non-controlling interests	(1,580)	(348)
Total comprehensive income for the year	4,451	6,427

Group balance sheet

At 31 March 2018

	Note	2018 £'000	2017 £'000
Non-current assets			
Intangible assets	16	10,362	10,833
Property, plant and equipment	17	21,971	24,136
Interests in associates	19	306	198
Deferred tax asset	23	1,782	1,500
		<u>34,421</u>	<u>36,667</u>
Current assets			
Inventories	20	44,647	42,822
Trade and other receivables	21	15,196	14,669
Cash and cash equivalents	21	25,071	21,093
		<u>84,914</u>	<u>78,584</u>
Total assets		<u>119,335</u>	<u>115,251</u>
Current liabilities			
Trade and other payables	24	(30,199)	(28,350)
Current tax liabilities		(893)	(1,257)
Total liabilities		<u>(31,092)</u>	<u>(29,607)</u>
Net assets		<u>88,243</u>	<u>85,644</u>
Equity			
Share capital	25	3,001	3,000
Share premium account		11,961	11,961
Own share reserve	26	(1,388)	(1,461)
Capital redemption reserve	26	154	154
Cash flow hedge reserve	26	(98)	(5)
Foreign exchange reserve	26	701	1,063
Retained earnings		73,165	69,957
		<u>87,496</u>	<u>84,669</u>
Equity attributable to holders of the parent		87,496	84,669
Non-controlling interests		747	975
Total equity		<u>88,243</u>	<u>85,644</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 2018.

They were signed on its behalf by:

Thierry Andretta
Director

Neil Ritchie
Director

Group statement of changes in equity

Year ended 31 March 2018

	Share capital £'000	Share premium account £'000	Own share reserve £'000	Capital redemption reserve £'000	Cash flow hedge reserve £'000	Foreign exchange reserve £'000	Retained earnings £'000	Total £'000	Non-controlling interests £'000	Total equity £'000
Balance at 1 April 2016	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 interests	–	–	–	–	–	–	348	348	975	1,323
Dividends paid	–	–	–	–	–	–	(2,968)	(2,968)	–	(2,968)
Balance at 31 March 2017	3,000	11,961	(1,461)	154	(5)	1,063	69,957	84,669	975	85,644
Profit for the year	–	–	–	–	–	–	4,906	4,906	–	4,906
Other comprehensive income for the year	–	–	–	–	(93)	(362)	–	(455)	–	(455)
Total comprehensive income for the year	–	–	–	–	(93)	(362)	4,906	4,451	–	4,451
Issue of share capital	1	–	–	–	–	–	–	1	–	1
Charge for employee share-based payments	–	–	–	–	–	–	291	291	–	291
Exercise of share options	–	–	–	–	–	–	(505)	(505)	–	(505)
Own shares	–	–	73	–	–	–	–	73	–	73
Adjustment arising from movement in non-controlling interests	–	–	–	–	–	–	1,485	1,485	(228)	1,257
Dividends paid	–	–	–	–	–	–	(2,969)	(2,969)	–	(2,969)
Balance at 31 March 2018	3,001	11,961	(1,388)	154	(98)	701	73,165	87,496	747	88,243

Group cash flow statement

Year ended 31 March 2018

	2018 £'000	2017 £'000
Operating profit for the year	6,736	7,107
Adjustments for:		
Depreciation and impairment of property, plant and equipment	6,124	8,763
Amortisation of intangible assets	1,796	1,852
Loss on sale of property, plant and equipment	13	325
Share-based payments charge	291	1,086
Operating cash flows before movements in working capital	14,960	19,133
(Increase)/decrease in inventories	(464)	2,344
Increase in receivables	(2,059)	(2,326)
Increase in payables	1,571	168
Cash generated from operations	14,008	19,319
Income taxes paid	(2,553)	(4,021)
Interest paid	(29)	(17)
Net cash inflow from operating activities	11,426	15,281
Investing activities:		
Interest received	96	232
Dividend received from associate	–	195
Purchases of property, plant and equipment	(4,689)	(4,409)
Proceeds from disposal of property, plant and equipment	53	40
Acquisition of intangible fixed assets	(1,605)	(962)
Acquisition of subsidiary (see note 34)	(1,629)	–
Investment from non-controlling interests	2,675	–
Net cash used in investing activities	(5,099)	(4,904)
Financing activities:		
Dividends paid	(2,969)	(2,968)
Proceeds on issue of shares	1	–
Increase in related party loan	1,385	–
Settlement of share awards	(505)	(153)
Net cash used in financing activities	(2,088)	(3,121)
Net increase in cash and cash equivalents	4,239	7,256
Cash and cash equivalents at beginning of year	21,093	14,014
Effect of foreign exchange rate changes	(261)	(177)
Cash and cash equivalents at end of year	25,071	21,093

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 2018

1. GENERAL INFORMATION

Mulberry Group plc is a public company, limited by shares, incorporated in the United Kingdom under the Companies Act, and is registered in England and Wales. The address of the registered office is given on page 13. 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

In the current year the Group has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2017. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to IAS 7: Disclosure Initiative

The Group has adopted the amendments to IAS 7 for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. The Group's liabilities arising from financing activities consist of loans from related parties (note 33). A reconciliation between the opening and closing balances of these items is provided in note 33. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 33, the application of these amendments has had no impact on the Group's consolidated financial statements.

Amendments to IAS 12: Disclosure Initiative

The Group has adopted the amendments to IAS 12 for the first time in the current year. The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilise a deductible temporary difference. The application of these amendments has had no impact on the Group's consolidated financial statements as the Group already assesses the sufficiency of future taxable profits in a way that is consistent with these amendments.

At the date of approval of these financial statements, the Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

- IFRS 9: Financial Instruments;
- IFRS 15: Revenue from Contracts with Customers;
- IFRS 16: Leases;
- IFRS 2 (amendments): Classification and Measurement of Share-based Payment Transactions;
- IFRS 10 and IFRS 28 (amendments): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;
- IFRIC 22: Foreign Currency Transactions and Advanced Consideration; and
- IFRIC 23: Uncertainty over Income Tax Treatments.

The Directors do not expect the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods, except as noted below:

IFRS 9 Financial Instruments

The Group will apply IFRS 9 from 1 April 2018. The Group has elected not to restate comparatives on initial application of IFRS 9. The full impact of adopting IFRS 9 on the Group's consolidated financial statements will depend on the financial instruments that the Group has during the financial year, as well as on economic conditions and judgements made as at the year end. The Group has performed a preliminary assessment of the potential impact of adopting IFRS 9 based on the financial instruments and hedging relationships as at the date of the initial application of IFRS 9 (1 April 2018).

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

Classification and measurement

With respect to the classification of and measurement of financial assets, the number of categories of financial assets under IFRS 9 has been reduced compared to IAS 39. Under IFRS 9 the classification of financial assets is based on both the business model within which the asset is held and the contractual cash flows of the asset.

There will be no impact on the financial assets held by the Group (trade receivables) or the following financial liabilities (trade payables).

