

# Mulberry

Interim Report and Accounts

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018



# Mulberry Interim Report and Accounts

Six months ended 30 September 2018

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## FINANCIAL SUMMARY

- Total Revenue down 8% to £68.3 million (2017: £74.6 million)
- International Retail sales up 13%
- UK business profitable but affected by House of Fraser administration and soft retail conditions, UK Retail sales down 11%
- Global Digital Retail sales up 5%, representing 17% of sales (2017: 14%)
- Underlying loss before tax\* of £3.6 million (2017: loss of £0.6 million). After one-off costs for House of Fraser (£2.1 million) and Korea launch (£2.5 million), reported loss before tax of £8.2 million (2017: loss of £0.6 million)
- Net cash of £12.1 million at the end of the period (2017: £16.4 million)

## OPERATING HIGHLIGHTS

- New Korea and Japan entities complete Asia with own Retail network expanded to 29 stores (2017: 1 store)
- New Digital partnerships established in China with Toplife, Secoo and VIP.com; further agreements planned
- UK flagship store opened on Regent Street during September featuring new Mulberry concept
- New eyewear licence agreement signed with De Rigo Vision launching during Spring 2019

## CURRENT TRADING AND OUTLOOK

- UK Retail like-for-like sales down 7% for 6 weeks to 3 November
- Concession agreement signed with John Lewis & Partners, previously Wholesale
- The Group anticipates an underlying profit before tax\* for the year to 31 March 2019, excluding one-off costs

\* Underlying loss or profit before tax excludes one-off costs for House of Fraser provisions (£2.1 million) and Korea launch (£2.5 million) in H1 and anticipated John Lewis concession set-up costs (£1.4 million) in H2

# Chief Executive's report

Six months ended 30 September 2018

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## 1. BUSINESS REVIEW

The Group's strategy is to develop Mulberry as a global luxury brand. During the period, the Group continued to make progress in International markets, although conditions in the UK, which accounts for c. 68% of Group revenue, were challenging.

During August, the Group completed the establishment of Mulberry Korea and held a significant marketing event in Seoul in September to relaunch the brand. As anticipated in the Preliminary results announcement reported on 13 June 2018, the Group incurred one-off costs of £2.5 million during the first half of the year to establish the new subsidiary in Korea, consisting of £1.8 million for the marketing launch and £0.7 million for the write down to cost of the inventory purchased from the previous distributor.

In addition, strategic digital partnerships in China were established and the Group launched a Japanese digital platform.

As at 30 September 2018, the Group directly operated 29 stores in the Asia Pacific region, an increase from 1 store at the same time last year. A further 3 Retail stores have been opened in the region subsequently.

The Group's UK business remains profitable although sales have been affected by the House of Fraser administration, softer UK consumer demand and lower tourist footfall. As advised in the trading update announced on 20 August 2018, the House of Fraser administration has significantly impacted the Group. In addition to a bad debt and asset write off of £2.1 million, sales in the Group's House of Fraser concessions and Digital platform were materially lower during the period.

The Group's underlying loss for the period is £3.6 million (2017: £0.6 million). After accounting for one-off costs for House of Fraser provisions and the Korea launch as noted above, the loss before tax is £8.2 million (2017: £0.6 million).

### Sales

Group revenue in the period decreased by 8% to £68.3 million (2017: £74.6 million).

On a like-for-like ("LFL") basis, UK Retail sales were 7% lower, however total UK Retail sales, including House of Fraser, were down 11%.

International Retail sales increased 13% to £12.4 million (2017: £11.3 million) as the Group benefitted from revenue generated in China, Taiwan, Hong Kong and Japan following the acquisition of these key Asian territories and expansion of the store network. Retail sales from Asian markets increased by £2.4 million relative to last year but were offset by a reduction in Retail sales of £1.3 million in Europe and North America as the Group closed 4 stores during the last twelve months to fine tune the store estate. Korea transitioned from Wholesale to Retail at the end of the period.

	26 weeks to 30 September 2018 (£ million)	26 weeks to 30 September 2017 (£ million)	Total change (this year vs last year)	Like-for-like*** change (this year vs last year)
UK Retail Sales*	40.4	45.3	-11%	-7%
International Retail Sales**	12.4	11.3	+13%	-1%
Group Retail Sales	52.8	56.6	-6%	-6%
Wholesale Sales	15.5	18.0	-14%	n/a
Group Total Sales	68.3	74.6	-8%	n/a

\* UK Retail like-for-like sales exclude House of Fraser from mid-August (£1.0 million sales generated during the period vs 2017: £2.0 million)

\*\* International LFL is not considered relevant due to a high degree of rotation of the store network

\*\*\* Like-for-like ("LFL") 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 Amberley handbag family continues to perform strongly with further animations added to the range.

Group revenue continues to diversify across a number of bag families in line with management's expectations, and a number of new silhouettes were launched during the period, replacing discontinued lines in the product portfolio.

The Artisan Studio continued to provide small quantities of exclusive products, with some recent examples including a unique series of mini Harlow bags created for the Korea launch, a Baywater Tote with a Union Jack postman's lock design created for the one-year anniversary of the Ginza G6 store and other exclusive products created to coincide with the new Digital concessions with Toplife and Secoo.

The Group continues to invest in both technical development and craftsmanship skills across its UK factories in Somerset which manufacture approximately 50% of Mulberry handbags. This remains a point of distinction in the Group's product offering.

## Licensing

The Group signed a new eyewear licence agreement with De Rigo Vision S.p.A. ("De Rigo"), which will manufacture and co-distribute the Mulberry range. Eyewear is considered to be complementary to the brand's core leather goods offering and an important category in building the lifestyle image to develop Mulberry into a global luxury brand.

The collection, which has been designed by Mulberry, led by Creative Director Johnny Coca, consists of sunglasses and optical frames and is expected to launch during Spring 2019. The range will be distributed through selective opticians and across the Mulberry network.

## Chief Executive's report (continued)

Six months ended 30 September 2018

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### Digital and Omni-channel

The Group concluded a number of strategic digital agreements during the period, achieving a key objective in its Digital strategy. In China, new concessions were initiated with Secoo and VIP.com during the period, complementing the partnership with Toplife, JD.com's luxury digital platform, which launched during March 2018.

Omni-channel services continued to be enhanced with greater UK functionality and the launch of local digital fulfilment in Japan from June 2018.

Global Digital Retail sales increased 5% and represent 17% of Group revenue (2017: 14%). In addition, Digital sales of Mulberry products generated through wholesale partners grew 30% during the period. In aggregate, Digital Retail sales and Digital sales of Mulberry products through wholesale partners are estimated to represent approximately 20% of total brand sales (2017: 15%), calculated by "grossing up" Wholesale sales to Retail price.

### Own Retail Store Network

The global own Retail network consisted of 88 directly operated stores and concessions at the end of the period (2017: 66 stores).

The International Retail store network has been significantly increased and enhanced through the new entities established in Asia, where the Group has increased the Retail store base to 29 stores, from 1 store at the end of the prior year period. The increase reflects both the transition of previously existing stores from Wholesale to Retail, as well as the opening of new stores. As a result of this high degree of addition and store rotation during the last 12 months, like-for-like sales growth is not considered relevant.

Since March 2018, the following major changes to the Retail store portfolio have occurred:

- **UK:** The new flagship store on Regent Street was opened during September featuring the new Mulberry store concept. During the period, 3 House of Fraser concessions closed and 1 standalone store closed.
- **China:** Following the acquisition of 3 stores during March 2018 as part of the Mulberry Asia acquisition, a further store has been opened in Xian Shin Kong Place during April 2018.
- **Japan:** The Group acquired 5 stores in Japan during May 2018 as part of the establishment of Mulberry Japan.
- **Korea:** The Group acquired 18 stores in Korea during August 2018 as part of the establishment of Mulberry Korea.

As described above, the new Mulberry store concept has been launched with the opening of the Regent Street store. The concept is a collaboration between British architect Faye Toogood and Johnny Coca, the Group's Creative Director, and features design elements that represent the brand's distinctive British heritage. The concept introduces advanced technology features, including an innovative customer-facing mobile point of sale which has enabled traditional EPOS tills to be completely removed and created an enhanced customer experience in store. In addition to Regent Street, the store in Heathrow Terminal 4 has been relocated and furnished in the new concept following the end of the period. The first International Partner store featuring the new concept was opened during August in Melbourne, Australia, whilst the first International Retail store in the new concept will be opened in Korea by the end of 2018. The global roll out of the new concept will continue during 2019 and is expected to be concluded during the next few years.

### **Selective Wholesale and Franchise**

Wholesale revenue, comprising sales to partner stores and selective multi-brand wholesale accounts, reduced by 14% to £15.5 million (2017: £18.0 million) primarily due to the transition of the China business to own Retail during March 2018 and preparation for the Mulberry Korea transaction, which completed during August 2018.

The partner store network at the period end totalled 19 stores in Asia Pacific, Europe and the Middle East (2017: 55 stores). This reduction reflects the transfer of 28 stores from previous distributors to the Group's Retail network, the closure of the Sydney store in anticipation of the transfer of the Australia business to the new distributor, Luxury Retail Group ("LRG"), the closure of 1 store in South Korea in preparation for Mulberry Korea and the closure of six non-strategic stores in the Middle East and South East Asia.