Hedge Accounting

On initial application of IFRS 9, an entity may choose, as its accounting policy, to continue to apply the hedge accounting requirements of IAS 39 instead of the hedge accounting requirements of IFRS 9. The Group has not elected to apply the IFRS 9 hedge accounting requirements.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a single comprehensive model to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue and the related Interpretations when it becomes effective for accounting periods beginning on or after 1 January 2018. The Group is required to adopt for the year ending 31 March 2019 but there are no contracts identified which would change the current accounting policy for revenue recognition.

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. The Group currently expects to adopt IFRS 16 for the year ending 31 March 2020. No decision has been made about whether to use any of the transitional options in IFRS 16.

IFRS 16 distinguishes between leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and are replaced by a model where a right-to-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet except for short term leases and leases of low value assets).

The right-to-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected because operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively. Furthermore, extensive disclosures are required by IFRS 16.

As at 31 March 2018, the Group has non-cancellable operating lease commitments of £138.1 million. IAS 17 does not require the recognition of any right-to-use asset or liability for future payments for these leases; instead, certain information is disclosed as operating lease commitments in note 28. A preliminary assessment indicates these arrangements will meet the definition of a lease under IFRS 16 and hence the Group will recognise a right-to-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short term leases upon the application of IFRS 16. The new requirement to recognise a right-to-use asset and a related lease liability is expected to have a significant impact on the amounts recognised in the Group's consolidated financial statements and the Directors are currently assessing its potential impact. It is not practicable to provide a reasonable estimate of the financial effect until the Directors complete the review.

Notes to the Group financial statements (continued)

Year ended 31 March 2018

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

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

For the year ended 31 March 2018, the financial year runs for the 52 weeks to 24 March 2018 (2017: 52 weeks ended 25 March 2017).

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.

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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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.

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.

Notes to the Group financial statements (continued)

Year ended 31 March 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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. For store fit out costs, these reviews are undertaken after the store has been trading for two years. Fit out costs for flagship stores are considered after taking into consideration their contribution to the marketing of the Mulberry brand.

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.

Inventories

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation

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

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

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

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised 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.

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.

Notes to the Group financial statements (continued)

Year ended 31 March 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Share-based payments

The Group issues equity-settled share-based payments to certain employees 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

For the 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.

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 cash flow 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 designates 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.

Notes to the Group financial statements (continued)

Year ended 31 March 2018

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 (other than those involving estimations) that have a significant impact on the amounts recognised and to make 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 prior 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.

Control over Mulberry Japan Co. Limited

Note 40 describes that Mulberry Japan Co. Limited is a subsidiary of the Group which has a 50% ownership interest and 50% of the voting rights.

Based on the requirements of IFRS 10, the Directors of the Company are satisfied that the Group has control over Mulberry Japan Co. Limited and has therefore treated the entity as a subsidiary. Control is demonstrated both by the terms of the shareholders agreement and the relationship the Group has as the provider of distribution rights to Mulberry Japan Co. Limited, such that it has power over the entity, there is exposure to variable returns and there is a link between power and returns.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

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 of future growth rates and cost of capital, and third party leasehold valuations which are referred to in more detail in note 17. During the current year this has resulted in an impairment of retail assets of £378,000 (2017: £1,087,000). 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. Given the significant value of the rights to a lease at 275 Rue Saint-Honoré, 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

	2018 £'000	2017 £'000
Revenue		
Sale of goods	169,718	168,121
Other operating income		
Royalty income	201	214
Other income	281	268
	<u>482</u>	<u>482</u>
Finance income		
Interest income on cash balances	38	14
Other interest income	47	–
Gains on foreign exchange forward contracts	11	281
	<u>170,296</u>	<u>168,898</u>
Total revenue		

Notes to the Group financial statements (continued)

Year ended 31 March 2018

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.

Segment information about these businesses is presented below.

	Design 2018 £'000	Retail 2018 £'000	Eliminations 2018 £'000	Group 2018 £'000
Revenue				
External sales ⁽¹⁾	37,107	132,611	–	169,718
Inter-segment sales	64,460	–	(64,460)	–
Total revenue	<u>101,567</u>	<u>132,611</u>	<u>(64,460)</u>	<u>169,718</u>
Segment result	<u>7,397</u>	<u>381</u>	<u>–</u>	<u>7,778</u>
Central administration costs				(1,042)
Share of results of associate				114
Net finance income				67
Profit before tax				<u>6,917</u>

Included within the Retail segment depreciation and amortisation is £378,000 (2017: £1,087,000) relating to impairment.

(1) Included within Retail external sales is £623,000 (2017: £375,000) of wholesale sales which have been invoiced by a Retail company within the Group.

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

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

(1) Included within Retail external sales is £623,000 (2017: £375,000) of wholesale sales which have been invoiced by a Retail company within the Group.

	Design 2018 £'000	Retail 2018 £'000	Total 2018 £'000	Design 2017 £'000	Retail 2017 £'000	Total 2017 £'000
Other information						
Additions to non-current assets	2,144	2,949	5,093	1,511	3,771	5,282
Depreciation, amortisation and impairment	<u>2,368</u>	<u>4,655</u>	<u>7,023</u>	<u>2,537</u>	<u>6,062</u>	<u>8,599</u>

In addition, £354,000 (2017: £88,000) of capital expenditure and £897,000 (2017: £1,526,000) of depreciation was incurred by the Parent Company which is not included in the segments above.

Notes to the Group financial statements (continued)

Year ended 31 March 2018

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

	Design 2018 £'000	Retail 2018 £'000	Total 2018 £'000	Design 2017 £'000	Retail 2017 £'000	Total 2017 £'000
Balance sheet						
Segment assets	50,166	62,483	112,649	42,412	66,616	109,028
Interests in associates			306			198
Unallocated corporate assets			6,380			6,025
Consolidated assets			119,335			115,251
Segment liabilities	15,116	13,887	29,003	16,862	10,665	27,527
Unallocated corporate liabilities			2,089			2,080
Consolidated liabilities			31,092			29,607

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.

(b) Geographical segments

	Sales revenue by geographical market ⁽¹⁾		Non-current assets by geographical market	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
UK	121,650	121,863	21,398	23,173
Rest of Europe	25,170	24,241	10,654	11,433
Asia	11,500	11,654	1,078	–
North America	10,840	9,533	1,291	2,061
Rest of world	558	830	–	–
Total revenue	169,718	168,121	34,421	36,667

(1) Revenue by geographical market includes wholesale sales based on the location of the customer.

(c) Product categories

Leather accessories account for over 90% of the Group's revenues, of 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

Operating expenses for the year include the following:

- An impairment charge of £378,000 (2017: £1,087,000) relating to the retail assets of one international store. This store had not been trading in line with its expected potential (see note 17).
- Closure costs of £675,000 (2017: £nil) relating to two international stores which had not been trading in line with expectations.

8. PROFIT FOR THE YEAR

	2018 £'000	2017 £'000
Profit for the year has been arrived at after charging/(crediting):		
Net foreign exchange loss/(gain)	355	(192)
Depreciation of property, plant and equipment (see note 17)	5,746	7,676
Impairment of property, plant and equipment (see note 17)	378	1,087
Store closure costs	675	–
Amortisation of intangible assets (see note 16)	1,796	1,852
Write-downs of inventories recognised as an expense	259	1,384
Cost of inventories recognised as an expense	63,214	62,451
Staff costs	42,700	42,192
Loss on disposal of property, plant and equipment	13	325
	<u>13</u>	<u>325</u>

9. AUDITOR'S REMUNERATION

	2018 £'000	2017 £'000
The analysis of auditor's remuneration is as follows:		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	70	38
Fees payable to the Company's auditor and their associates for the audit of the Company's subsidiaries	107	54
Total audit fees	<u>177</u>	<u>92</u>
	£'000	£'000
Other taxation advisory services	16	67
Other services	7	3
Total non-audit fees	<u>23</u>	<u>70</u>

Deloitte LLP has not performed tax compliance services since 1 April 2017 in line with the ethical standard restrictions on use of auditors for non-audit services.

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

Notes to the Group financial statements (continued)

Year ended 31 March 2018

10. STAFF COSTS

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

	2018 Number	2017 Number
Production	641	688
Sales and distribution	548	552
Administration	255	227
	<u>1,444</u>	<u>1,467</u>

	2018 £'000	2017 £'000
Their aggregate remuneration comprised:		
Wages and salaries	36,993	36,180
Social security costs	4,517	4,627
Other pension costs (see note 31)	899	853
Share-based payments (see note 30)	291	532
	<u>42,700</u>	<u>42,192</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.

11. FINANCE INCOME

	2018 £'000	2017 £'000
Gains on foreign exchange forward contracts	11	281
Other interest income	47	–
Interest income on cash balances	38	14
	<u>96</u>	<u>295</u>

12. FINANCE EXPENSE

	2018 £'000	2017 £'000
Interest on bank overdraft	3	13
Interest arising on adjustment for the hedged item in a designated fair value hedge accounting relationship	26	4
	<u>29</u>	<u>17</u>

13. TAX

	2018 £'000	2017 £'000
Current tax		
Corporation tax		
Current tax on income	2,811	2,417
Adjustments in respect of prior years	(518)	158
Deferred tax (note 23)		
Origination and reversal of temporary differences	(5)	(68)
Adjustments in respect of prior years	(277)	36
	<u>2,011</u>	<u>2,543</u>

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

	2018 £'000	2017 £'000
Profit before tax	6,917	7,533
Tax at the UK corporation tax rate of 19% (2017: 20%)	1,314	1,507
Tax effect of expenses that are not deductible in determining taxable profit	974	949
Differences in overseas tax base	(206)	–
Overseas losses not utilised or carried forward – normal trading losses	457	258
Prior year overseas tax losses recognised in the year	247	(564)
Effect of change in corporation tax rate	20	199
Adjustments in respect of prior years	(795)	194
Tax expense for the year	<u>2,011</u>	<u>2,543</u>

Current tax of £85,000 has been recognised directly in equity in relation to foreign currency movements (2017: charge £361,000) and £22,000 (2017: £1,000) in relation to losses on a hedge of a net investment (see note 26).

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. Accordingly, UK deferred tax has been provided and recognised at the rates applicable to the years in which temporary differences are expected to occur. 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 2018 the Group recognised deferred tax assets of £168,000 (2017: £361,000) in respect of losses that are expected to be set off against future taxable income (see note 23). In 2018 the Group did not recognise deferred tax assets of £457,000 (2017: £406,000) in respect of losses that can be set off against future taxable income.

The adjustments in respect of prior years have arisen on finalisation of corporation tax computations for the year ended 31 March 2017 when compared with the estimated tax provision previously calculated. Current tax prior year adjustments are derived from the refinement of tax treatment of share option charges, entertaining, legal costs and unrealised foreign exchange movements. Deferred tax prior year adjustments are derived from the finalisation of capital allowances and the tax treatment of provisions.

Notes to the Group financial statements (continued)

Year ended 31 March 2018

14. DIVIDENDS

	2018 £'000	2017 £'000
Dividend for the year ended 31 March 2017 of 5p (2016: 5p) per share paid on 23 November 2017	2,969	2,968
Proposed dividend for the year ended 31 March 2018 of 5p per share (2017: 5p)	2,969	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')

	2018 pence	2017 pence
Basic earnings per share	8.3	8.4
Diluted earnings per share	8.2	8.4
Adjusted basic earnings per share	10.0	10.2
Adjusted diluted earnings per share	10.0	10.2

Earnings per share is calculated based on the following data:

	2018 £'000	2017 £'000
Profit for the year for basic and diluted earnings per share	4,906	4,990
Adjustments to exclude exceptional items:		
Impairment relating to retail assets	378	1,087
Loss on disposal of retail stores	675	–
Adjusted profit for the year for basic and diluted earnings per share	5,959	6,077

	2018 Million	2017 Million
Weighted average number of ordinary shares for the purpose of basic EPS	59.4	59.4
Effect of dilutive potential ordinary shares : share options	0.2	0.1
Weighted average number of ordinary shares for the purpose of diluted EPS	59.6	59.5

The weighted average number of ordinary shares in issue during the year excludes those held by the Mulberry Group plc Employee Share Trust. Please refer to note 26.

16. INTANGIBLE ASSETS

	Software £'000	Lease costs £'000	Total £'000
Cost			
At 1 April 2016	11,051	7,366	18,417
Additions	962	–	962
Disposals	(117)	–	(117)
Foreign currency translation	–	635	635
At 1 April 2017	11,896	8,001	19,897
Additions	1,263	–	1,263
Disposals	(8)	–	(8)
Foreign currency translation	–	70	70
At 31 March 2018	13,151	8,071	21,222
Amortisation			
At 1 April 2016	7,329	–	7,329
Charge for the year	1,852	–	1,852
Disposals	(117)	–	(117)
Foreign currency translation	–	–	–
At 1 April 2017	9,064	–	9,064
Charge for the year	1,796	–	1,796
Disposals	–	–	–
Foreign currency translation	–	–	–
At 31 March 2018	10,860	–	10,860
Carrying amount			
At 31 March 2018	2,291	8,071	10,362
At 31 March 2017	2,832	8,001	10,833
At 31 March 2016	3,722	7,366	11,088

At 31 March 2018, the Group had entered into contractual commitments for the acquisition of software of £58,000 (2017: £37,000). Included within software is £164,000 of projects still in development, where amortisation will not commence until the projects are complete and the assets come into use (2017: £226,000).

As at 31 March 2018 the carrying amount of website development costs within software is £1,115,000 (2017: £1,254,000).