### **Financial**

As previously indicated, results for the period were impacted by costs relating to the House of Fraser administration (£2.1 million) and an associated disruption to trade, a soft UK retail environment and costs to launch Mulberry Korea (£2.5 million). The Group's underlying loss for the period is £3.6 million (2017: £0.6 million). After accounting for House of Fraser provisions and Korea launch costs noted above, the loss before tax is £8.2 million (2017: £0.6 million).

Gross margin for the period was maintained at 61.5% (2017: 61.5%).

Operating expenses (net) increased to £50.4 million (2017: £46.8 million) primarily due to Korea marketing costs (£1.7 million) and provisions for House of Fraser (£2.1 million).

The Group had net cash balances at 30 September 2018 of £12.1 million (2017: £16.4 million).

Capital expenditure for the period was £4.3 million (2017: £2.1 million), including £3.0 million on stores (including Digital), £0.7 million on IT systems and £0.3 million on factories.

Inventories increased to £47.1 million at 30 September 2018 (2017: £45.8 million) reflecting the absorption of the Asian businesses.

## **2. CURRENT TRADING AND OUTLOOK**

### **Retail Sales**

Retail sales continue to reflect a challenging UK environment with an encouraging trend in International.

Group Retail LFL sales were down 8% for the 6 weeks to 3 November 2018, due to a high representation of UK within the mix. Global Digital Retail sales, excluding House of Fraser Digital sales this year and last year, were up 8%. Total Retail sales are not considered to be representative due to the change in timing of the UK press sale during the period.

UK Retail LFL sales, excluding House of Fraser, were down 7% on last year, reflecting a continuation of a weak UK Retail environment.

International Retail sales have grown in line with management's expectations and have increased by 25% due to the acquisition of stores and the selective expansion of the network during the period. International Retail LFL sales performance is not considered to be reflective of the current store portfolio given the significant changes relative to the prior year period.

## Chief Executive's report (continued)

Six months ended 30 September 2018

This year vs. last year (%)	Retail like-for-like sales*		Retail total sales***	
	26 weeks to 30 September	6 weeks to 3 November	26 weeks to 30 September	6 weeks to 3 November
	2018	2018	2018	2018
UK Retail**	-7%	-7%	-11%	-22%
International Retail**	-1%	-14%	+13%	+25%
Group Retail total	<u>-6%</u>	<u>-8%</u>	<u>-6%</u>	<u>-11%</u>

\* LFL is defined as the year-on-year change in sales from stores which have been trading for 12 months after the store opening. Like-for-like sales exclude House of Fraser from mid-August both this year and last year.

\*\* Regional splits include Digital sales.

\*\*\* Total UK Retail sales include a press sale held during October 2017 which did not occur during the corresponding period this year.

### UK

As has been widely reported, the UK retail environment has remained very challenging. The Group's UK business continues to experience significantly softer trade at House of Fraser following the previously reported administration, weaker UK consumer demand and lower tourist footfall.

Furthermore, the Group's UK business has experienced a sustained period of increase in rent and business rates over the last five years.

The Group has agreed to convert the Wholesale business with John Lewis & Partners to a concession basis with effect from Winter 2018/19. This will enhance the direct to consumer reach of the brand in the UK market, in particular the Digital and omni-channel experience. As a result of this change, an estimated one-off charge of £1.4 million will be incurred during the second half of the current financial year to adjust the value of stock purchased from John Lewis & Partners.

Further, an agreement has been reached with Sports Direct International plc to operate the House of Fraser business on a rolling basis in the medium term.

The Group remains committed to its UK manufacturing base and UK store network. The recently opened Regent Street store and the relocated Heathrow Terminal 4 store both showcase the Group's new Mulberry store concept.

The Group continues to invest in the ongoing development of the Digital and Omni-channel experience.

### International

The Group will continue to invest in International development following the creation of three important subsidiaries in Asia.

Mulberry Asia, comprising China, Hong Kong and Taiwan, transitioned from Wholesale to Retail during March 2018. Retail sales during the financial year ending 31 March 2019 will reflect a full year of trading for these markets. The network across these markets consists of a total of 6 stores.

The establishment of Mulberry Japan was completed during May 2018. Five stores were transferred to Mulberry Japan and revenue has transitioned from Wholesale to Retail from May 2018. Since the end of the period under review, a further two stores have been opened in Nihonbashi Mitsukoshi and Mitsui Outlet Park Kisarazu, increasing the total network in Japan to 7 stores.



Mulberry Korea was established during August 2018, from which date 18 stores were transferred to the Group's Retail network. Since the end of the period under review, a new duty free store has opened in Seoul, increasing the network in South Korea to 19 stores.