Notes to the Group financial statements (continued)

Year ended 31 March 2018

17. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings £'000	Short leasehold land and buildings £'000	Plant and equipment £'000	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Total £'000
Cost						
At 1 April 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 1 April 2017	12,121	21,723	8,940	30,604	50	73,438
Additions	7	1,631	1,013	1,533	–	4,184
Disposals	(5)	(67)	(321)	(877)	–	(1,270)
Foreign currency translation	–	(1,017)	(66)	(649)	–	(1,732)
At 31 March 2018	12,123	22,270	9,566	30,611	50	74,620
Accumulated depreciation and impairment						
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 1 April 2017	3,463	17,611	5,842	22,336	50	49,302
Charge for the year	424	1,459	1,026	2,837	–	5,746
Impairment charge	–	4	–	374	–	378
Disposals	(1)	(32)	(299)	(872)	–	(1,204)
Foreign currency translation	–	(876)	(63)	(634)	–	(1,573)
At 31 March 2018	3,886	18,166	6,506	24,041	50	52,649
Carrying amount						
At 31 March 2018	8,237	4,104	3,060	6,570	–	21,971
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
Included within the table above are the following assets under the course of construction which are not being depreciated:						
At 31 March 2018	–	193	346	–	–	539
At 31 March 2017	15	–	114	–	–	129

17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Group has the following contractual commitments:

	Freehold land and buildings £'000	Short leasehold land and buildings £'000	Plant and equipment £'000	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Total £'000
At 31 March 2018	–	42	57	913	–	1,012
At 31 March 2017	–	411	91	429	–	931

Freehold land of £2,029,000 (2017: £2,029,000) has not been depreciated.

The Group reviews property, plant and equipment at each reporting period end for indicators of impairment. 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 2018.

During the year, an impairment charge of £378,000 (2017: £1,087,000) was identified as part of the Directors' impairment review of the retail store assets relating to the store in Hamburg. In the prior year the stores impaired were Frankfurt and Dallas. The total recoverable amount for this store at the balance sheet date is considered to be £nil.

The key assumptions for the value in use calculations are those regarding the discount rates, and sales growth rates. 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:

Germany: 11% growth in revenue in year one, 15% to 20% in years two to five.

Canada: 11% growth in revenue in year one, 3% to 12% in years two to five.

The growth rates reflect 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 post-tax discount rates used in these calculations were between 9.0% and 9.5% (2017: 8.7% and 9.6%). This is based on the Group's weighted average cost of capital adjusted for country specific tax rates and risks.

The Group reviews the property, plant and equipment in flagship stores with a net book value of £3.2 million for indicators of impairment at each reporting period end. No impairment has been recognised in respect of these stores.

18. SUBSIDIARIES

A list of the investments in subsidiaries, including the name, country of incorporation and proportion of ownership interest is given in note 40 to the Company's separate financial statements.

Notes to the Group financial statements (continued)

Year ended 31 March 2018

19. INTERESTS IN ASSOCIATES

	2018 £'000	2017 £'000
Total assets	1,299	831
Total liabilities	(324)	(7)
Total net assets	975	824

	2018 £'000	2017 £'000
Group's share of net assets of associate	306	198
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 2018.

	2018 £'000	2017 £'000
Total revenue	2,022	2,139
Profit for the year	208	316
Group's share of profit of associate	114	148

20. INVENTORIES

	2018 £'000	2017 £'000
Raw materials	2,432	2,498
Work-in-progress	994	981
Finished goods	41,221	39,343
	44,647	42,822

21. OTHER FINANCIAL ASSETS

Trade and other receivables

	2018 £'000	2017 £'000
Amount receivable for the sale of goods	9,058	8,007
Allowance for doubtful debts	(269)	(331)
	8,789	7,676
Amounts owed by associate undertakings	87	88
Other debtors	2,910	3,876
Prepayments	3,410	3,029
	15,196	14,669

21. OTHER FINANCIAL ASSETS (CONTINUED)

Trade receivables

The average credit period taken on the sale of goods is 62 days (2017: 54 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 £16,104,000 (2017: £15,409,000); and
- A distribution partner in Korea with total revenue of £2,725,000 (2017: £4,002,000).

Included in the Group's trade receivables balance are debtors with a carrying amount of £2,771,000 (2017: £1,117,000) 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:

	2018 £'000	2017 £'000
0 to 30 days overdue	598	1,017
31 to 60 days overdue	833	100
61 to 90 days overdue	85	–
91 to 120 days overdue	137	–
121+ days overdue	1,118	–
	<u>2,771</u>	<u>1,117</u>

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

Cash and cash equivalents

	2018 £'000	2017 £'000
Cash and cash equivalents	<u>25,071</u>	<u>21,093</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.

Notes to the Group financial statements (continued)

Year ended 31 March 2018

22. BORROWINGS

No borrowings were outstanding at the year end (2017: £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. The Group intends to renew the revolving credit facility at a level that is at least equal to the current level.

In June 2018 the Group renewed its overdraft facilities to include trade facilities of £500,000 (2017: £2,000,000) together with a multi-currency overdraft facility of £4,000,000 (2017: £4,000,000) which would be repayable on demand. The interest rates are determined based on 1.25% over base. The overdraft facility has been agreed until 31 May 2019.

Both the revolving credit facility and the overdraft are secured by fixed and floating charges over the Group's assets, together with Group cross guarantees.

23. DEFERRED TAX

	Losses in overseas territories £'000	Accelerated tax depreciation £'000	Short term timing differences £'000	Total £'000
At 1 April 2016	–	(898)	(569)	(1,467)
(Credit)/charge to income	(360)	(48)	375	(33)
At 1 April 2017	(360)	(946)	(194)	(1,500)
(Credit)/charge to income	168	(498)	48	(282)
Deferred tax asset as at 31 March 2018	(192)	(1,444)	(146)	(1,782)

£1,615,000 (2017: £1,222,000) of the deferred tax asset is expected to unwind in more than one year.

At the balance sheet date, the Group had recognised deferred tax assets in respect of losses arising in overseas territories of £192,000 (2017: £362,000).

24. OTHER FINANCIAL LIABILITIES

Trade and other payables

	2018 £'000	2017 £'000
Trade payables	7,758	8,519
Accruals	21,193	18,873
Other payables	1,117	948
Derivative financial instruments	131	10
	<u>30,199</u>	<u>28,350</u>

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 19 days (2017: 20 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 32). 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

	2018 £'000	2017 £'000
Authorised		
65,000,000 ordinary shares of 5p each (2017: 65,000,000)	3,250	3,250
Issued and fully paid		
60,017,458 ordinary shares of 5p each (2017: 59,997,458)	3,001	3,000

On 14 July 2017, 20,000 5p ordinary shares were issued at par to the Mulberry Group plc Employee Share Trust.

The Company has granted 377,500 options in respect of 5p ordinary shares during the year (2017: 208,500).

26. RESERVES

Own share reserve

The Own share reserve represents 626,717 5p ordinary shares (2017: 639,844 5p ordinary shares) at a cost of £1,387,736 (2017: £1,461,289). 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, 20,000 5p shares at a cost of £1,000 (2017: nil) were issued to the Mulberry Group plc Employee Share Trust increasing the reserve. Additionally, the reserve reduced as a result of the transfer of 33,127 shares with a value of £74,553 (2017: 5,561 shares with a value of £12,700) to satisfy the vesting of share awards. The maximum number of own shares held during the year was 642,582 (2017: 645,405).