In line with the Group's strategy, the business in North America and Europe has been refocused including a rebasing of the store networks. This has reduced the operating cost of these operations. The Group continues to believe in the long term growth opportunities in these markets and will assess the potential to selectively open new stores in strategic, high visibility locations in the future while continuing to build Digital sales.

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

### Digital and Omni-channel

Mulberry has a sector-leading Digital and Omni-channel offering and further enhancements are planned.

In Digital, localised mulberry.com sites with enhanced customer experiences and services are due to launch in China and Australia, following the recent launch of local fulfilment in Japan.

Furthermore, the Group has established strategic Digital partnerships with key players including Toplife, JD.com's luxury digital platform, Secoo and VIP.com. Further Digital partnerships are planned in key strategic markets.

### Selective Wholesale and Franchise

While Retail revenue will be increased, Wholesale revenue during the second half of the financial year ending 31 March 2019 will be reduced by the following factors:

- **Mulberry Asia:** Transfer of the business in China from Wholesale to Retail from March 2018
- **Mulberry Japan:** Transfer of the business in Japan from Wholesale to Retail from May 2018
- **Mulberry Korea:** Transfer of the business in Korea from Wholesale to Retail from August 2018
- **UK:** Conversion of the existing Wholesale business with John Lewis & Partners from Wholesale to Retail on a concession basis from Winter 2018/19

### Capital expenditure

The new design concept for the Group's stores has been revealed with the new Regent Street store and has since been rolled out to the store in Heathrow Terminal 4. The roll out across the global store network will continue during the second half of the financial year and beyond, leading 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 £8.0 million (2018: £5.4 million), of which the majority will be on stores.

### FY outlook

The Group anticipates an underlying profit before tax for the year ending 31 March 2019, excluding one-off costs, despite a challenging first half period. Due to the normal seasonality of the business, the majority of the Group's earnings are achieved in the second half of the financial year.

One-off costs for the full year are expected to total approximately £6.0 million, reflecting the effects of the House of Fraser administration (£2.1 million) and the costs to launch Mulberry Korea (£2.5 million) during the first half of the year, and costs to set up the new concession business with John Lewis & Partners (£1.4 million) during the second half of the year.

# Chief Executive's report (continued)

Six months ended 30 September 2018

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## 3. STRATEGY UPDATE

The Group has made good progress with its strategy to grow Mulberry as a global luxury brand. A strategic review which followed the appointment of the new management team three years ago highlighted the Group's competitive advantages but recognised its overdependence on the UK market.

The key findings of the review were as follows:

1. The Group was very successful in the UK and was estimated to have a 10% market share of the luxury handbag market. While this gave the Group a profitable base, it was exposed to a downturn in the UK.
2. The Group's subsidiaries controlled its operations in North America and Europe but it was working through distributors in Asia. While the USA and Europe were considered to have good long term potential, the largest potential for growth in the medium term was in Asia and with Asian customers visiting the Group's stores around the world.
3. The Group was a leader in digital sales and marketing, giving it a strong competitive advantage. However, it was difficult to exploit this advantage in the key Asian markets through a distributor network.

Significant progress has been made during the last three years in a number of key areas as follows:

- **Digital and Omni-channel:** The Digital Retail business has grown from 12% to 17% of sales through mulberry.com. Adding the Digital sales of Mulberry products sold through wholesale partners, the Group estimates the penetration of Digital sales on total brand sales ("grossing" up Wholesale to Retail) is approximately 20%. This has been achieved through the consistent investment in the Group's global Digital and Omni-channel platform, including best-in-class software platforms such as Hybris and Salesforce. In addition, Digital concessions with strategic partners have been introduced (JD.com, Secoo, Vip.com), enabling the Group to broaden its customer reach and localise its service offering, particularly across new and high growth territories such as China.
- **Marketing and Brand:** The Group has adopted an integrated marketing approach which couples new and traditional formats with extensive use of digital and social media. As part of this, a new format for the Group's seasonal collection launches was introduced to reinforce its customer-centric business strategy and enhance the customer experience. Two customer events have been held to date, in London and Seoul, offering an instantly shoppable, real-time global consumer experience. In addition, the Group continues to develop its Somerset-based customer service operations, including further investment in its aftercare and lifetime service.
- **Product:** A renewed focus on creativity and innovation under the creative direction of Johnny Coca has led to new bestsellers being established (e.g. Amberley, Zipped Bayswater) and iconic ranges, such as the Bayswater family, being revitalised to reflect a new and more modern aesthetic. Whilst leather goods have remained the core commercial focus, complementary lifestyle categories, including shoes, ready-to-wear, soft accessories and jewellery, have been further developed and enhanced.