Capital redemption reserve

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.

Cash flow hedge and foreign exchange reserves

	Cash flow hedge reserve £'000	Foreign exchange reserve £'000	Total £'000
At 1 April 2016	–	(379)	(379)
Exchange differences on translating the net assets of foreign operations	–	1,804	1,804
Foreign currency forward contracts	(6)	–	(6)
Current tax recognised on above	1	(362)	(361)
At 1 April 2017	(5)	1,063	1,058
Exchange differences on translating the net assets of foreign operations	–	(447)	(447)
Foreign currency forward contracts	(115)	–	(115)
Current tax recognised on above	22	85	107
At 31 March 2018	(98)	701	603

Notes to the Group financial statements (continued)

Year ended 31 March 2018

26. RESERVES (CONTINUED)

Cash flow hedge reserve

The cash flow hedge reserve represents the cumulative amount of gains and losses on hedging instruments deemed effective in cash flow hedges. The cumulative deferred gain or loss on the hedging instrument is recognised in profit or loss only when the hedged transaction impacts the profit or loss.

Translation reserve

Exchange differences relating to the translation of the net assets of the Group's foreign operations, from their functional currency into the Parent Company's functional currency, being Sterling, are recognised directly in the foreign exchange reserve.

Losses reclassified from the hedging and translation reserves into profit or loss during the year are included in the following line items in the income statement:

	2018 £'000	2017 £'000
Cost of sales	29	–
Other expenses	2	–
	<u>31</u>	<u>–</u>

27. NON-CONTROLLING INTERESTS

	Total £'000
At 1 April 2016	–
Share of losses for the year	(348)
Increase in non-controlling interests arising from the set up of Mulberry (Asia) Limited	1,323
At 1 April 2017	<u>975</u>
Share of losses for the year	(1,485)
Increase in non-controlling interests arising from the set up of Mulberry Japan Co. Limited	1,352
Foreign currency translation	(95)
At 31 March 2018	<u>747</u>

28. OPERATING LEASE ARRANGEMENTS

	2018 £'000	2017 £'000
Minimum lease payments under operating leases recognised as an expense in the year	<u>18,185</u>	<u>16,158</u>

28. OPERATING LEASE ARRANGEMENTS (CONTINUED)

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:

	2018 £'000	2017 £'000
Within one year	17,671	15,876
In the second to fifth years inclusive	61,354	50,009
After five years	59,048	45,369
	<u>138,073</u>	<u>111,254</u>

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 £986,000 (2017: £934,000).

29. 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 (2017: £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 will mean 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 (2017: £nil).

30. 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 after the date of grant of options, and can be exercised for a period of 10 years from the date of grant. If the options remain unexercised for a period of 10 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:

	2018 Number of share options	2018 Weighted average exercise price (in £)	2017 Number of share options	2017 Weighted average exercise price (in £)
Outstanding at the beginning of the year	827,715	8.79	715,415	8.34
Granted during the year	–	–	208,500	10.34
Forfeited during the year	(18,500)	9.91	(85,200)	8.91
Exercised during the year	(201,000)	6.97	(11,000)	8.10
Outstanding at the end of the year	<u>608,215</u>	<u>9.36</u>	<u>827,715</u>	<u>8.79</u>
Exercisable at the end of the year	<u>345,215</u>	<u>8.85</u>	<u>180,000</u>	<u>7.89</u>

Notes to the Group financial statements (continued)

Year ended 31 March 2018

30. SHARE-BASED PAYMENTS (CONTINUED)

The weighted average share price at the date of exercise for share options exercised during the year was £10.91 (2017: £10.97). The options outstanding at 31 March 2018 had a weighted average remaining contractual life of 0.6 years (2017: 1.2 years).

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

	2018	2017
Share price	–	£10.34
Exercise price	–	£10.34
Expected volatility	–	18.4%
Expected life	–	3 years
Risk-free rate	–	0.51%
Expected dividend yields	–	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.

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 after the date of grant of options and can be exercised for a period of 10 years from the date of grant. If the matching shares remain unexercised after a period of 10 years from the date of grant, the award expires. The matching shares may be forfeited if the employee leaves the Group.

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

	2018 Number of matching shares	2017 Number of matching shares
Outstanding at the beginning of the year	10,796	23,302
Exercised during the year	–	(12,506)
Outstanding at the end of the year	10,796	10,796
Exercisable at the end of the year	10,796	10,796

The weighted average share price at the date of exercise for share options exercised during the year was £nil (2017: £10.26). The options outstanding at 31 March 2018 had a weighted average remaining contractual life of nil years (2017: nil years) and have an exercise price of £nil.

30. SHARE-BASED PAYMENTS (CONTINUED)

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

	2018 and 2017
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 after the date of grant of options and can be exercised for a period of 10 years from the date of grant. 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.

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

	2018 Number of share options	2018 Weighted average exercise price (in £)	2017 Number of share options	2017 Weighted average exercise price (in £)
Outstanding at the beginning of the year	300,000	1.458	300,000	1.458
Exercised during the year	—	—	—	—
Outstanding at the end of the year	300,000	1.458	300,000	1.458
Exercisable at the end of the year	300,000	1.458	300,000	1.458

The co-owned share rights outstanding at 31 March 2018 had a weighted average remaining contractual life of nil years (2017: nil years).

Notes to the Group financial statements (continued)

Year ended 31 March 2018

30. SHARE-BASED PAYMENTS (CONTINUED)

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

	2018 and 2017
Share price	£1.215 to £18.895
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 after the date of grant of options and is dependent upon attainment of certain performance conditions, including achievement of Group revenue and EBIT growth. The options can be exercised for a period of five years from the date of vesting. 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:

	2018 Number of shares	2017 Number of shares
Outstanding at the beginning of the year	–	61,400
Forfeited during the year	–	(61,400)
Outstanding at the end of the year	–	–
Exercisable at the end of the year	–	–

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

	2018 and 2017
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.

30. SHARE-BASED PAYMENTS (CONTINUED)

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. These were not met during the year, and therefore lapsed as a result.

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

	2018 Number of Share options	2018 Weighted average exercise price (in £)	2017 Number of Share options	2017 Weighted average exercise price (in £)
Outstanding at the beginning of the year	110,622	0.05	110,622	0.05
Lapsed during the year	(110,622)		–	
	<hr/>		<hr/>	
Outstanding at the end of the year	–	–	110,622	0.05
	<hr/>		<hr/>	
Exercisable at the end of the year	–	–	–	–
	<hr/>		<hr/>	

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

	2018 and 2017
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 2018

30. SHARE-BASED PAYMENTS (CONTINUED)

Mulberry Group plc 2017 Performance Share Plan

This option grant was made on 10 July 2017 and may be exercised after the Group's financial results for the financial year ended 31 March 2020 have been announced, and up to 10 years from the date of grant, upon attainment of the relevant performance conditions.