- **UK:** The Group has continued to invest in the UK and ensure it continues to meet the needs of both its domestic and International customers in its home market. This has consisted of maintaining a relevant and balanced presence across high visibility city centre locations, department stores (primarily through a concession model), airports and selective outlets. Most recently, the Group has introduced the Mulberry concept in the new flagship store on Regent Street, which features design elements that represent the brand's distinctive British heritage. The concept introduces advanced technology features, including an innovative customer-facing mobile point of sale which has enabled traditional EPOS tills to be completely removed and created an enhanced customer experience in store.
- **Asia Pacific:** The Group has taken management control of the key Asian markets with a controlling stake in subsidiaries in China, Hong Kong, Taiwan, Japan and South Korea. Head offices have been established in Hong Kong, Tokyo and Seoul with the businesses in the process of being integrated with Group merchandising, marketing and Digital systems. Since March 2018, the Group has increased the Retail store network in Asia Pacific (including Japan and Korea) from 1 store to 32 stores (as at 3 November 2018) and launched the local Digital platform in Japan.
- **North America and Europe:** The operations in North America and Europe have been refocused and operating costs have been reduced. This has been achieved by the selective closure of stores across the network that were deemed no longer strategic. In the United States, distribution has started with Nordstrom for the sale of Mulberry products in select locations and via Nordstrom.com. Local fulfilment for the mulberry.com platform has been introduced.
- **UK Manufacturing:** The Group has remained committed to its "Made in England" strategy, with continued investment and development of the two UK factories in Somerset. These factories manufacture approximately 50% of bags, reinforcing the authenticity of the Mulberry brand and, at a practical level, contributing to the attainment of high product quality standards. A specialist Artisan Studio was created within each of the two factories, showcasing the Group's distinctive British craftsmanship on special and limited edition products.

The Group considers that revenue growth is the key performance indicator.

# Chief Executive's report (continued)

Six months ended 30 September 2018

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## Key Opportunities

Looking forward, the Group continues to maintain four core strategic pillars:

1. **International development with focus on Asia Pacific:** The Group will continue to build the International business with a particular focus on Asia Pacific. Through the recently established Asian subsidiaries, the Digital and Omni-channel network will be further developed and enhanced with select store openings in high visibility and high traffic locations, the roll out of Omni-channel services and the expansion of the newly introduced Digital concession model. North America and Europe will continue to be refined to improve ROI and provide a base for long term growth.
2. **Direct to customer model:** The Group plans to continue to invest in Digital and Omni-channel and its global store network to further develop its direct to customer model. As previously indicated, a new agreement has been reached with John Lewis & Partners to open 19 concessions, including Digital, from Winter 2018/19. Following the recent launch of local fulfilment in Japan, mulberry.com sites with enhanced and localised customer experiences are due to launch in other markets such as China and Australia. The recently established Digital concession model will be further developed with new partnerships. The global roll out of the new Mulberry store concept will introduce innovative, customer-facing technology features to further enhance the in-store experience.
3. **Product:** The Group will continue its creative programme of introducing distinctive leather goods with an accessible luxury positioning for women and men whilst further enhancing and developing complementary lifestyle products. As previously indicated, the Group recently signed a licence agreement with De Rigo for Mulberry eyewear which will be distributed through selective opticians and across the Mulberry network from Spring 2019.
4. **UK Manufacturing:** The Group will continue to maintain its distinctive "Made in England" positioning through further enhancement of its two UK factories in Somerset. Investment in the most advanced technology will continue to ensure high productivity levels are maintained. In addition, the Group will continue to run an extensive apprentice programme to develop the next generation of craftspeople. The Group expects its UK factories to continue to manufacture approximately 50% of handbags.

Whilst the current sales environment is challenging, management is confident that the right strategy is in place to deliver value to shareholders over the longer term. This is supported by a compelling product range, a strategic global store and Digital network and a distinctive brand positioning.

# Consolidated income statement

Six months ended 30 September 2018

		Unaudited six months to 30 September 2018 £'000	Unaudited six months to 30 September 2017 £'000	Audited year ended 31 March 2018 £'000
<b>Revenue</b>		68,336	74,576	169,718
Cost of sales		(26,341)	(28,678)	(62,000)
<b>Gross profit</b>		41,995	45,898	107,718
Operating expenses		(50,398)	(46,817)	(101,464)
Other operating income		209	245	482
<b>Operating (loss)/profit</b>		(8,194)	(674)	6,736
Share of results of associates		42	60	114
Finance income		28	12	96
Finance expense		(53)	(7)	(29)
<b>(Loss)/profit before tax</b>		(8,177)	(609)	6,917
Tax credit/(charge)	4	2,877	261	(2,011)
<b>(Loss)/profit for the period</b>		(5,300)	(348)	4,906
<b>Attributable to:</b>				
Equity holders of the parent		(3,904)	382	6,391
Non-controlling interests		(1,396)	(730)	(1,485)
<b>(Loss)/profit for the period</b>		(5,300)	(348)	4,906
Basic (loss)/earnings per share	6	(8.9p)	(0.6p)	8.3p
Diluted (loss)/earnings per share	6	(8.9p)	(0.6p)	8.2p

All activities arise from continuing operations.

## Consolidated income statement (continued)

Six months ended 30 September 2018

### Reconciliation of adjusted (loss)/profit before tax:

		Unaudited six months to 30 September 2018 £'000	Unaudited six months to 30 September 2017 £'000	Audited year ended 31 March 2018 £'000
	Note			
(Loss)/profit before tax		(8,177)	(609)	6,917
Exceptional items:				
Impairment relating to retail property, plant and equipment		–	–	387
Store closure costs		–	–	675
House of Fraser provisions		2,073	–	–
<b>Adjusted (loss)/profit before tax – non-GAAP measure</b>		<b>(6,104)</b>	<b>(609)</b>	<b>7,970</b>
Adjusted basic (loss)/earnings per share	6	(6.1p)	(0.6p)	10.0p
Adjusted diluted (loss)/earnings per share	6	(6.1p)	(0.6p)	10.0p

# Consolidated statement of comprehensive income

Six months ended 30 September 2018

	Unaudited six months to 30 September 2018 £'000	Unaudited six months to 30 September 2017 £'000	Audited year ended 31 March 2018 £'000
(Loss)/profit for the period	(5,300)	(348)	4,906
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	576	31	(447)
Gains/(losses) on a hedge of a net investment taken to equity	119	35	(115)
Income tax relating to items that may be reclassified subsequently to profit or loss	(131)	(12)	107
<b>Total comprehensive (expense)/income for the period</b>	<u>(4,736)</u>	<u>(294)</u>	<u>4,451</u>
<b>Attributable to:</b>			
Equity holders of the parent	(3,340)	436	6,031
Non-controlling interests	(1,396)	(730)	(1,580)
	<u>(4,736)</u>	<u>(294)</u>	<u>4,451</u>

# Consolidated balance sheet

At 30 September 2018

	Unaudited 30 September 2018 £'000	Unaudited 30 September 2017 £'000	Audited 31 March 2018 £'000
<b>Non-current assets</b>			
Intangible assets	12,552	10,567	10,362
Property, plant and equipment	25,160	22,571	21,971
Interests in associates	280	234	306
Deferred tax asset	1,984	1,568	1,782
	<u>39,976</u>	<u>34,940</u>	<u>34,421</u>
<b>Current assets</b>			
Inventories	47,099	45,771	44,647
Trade and other receivables	12,910	16,861	15,196
Current tax asset	3,383	727	–
Cash and cash equivalents	13,179	16,367	25,071
	<u>76,571</u>	<u>79,726</u>	<u>84,914</u>
<b>Total assets</b>	<u>116,547</u>	<u>114,666</u>	<u>119,335</u>
<b>Current liabilities</b>			
Trade and other payables	(31,730)	(29,275)	(30,199)
Current tax liabilities	–	–	(893)
Borrowings	(1,112)	–	–
	<u>(32,842)</u>	<u>(29,275)</u>	<u>(31,092)</u>
<b>Net assets</b>	<u>83,705</u>	<u>85,391</u>	<u>88,243</u>
<b>Equity</b>			
Share capital	3,001	3,001	3,001
Share premium account	11,961	11,961	11,961
Own share reserve	(1,387)	(1,396)	(1,388)
Capital redemption reserve	154	154	154
Cash flow hedge reserve	–	24	(98)
Foreign exchange reserve	1,167	1,088	701
Retained earnings	69,269	70,384	73,165
	<u>84,165</u>	<u>85,216</u>	<u>87,496</u>
<b>Equity attributable to holders of the parent</b>	<u>84,165</u>	<u>85,216</u>	<u>87,496</u>
Non-controlling interests	(460)	175	747
	<u>83,705</u>	<u>85,391</u>	<u>88,243</u>
<b>Total equity</b>	<u>83,705</u>	<u>85,391</u>	<u>88,243</u>