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

	2018 Number of shares	2017 Number of shares
Outstanding at the beginning of the year	–	
Granted during the year	377,500	£nil
Lapsed during the year	(9,500)	£nil
Outstanding at the end of the year	368,000	£nil
Exercisable at the end of the year	–	–

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

	2018
Share price	£9.89
Exercise price	£nil
Expected volatility	19.56%
Expected life	3 years
Risk-free rate	1.04%
Expected dividend yields	0.58%

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.

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

	2018 £'000	2017 £'000
Mulberry Group plc 2008 Unapproved Share Option Scheme	469	532
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	(598)	554
Mulberry Group plc 2017 Performance Share Plan	420	–
	291	1,086

31. RETIREMENT BENEFIT SCHEMES

The Group contributes to personal pension plans for all qualifying employees. The total cost charged to income of £899,000 (2017: £853,000) represents contributions payable to these personal plans by the Group at rates contractually agreed. As at 31 March 2018, contributions due in respect of the current reporting period which had not been paid over to the plans were £121,000 (2017: £131,000).

32. 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

	2018 £'000	2017 £'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	33,947	28,857
Financial liabilities		
Amortised cost	7,758	8,519
Derivatives in designated hedging relationships	131	10

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/ financial liabilities	Fair value as at 2018 £'000	Fair value as at 2017 £'000	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Derivatives in designated hedging relationships	Assets – £nil and liabilities – £131	Assets – £nil and liabilities – £10	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various companies.	n/a	n/a

Notes to the Group financial statements (continued)

Year ended 31 March 2018

32. FINANCIAL INSTRUMENTS (CONTINUED)

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 reviews the Group's foreign currency exposure, including the current market value of outstanding foreign exchange contracts, and sets 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:

	2018 £'000	2017 £'000
Derivatives in designated hedging relationships	1,618	10

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

	2018 £'000	2017 £'000
Euro	4,310	2,155
US Dollar	2,941	880

All hedges are short term in nature and will be settled within the following financial year.

32. FINANCIAL INSTRUMENTS (CONTINUED)

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

	Liabilities 2018 £'000	Liabilities 2017 £'000	Assets 2018 £'000	Assets 2017 £'000
Euro	3,642	5,003	6,251	8,875
US Dollar	2,073	2,338	2,673	3,699
Hong Kong Dollar	2,304	122	1,932	3,308
Australian Dollar	45	40	251	603
Japanese Yen	208	24	2,726	2
Taiwan Dollar	494	–	725	–
Chinese Renminbi	1,461	–	448	–
Canadian Dollar	325	321	305	365

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. A sensitivity rate of 10% 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 on profit 2018 £'000	Impact on profit 2017 £'000
Euro	237	352
US Dollar	54	124
Hong Kong Dollar	(34)	290
Australian Dollar	19	51
Japanese Yen	229	2
Taiwan Dollar	21	–
Chinese Renminbi	(92)	–
Canadian Dollar	(2)	(4)

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.

Notes to the Group financial statements (continued)

Year ended 31 March 2018

32. FINANCIAL INSTRUMENTS (CONTINUED)

If interest rates had been 1% higher and all other variables were held constant, the Group's profit for the year ended 31 March 2018 would have increased by £93,000 (2017: profit decreased by £61,000). This is mainly attributable to the Group's exposure to interest rates on its overdraft facility.

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 +0.29% (2017: +0.05%).

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.

	Less than 1 year £'000	1 to 2 years £'000	2 to 3 years £'000	3 to 4 years £'000	4 to 5 years £'000	Total £'000
2018						
Current liabilities	(30,199)	–	–	–	–	(30,199)
Derivatives: gross settled						
Cash inflows	7,252	–	–	–	–	7,252
Cash outflows	(7,336)	–	–	–	–	(7,336)

32. FINANCIAL INSTRUMENTS (CONTINUED)

	Less than 1 year £'000	1 to 2 years £'000	2 to 3 years £'000	3 to 4 years £'000	4 to 5 years £'000	Total £'000
2017						
Current liabilities	(29,607)	–	–	–	–	(29,607)
Derivatives: gross settled						
Cash inflows	3,035	–	–	–	–	3,035
Cash outflows	(3,061)	–	–	–	–	(3,061)

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

33. NOTES TO THE CASH FLOW STATEMENTS

Changes in liabilities arising from financing activities

	1 April 2017 £'000	Financing cash flows £'000	Fair value adjustments £'000	Other changes £'000	31 March 2018 £'000
Loans from related parties (note 36)	–	1,385	–	–	1,385
Total liabilities from financing activities	–	1,385	–	–	1,385

34. ACQUISITIONS AND BUSINESS COMBINATIONS

On 3 April 2017 Mulberry (Asia) Limited, a 60% owned subsidiary of Mulberry Group plc, acquired one store in Hong Kong previously owned by Club 21 Retail (Hong Kong) Limited. During the year, Mulberry (Asia) Limited acquired one store in Taiwan from Club 21 Pte Limited Taiwan branch on 1 October 2017 and two stores in China from Club 21 Shanghai Limited on 1 March 2018.

The amounts recognised in respect of the identifiable assets acquired are set out in the table below:

	£'000
Inventory	1,629
Total identifiable assets	1,629
Satisfied by:	
Cash	1,629
	1,629

These stores have contributed £2,513,000 to revenue and incurred a loss before tax of £3,400,000 for the year. Had the acquisitions happened on 1 April 2017 the revenue would have been £4,100,000 and the loss would not be materially different.

Notes to the Group financial statements (continued)

Year ended 31 March 2018

35. SUBSEQUENT EVENTS

On 1 May 2018, Mulberry Japan Co. Limited, a 50% owned subsidiary, took control of 6 stores in Japan previously operated by Onward Global Fashion Limited. The leases and employees were acquired for £nil consideration. The provisional value of fixed assets acquired was £931,000. The fair value of stock acquired is currently provisionally estimated at £860,000.

On 5 June 2018 the Group signed an agreement with SHK Holdings Limited ("SHK") to form a new majority-owned entity to operate its business in Korea, which is expected to start trading by Autumn 2018. For further details, please refer to the Strategic report.

36. 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 2018 £'000	Sale of goods 2017 £'000	Purchases of goods, services, fixed assets and stock 2018 £'000	Purchases of goods, services, fixed assets and stock 2017 £'000	Amounts owed by/ (from) related parties 2018 £'000	Amounts owed by/ (from) related parties 2017 £'000
Mulberry Oslo AS	1,084	1,148	–	–	87	88
Club 21 Retail (Hong Kong) Limited*	–	1,143	973	–	(1)	232
Club 21 Shanghai Limited*	781	310	301	–	853	89
Club 21 Pte Limited*	1,206	1,817	–	–	12	114
Club 21 (Thailand) Co Limited*	368	764	–	–	22	122
Club 21 Pte Limited Taiwan Branch*	61	185	355	–	(566)	23
Club Twenty-One Retail (M) Sdn Bhd*	225	461	–	–	16	34
Club 21 Australia Pty Limited*	(2)	(2)	–	–	–	(1)
Club 21 Japan Company Limited*	(98)	500	–	–	–	(5)
Challice Limited	–	–	–	–	(1,385)	1,323

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

36. 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 £124,621 (2017: £123,710) 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.