# Consolidated statement of changes in equity

Six months ended 30 September 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 interest £'000	Total equity £'000
<b>As at 1 April 2017</b>	3,000	11,961	(1,461)	154	(5)	1,063	69,957	84,669	975	85,644
Profit/(loss) for the period	-	-	-	-	-	-	382	382	(730)	(348)
Other comprehensive income for the period	-	-	-	-	29	25	-	54	-	54
<b>Total comprehensive income/ (expense) for the period</b>	-	-	-	-	29	25	382	436	(730)	(294)
Issue of share capital	1	-	-	-	-	-	-	1	-	1
Charge for employee share-based payments	-	-	-	-	-	-	493	493	-	493
Exercise of share options	-	-	-	-	-	-	(448)	(448)	-	(448)
Own shares	-	-	65	-	-	-	-	65	-	65
Adjustment arising from movement in non-controlling interest	-	-	-	-	-	-	-	-	(70)	(70)
<b>As at 30 September 2017</b>	3,001	11,961	(1,396)	154	24	1,088	70,384	85,216	175	85,391
Profit/(loss) for the period	-	-	-	-	-	-	6,009	6,009	(755)	5,254
Other comprehensive expense for the period	-	-	-	-	(122)	(387)	-	(509)	-	(509)
<b>Total comprehensive (expense)/income for the period</b>	-	-	-	-	(122)	(387)	6,009	5,500	(755)	4,745
Charge for employee share-based payments	-	-	-	-	-	-	(202)	(202)	-	(202)
Exercise of share options	-	-	-	-	-	-	(57)	(57)	-	(57)
Own shares	-	-	8	-	-	-	-	8	-	8
Adjustments arising from movement in non-controlling interest	-	-	-	-	-	-	-	-	1,327	1,327
Dividends paid	-	-	-	-	-	-	(2,969)	(2,969)	-	(2,969)
<b>As at 31 March 2018</b>	3,001	11,961	(1,388)	154	(98)	701	73,165	87,496	747	88,243
Loss for the period	-	-	-	-	-	-	(3,904)	(3,904)	(1,396)	(5,300)
Other comprehensive income for the period	-	-	-	-	98	466	-	564	-	564
<b>Total comprehensive profit/ (loss) for the period</b>	-	-	-	-	98	466	(3,904)	(3,340)	(1,396)	(4,736)
Charge for employee share-based payments	-	-	-	-	-	-	9	9	-	9
Exercise of share options	-	-	-	-	-	-	(1)	(1)	-	(1)
Own shares	-	-	1	-	-	-	-	1	-	1
Adjustments arising from movement in non-controlling interest	-	-	-	-	-	-	-	-	189	189
<b>As at 30 September 2018</b>	<u>3,001</u>	<u>11,961</u>	<u>(1,387)</u>	<u>154</u>	<u>-</u>	<u>1,167</u>	<u>69,269</u>	<u>84,165</u>	<u>(460)</u>	<u>83,705</u>

# Consolidated cash flow statement

Six months ended 30 September 2018

	Unaudited six months to 30 September 2018 £'000	Restated* unaudited six months to 30 September 2017 £'000	Restated* audited year ended 31 March 2018 £'000
<b>Operating (loss)/profit for the period</b>	(8,194)	(674)	6,736
<b>Adjustments for:</b>			
Depreciation and impairment of property, plant and equipment	2,745	3,060	6,124
Amortisation of intangible assets	555	879	1,796
Loss/(profit) on sale of property, plant and equipment	68	(2)	13
Share-based payments charge	9	493	291
<b>Operating cash flows before movements in working capital</b>	(4,817)	3,756	14,960
Decrease/(increase) in inventories	436	(1,384)	(464)
Decrease/(increase) in receivables	2,450	(3,601)	(2,059)
(Decrease)/increase in payables	(716)	382	1,571
<b>Cash (used in)/generated by operations</b>	(2,647)	(847)	14,008
Income taxes paid	(1,732)	(1,803)	(2,553)
Interest paid	(53)	(7)	(29)
<b>Net cash (outflow)/inflow from operating activities</b>	(4,432)	(2,657)	11,426
<b>Investing activities:</b>			
Interest received	28	12	96
Purchases of property, plant and equipment	(3,488)	(1,640)	(4,689)
Proceeds from disposal of property, plant and equipment	43	22	53
Acquisition of intangible fixed assets	(1,233)	(442)	(1,605)
Acquisition of subsidiary	(6,175)	(1,629)	(1,629)
<b>Net cash (used in) investing activities</b>	(10,825)	(3,677)	(7,774)
<b>Financing activities:</b>			
Dividends paid	–	–	(2,969)
Proceeds on issue of shares	–	1	1
Increase in related party loan	1,765	936	1,385
Investment from non-controlling interest	173	1,323	2,675
New borrowings	1,112	–	–
Settlement of share awards	(1)	(448)	(505)
<b>Net cash used in financing activities</b>	3,049	1,812	587
<b>Net (decrease)/increase in cash and cash equivalents</b>	(12,208)	(4,522)	4,239
Cash and cash equivalents at beginning of period	25,071	21,093	21,093
Effect of foreign exchange rate changes	316	(204)	(261)
<b>Cash and cash equivalents at end of period</b>	13,179	16,367	25,071

\* The cash flow in relation to investment from non-controlling interest has been restated to reflect that the nature of the cash flow is in relation to financing activities, rather than investing activities where it was previously disclosed.

# Notes to the condensed financial statements

Six months ended 30 September 2018

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## 1. GENERAL INFORMATION

Mulberry Group plc is a company incorporated in the United Kingdom under the Companies Act 2006. The half year results and condensed consolidated financial statements for the six months ended 30 September 2018 (the interim financial statements) comprise the results for the Company and its subsidiaries (together referred to as the Group) and the Group's interest in associates.

The information for the year ended 31 March 2018 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditor's report on those accounts was not qualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying the report and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

The interim financial statements for the six months ended 30 September 2018 have not been reviewed or audited.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation followed in the interim financial statements are consistent with those as published in the Group's Annual Report and Financial Statements for the year ended 31 March 2018.

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

- IFRS 16: Leases;
- IFRS 10 and IFRS 28 (amendments): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;
- IFRIC 23: Uncertainty over Income Tax Treatments.

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 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 is 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.

## Notes to the condensed financial statements (continued)

Six months ended 30 September 2018

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### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

As at 31 March 2018, the Group had 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. 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.

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

The Annual Report and Financial Statements are available from the Group's website ([www.mulberry.com](http://www.mulberry.com)) or from the Company Secretary at the Company's registered office, The Rookery, Chilcompton, Bath, England, BA3 4EH.

### 3. GOING CONCERN

The Directors have considered the use of the going concern basis in the preparation of the financial statements given the uncertainty around the current economic climate within the retail market. The Directors have considered the financial position of the Mulberry Group, the Group forecasts, taking account of reasonable possible changes in trading performance and the availability of external finance. On 27 September 2018, Mulberry Group plc signed a new £10.0 million revolving credit facility with HSBC until October 2021. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully.

After making enquiries, and reviewing the Mulberry Group plc forecasts which cover a period exceeding 12 months from the date of signature of the financial statements, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, taking into account reasonably possible changes in trading. Accordingly, they have adopted the going concern basis in preparing the half year results.

### 4. TAXATION

The tax credit is calculated by applying the forecast full year effective tax rate to the interim loss and calculating the deferred tax balance for the period.

## 5. DIVIDEND

	Unaudited six months to 30 September 2018 £'000	Unaudited six months to 30 September 2017 £'000	Audited year ended 31 March 2018 £'000
Dividend of 5p per ordinary share paid during the period	–	–	2,969

The final dividend for the year ended 31 March 2018 will be paid to shareholders on 22 November 2018.

The final dividend for the year ended 31 March 2017 was paid on 23 November 2017.

## 6. EARNINGS PER SHARE ("EPS")

	Unaudited six months to 30 September 2018	Unaudited six months to 30 September 2017	Audited year ended 31 March 2018
Basic (loss)/earnings per share	(8.9p)	(0.6p)	8.3p
Diluted (loss)/earnings per share	(8.9p)	(0.6p)	8.2p
Adjusted basic (loss)/earnings per share	(6.1p)	(0.6p)	10.0p
Adjusted diluted (loss)/earnings per share	(6.1p)	(0.6p)	10.0p

Earnings per share is calculated based on the following data:

	Unaudited six months to 30 September 2018 £'000	Unaudited six months to 30 September 2017 £'000	Audited year ended 31 March 2018 £'000
(Loss)/profit for the period for basic and diluted earnings per share	(5,300)	(348)	4,906
Adjustments to exclude exceptional items:			
Impairment relating to retail assets	–	–	378
Loss on disposal of retail stores	–	–	675
House of Fraser	1,679	–	–
<b>Adjusted (loss)/profit for the period for basic and diluted earnings per share</b>	<b>(3,621)</b>	<b>(348)</b>	<b>5,959</b>

## Notes to the condensed financial statements (continued)

Six months ended 30 September 2018

### 6. EARNINGS PER SHARE ("EPS") (CONTINUED)

	Unaudited six months to 30 September 2018 Million	Unaudited six months to 30 September 2017 Million	Audited year ended 31 March 2018 Million
Weighted average number of ordinary shares for the purpose of basic EPS	59.4	59.4	59.4
Effect of dilutive potential ordinary shares: share options	0.3	0.1	0.2
<b>Weighted average number of ordinary shares for the purpose of diluted EPS</b>	<b>59.7</b>	<b>59.5</b>	<b>59.6</b>





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