Transactions with the Group's Employee Benefit Trust are disclosed in note 26.

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 15 to 17 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.

	2018 £'000	2017 £'000
Short term employee benefits	2,005	1,778
Post-employment benefits	20	19
Share-based payments	–	292
	<u>2,025</u>	<u>2,089</u>

37. CONTROLLING PARTY

At the year end and at the date of this report, Challice Limited controlled 56.19% 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 and lowest level at which a consolidation is prepared for the Group.

Company financial statements

Year ended 31 March 2018

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Company balance sheet

At 31 March 2018

	Note	2018 £'000	2017 £'000
Non-current assets			
Investments	40	22,162	20,810
Property, plant and equipment	41	3,951	4,498
Deferred tax asset	44	18	–
		<u>26,131</u>	<u>25,308</u>
Current assets			
Trade and other receivables	42	<u>74,957</u>	<u>59,221</u>
Total assets		<u>101,088</u>	<u>84,529</u>
Current liabilities			
Trade and other payables	43	<u>(66,086)</u>	<u>(66,857)</u>
Total assets less current liabilities		<u>35,002</u>	<u>17,672</u>
Provision for liabilities	44	<u>–</u>	<u>(32)</u>
Net assets		<u>35,002</u>	<u>17,640</u>
Capital and reserves			
Called up share capital	25	3,001	3,000
Share premium account		11,961	11,961
Own share reserve	26	(1,388)	(1,461)
Capital redemption reserve	26	154	154
Retained earnings		<u>21,274</u>	<u>3,986</u>
Total equity		<u>35,002</u>	<u>17,640</u>

The Company reported a profit for the financial year ended 31 March 2018 of £20,471,000 (2017: loss of £408,000).

The financial statements of Mulberry Group plc (company number 01180514) were approved by the Board of Directors and authorised for issue on 13 June 2018.

They were signed on its behalf by:

Thierry Andretta
Director

Neil Ritchie
Director

Company statement of changes in equity

Year ended 31 March 2018

	Share capital £'000	Share premium account £'000	Own share reserve £'000	Capital redemption reserve £'000	Retained earnings £'000	Total £'000
As at 1 April 2016	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)
Balance at 31 March 2017	3,000	11,961	(1,461)	154	3,986	17,640
Other comprehensive profit for the year	–	–	–	–	20,471	20,471
Total comprehensive profit for the year	–	–	–	–	20,471	20,471
Issue of shares	1	–	–	–	–	1
Charge for employee share-based payments	–	–	–	–	291	291
Exercise of share options	–	–	–	–	(505)	(505)
Own shares	–	–	73	–	–	73
Ordinary dividends paid	–	–	–	–	(2,969)	(2,969)
Balance at 31 March 2018	3,001	11,961	(1,388)	154	21,274	35,002

Notes to the Company financial statements

Year ended 31 March 2018

38. 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 37 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.

39. PROFIT FOR THE YEAR

As permitted by Section 408 of the Companies Act 2006, the Company has elected not to present its own profit and loss account for the year. Mulberry Group plc reported a profit for the financial year ended 31 March 2018 of £20,471,000 (2017: loss of £408,000). Included in the profit for the year is a release of a provision of £1,268,000 (2017: loss of £14,183,000) against intercompany balances.

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 2018

40. FIXED ASSET INVESTMENTS

	Subsidiaries shares £'000	Subsidiaries loans £'000	Total £'000
Cost			
At 1 April 2017	10,875	11,804	22,679
Additions	1,352	–	1,352
Disposals	–	–	–
At 31 March 2018	12,227	11,804	24,031
Provision for impairment			
At 1 April 2017	1,869	–	1,869
Charge for the year	–	–	–
At 31 March 2018	1,869	–	1,869
Net book value			
At 31 March 2018	10,358	11,804	22,162
At 31 March 2017	9,006	11,804	20,810

The Company has investments in the ordinary shares of the following subsidiaries and associates which contributed to the results or net assets of the Group at the year ended 31 March 2017 and 31 March 2018 (except as highlighted):

Subsidiaries	Country of incorporation	Principal activity	Proportion of ownership interest and voting power
Mulberry Company (Design) Limited ⁽¹⁾	England and Wales	Design and manufacture of clothing and fashion accessories in the UK	100%
Mulberry Company (France) SARL ⁽²⁾	France	Establishment and operation of retail stores in France	100%
Mulberry Company (Sales) Limited ⁽¹⁾	England and Wales	Establishment and operation of retail shops in the UK	100% [†]
Mulberry Company (Europe) Limited ⁽¹⁾	England and Wales	Intermediary holding company	100%
Mulberry Company (USA) Inc ⁽³⁾	USA	Establishment and operation of retail stores in the USA	100%
Mulberry Group plc Employee Share Trust ⁽⁴⁾	Guernsey	Operation of an employee share trust	100%
Mulberry Company (Germany) GmbH ⁽⁵⁾	Germany	Establishment and operation of retail stores in Germany	100%
Mulberry Company (Switzerland) GmbH ⁽⁶⁾	Switzerland	Establishment and operation of retail stores in Switzerland	100%

40. FIXED ASSET INVESTMENTS (CONTINUED)

Subsidiaries	Country of incorporation	Principal activity	Proportion of ownership interest and voting power
Mulberry Company (Austria) GmbH ⁽⁷⁾	Austria	Establishment and operation of retail stores in Austria	100%
Mulberry Company (Canada) Inc ⁽⁸⁾	Canada	Establishment and operation of retail stores in Canada	100%
Mulberry France Services SARL ⁽²⁾	France	Operation of non-retail services	100%
Mulberry Company (Australia) Pty Limited ⁽⁹⁾	Australia	Establishment and operation of retail stores in Australia	100%
Mulberry (Asia) Limited ⁽¹⁰⁾	Hong Kong	Establishment and operation of retail stores in Asia	60%
Mulberry Trading (Shanghai) Company Limited ¶ ⁽¹¹⁾	China	Establishment and operation of retail stores in China	100% [§]
Mulberry Japan Co. Limited ¶ # ⁽¹²⁾	Japan	Establishment and operation of retail stores in Japan	50%
Mulberry Company (Shoes) Limited ⁽¹⁾	England and Wales	Dormant company	100%
Mulberry Company (Holdings) Limited ⁽¹⁾	England and Wales	Dormant company	100%
Mulberry Fashions Limited ⁽¹⁾	England and Wales	Dormant company	100% [†]
Mulberry Leathers Limited ⁽¹⁾	England and Wales	Dormant company	100% [†]
Mulberry (UK) Limited ⁽¹⁾	England and Wales	Dormant company	100%

Associates

Mulberry Oslo AS* ⁽¹³⁾	Norway	Operation of retail store in Oslo	50%
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* 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.

§ Owned by Mulberry (Asia) Limited.

¶ New company formed in the year ended 31 March 2018.

Mulberry Japan Co. Limited is treated as a subsidiary of Mulberry Group plc.

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

- (1) The Rookery, Chilcompton, Bath, Somerset, BA3 4EH
- (2) 51 Rue Étienne Marcel, 75001, Paris, France
- (3) 475 Park Avenue South, New York 10016, USA
- (4) Cambridge House, Le Truchot, St. Peter Port, Guernsey, GY1 3UW
- (5) c/o Osborne Clarke, Innere Kanalstrasse 15, 50823 Cologne, Germany
- (6) Storchengasse 4, 8001 Zurich, Switzerland
- (7) Seitzergasse 2-4, 1010 Vienna, Austria
- (8) 340 Albert Street, Suite 1400, Ottawa, Ontario K1R 0A5, Canada
- (9) 225 George Street, Sydney NSW 2000, Australia
- (10) Unit 103B 1/F Star House, 3 Salisbury Road TST KLN, Hong Kong
- (11) Shop No B130, Plaza 66, No 1266, West Nanjing Road, Jing'an District, Shanghai, 200041
- (12) 5-7-4 Jingumae, Shibuya-ku, Tokyo
- (13) Akersgata 18, 0158 Oslo, Norway

Notes to the Company financial statements (continued)

Year ended 31 March 2018

41. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings £'000	Short leasehold land and buildings £'000	Fixtures and fittings £'000	Total £'000
Cost				
At 1 April 2017	6,638	7,082	711	14,431
Additions	6	348	–	354
Disposals	(5)	–	–	(5)
At 31 March 2018	6,639	7,430	711	14,780
Depreciation				
At 1 April 2017	2,788	6,494	651	9,933
Charge for the year	243	594	60	897
Disposals	(1)	–	–	(1)
At 31 March 2018	3,030	7,088	711	10,829
Net book value				
At 31 March 2018	3,609	342	–	3,951
At 31 March 2017	3,850	588	60	4,498

Freehold land of £997,000 (2017: £997,000) has not been depreciated.

At 31 March 2018, the Company had entered into contractual commitments for the acquisition of property of £nil (2017: £nil) and there were assets under the course of construction where depreciation has not yet commenced of £nil (2017: £13,000).

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

42. TRADE AND OTHER RECEIVABLES

	2018 £'000	2017 £'000
Amounts falling due within one year:		
Amounts owed by Group undertakings	74,108	58,982
Prepayments and accrued income	849	239
	74,957	59,221

43. TRADE AND OTHER PAYABLES

	2018 £'000	2017 £'000
Amounts falling due within one year:		
Amounts owed to Group undertakings	65,383	65,434
Accruals and deferred income	538	822
Current tax	165	601
	<u>66,086</u>	<u>66,857</u>

44. DEFERRED TAX

	2018 £'000	2017 £'000
Deferred tax – accelerated capital allowances	–	32
Deferred tax liability at 1 April 2017	32	
Credit for the year	(50)	
Deferred tax asset at 31 March 2018	<u>(18)</u>	

45. RELATED PARTY TRANSACTIONS

Details of related party transactions are provided in note 36 to 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.

46. CONTINGENT LIABILITIES

Mulberry Group plc has acted as a guarantor on various property leases entered into between its subsidiaries and thirdparty lessors. No amounts were outstanding at the year end in respect of such guarantees (2017: £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 will mean 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 (2017: £nil).

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

47. SHARE CAPITAL

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

48. 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.

Notice of Annual General Meeting

Year ended 31 March 2018

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 11 September 2018 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 2018 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 2018.

Re-election of retiring Directors

3. That Mr T Andretta who retires as a Director by rotation in accordance with the Company's Articles of Association be re-elected as a Director.
4. That Mr G Davis 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 reappointed 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 £1,000,291, 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 2019, except that the Company may at any time before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such an offer or agreement as if this authority had not expired.

Waiver of statutory pre-emption rights

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 £150,044; 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 2019 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 3,000,873;
 - (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 2019, 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 2018

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

Notice of Annual General Meeting (continued)

NOTES:

1. All members holding ordinary shares are entitled to attend, speak and vote at the meeting. Such members may appoint a proxy to attend, speak and vote instead of them. A proxy need not also be a member of the Company but must attend the AGM in order to represent his appointer. A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares (so a member must have more than one share to be able to appoint more than one proxy). A form of proxy is enclosed. The notes to the form of proxy include instructions on how to appoint the Chairman of the AGM or another person as proxy and how to appoint a proxy electronically or by using the CREST proxy appointment service. To be effective the form must reach the Company's registrar, Computershare Investor Services PLC at The Pavilions, Bridgwater Road, Bristol, BS99 6ZY by 11 am on 7 September 2018.
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 7 September 2018 (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 2018 (being the last business day prior to the publication of this Notice) the Company's issued share capital consists of 60,017,458 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 13 June 2018 are 60,017,458.
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.

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 £1,000,291, representing approximately one-third of the nominal value of the issued ordinary share capital of the Company as at 13 June 2018, 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 £150,044, representing approximately 5% of the nominal value of the issued ordinary share capital of the Company as at 13 June 2018, being the latest practicable date before publication of this Notice. Unless revoked, varied or extended, this authority will expire at the conclusion of the next AGM of the Company or 18 months after the passing of the resolution, whichever is the earlier.

The Company may hold any shares it buys back “in treasury” and then sell them at a later date for cash rather than simply cancelling them. Any such sales are required to be made on a pre-emptive, pro rata basis to existing shareholders unless shareholders agree by special resolution to disapply such pre-emption rights. Accordingly, in addition to giving the Directors power to allot unissued ordinary shares on a non pre-emptive basis, resolution 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 3,000,873 ordinary shares (representing approximately 5% of the Company’s issued ordinary shares as at 13 June 2018, 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

	2014 £'000	2015 £'000	2016 £'000	2017 £'000	2018 £'000
Results					
Revenue	163,456	148,680	155,867	168,121	169,718
Operating profit	13,717	1,700	6,110	7,107	6,736
Profit before tax	14,014	1,861	6,217	7,533	6,917
Profit/(loss) attributable to equity shareholders	8,602	(1,392)	2,685	5,338	6,391
Loss attributable to non-controlling interests	–	–	–	(348)	(1,485)
Assets employed					
Non-current assets	43,296	47,355	40,904	36,667	34,421
Current assets	70,768	62,539	69,159	78,584	84,914
Current liabilities	(30,106)	(31,205)	(30,147)	(29,607)	(31,092)
Net assets	83,958	78,689	79,916	85,644	88,243
Key statistics					
Earnings/(loss) per share	14.5p	(2.3p)	4.5p	8.4p	8.3p
Diluted earnings/(loss) per share	14.5p	(2.3p)	4.5p	8.4p	8.2p

