



MULBERRY

INTERIM REPORT AND ACCOUNTS

For the half year ended
30 September 2011

Mulberry Interim Report and Accounts

Six months ended 30 September 2011

FINANCIAL HIGHLIGHTS

- Total revenues increased by 62% to £72.3 million (2010: £44.7 million)
- Retail sales up 47%, like-for-like sales up 44% (2010: up 30% and like-for-like up 29%)
- Wholesale shipments to third parties up 93%. Autumn/Winter 2011 orders up 47% compared to the same period last year
- International revenues increased by 115% to £29.4 million (2010: £13.7 million)
- Profit before tax increased by 231% to £15.6 million (2010: £4.7 million)
- Basic earnings per share up by 244% to 19.6p (2010: 5.7p)

OPERATING HIGHLIGHTS

- New York flagship store opened on Spring Street, Soho
- Our partners opened five new stores in the Asia-Pacific region
- UK factory expansion in Somerset completed creating 60 new jobs

CURRENT TRADING AND OUTLOOK

- Retail sales up 18% for the 10 weeks to 3 December 2011, like-for-like sales up 14% against strong comparatives
- Spring/Summer 2012 orders up 29% compared to the Spring/Summer 2011 end of season total with three months of the selling season remaining
- Nine new store openings planned for the second half of the financial year

Chairman's statement

Six months ended 30 September 2011

The Group has continued to deliver strong sales and profit growth during the six months to 30 September 2011. Sales increased by 62% to £72.3 million (2010: £44.7 million) and profit before tax increased by 231% to £15.6 million (2010: £4.7 million).

First half sales have been boosted by £8 million as a result of timing differences which are explained in the wholesale commentary below.

RETAIL

Retail sales in our own stores have started the year well, with the Autumn/Winter 2011 collection being positively received. Retail sales for the six month period increased by 47% compared to the same period last year, like-for-like sales up 44% (2010: up 30% and like-for-like up 29%).

UK Retail sales increased for the period by 42% (like-for-like up 44%) and in Europe, sales increased by 114% compared to the same period last year (like-for-like up 46%) with the opening of a concession in De Bijenkorf, Amsterdam during November 2010.

In the USA, we opened a third store in New York and refurbished our store on Madison Avenue. The new 5,000 sq. ft. flagship store on Spring Street, Soho has traded well since its opening in September 2011. Overall, USA sales have grown by 82% compared to the prior period.

Sales through our website, www.mulberry.com, grew by 52% during the period to £4.8 million, representing 7% of Group sales. In addition to being a profitable and growing sales channel, the web is a key marketing tool for the brand. We are currently half-way through a major project to replace our online platform which will give us greater functionality and creative freedom. We plan to launch this by the end of the next financial year.

WHOLESALE

Wholesale shipments to customers during the six months to 30 September 2011 were up 93% to £31.3 million. This performance was boosted by two factors: firstly, the seasonal timetable for the shipment of wholesale orders being brought forward by one month to meet the requirements of our international business; and secondly, improved fulfilment of orders compared to the prior year due to increased production capacity. We estimate that the combined impact of these factors was to increase sales during the period by approximately £8 million and profit before tax by approximately £1.5 million. This is a timing difference centred around the half year end and so sales for the second half will be reduced by an equal amount.

The Wholesale business includes sales to the Mulberry shops owned by our partners, independent retailers and department stores. The order book for Autumn/Winter 2011 finished 47% ahead of the previous year. We have a mature wholesale business in the UK but in Europe we continue to experience significant growth. In Asia-Pacific, sales have continued to grow more quickly than the rest of the world, up 149% compared to the same period last year.

During the period, our partners opened five new Mulberry stores in the Asia-Pacific region.

Leather goods and accessories remain our core business, with women's and men's bags accounting for 77% of Group sales. We continue to develop and grow the women's apparel and women's shoe businesses.

FINANCIAL

Gross profit margins have increased to 66.2% (2010: 63.9%). This is a consequence of economies of scale leading to more favourable overhead absorption into the cost of product, partly offset by an increase in the cost of raw materials and labour and the increased proportion of wholesale revenue (which is at a lower margin than retail).

Net operating expenses before exceptional costs for the period increased by £9.5 million to £32.5 million (2010: £23.0 million). Of the increase, £3.0 million was due to variable rents and agents' commissions as a result of increased sales, £2.8 million was increased staff costs to support the growth of the business and a further £1.7 million was due to increased marketing and PR expenditure to support international expansion.

Operating profit increased by 177% to £15.4 million (2010: £5.6 million before exceptional costs of £1.0 million). There have been no exceptional items during the current period.

Inventories have increased to £29.1 million from £22.4 million at the start of the period reflecting in part the growth in the business, but also the shift in seasonal timing in wholesale sales mentioned above which meant that at 30 September 2011, a significant proportion of the Spring/Summer 2012 inventory was being held ready for shipment during October and November. Trade payables remain low as we continue to take advantage of early settlement discounts offered by key suppliers. Overall, the Group balance sheet remains strong with cash of £16.7 million (2010: £12.3 million) and no debt.

The extension of our existing Somerset factory was completed during September 2011, creating an additional 60 production jobs and increasing UK production capacity by 30%.

CURRENT TRADING AND OUTLOOK

The outlook for the six months to 31 March 2012 is positive, however, the potential impact of the economic environment on consumers' spending habits makes the future more challenging.

During the ten weeks to 3 December 2011, total Retail sales were 18% above last year with like-for-like sales up 14%. This rate of growth is lower than the first half reflecting strong comparatives boosted by the arrival of substantial stocks of the bestselling Alexa range and other key bags during the ten weeks to 4 December 2010.

With three months of the order taking season remaining, the Spring/Summer 2012 season has started strongly with third-party wholesale orders 55% higher than the order book at the same time in 2010. The current Spring/Summer 2012 order book already exceeds the end of season position for Spring/Summer 2011 by 29% with three months' order taking remaining.

We continue to focus on developing the Mulberry store network. Since the half year end we have opened stores in the Westfield development in Stratford ahead of the 2012 London Olympics and reopened the Mulberry store on PC Hooftstraat in Amsterdam. This store has been closed for nine months while the building has been redeveloped by the lessor to create a larger retail space.

Since 30 September 2010, our major Asia Pacific partner has relocated its Harbour City, Hong Kong store to a much larger space and opened stores in Taiwan and Singapore. Before the end of the current financial year we expect to open a further five stores bringing the total worldwide openings for the year to 15.

Chairman's statement

(continued)

We plan to open seven stores in Europe and the USA during the year commencing 1 April 2012. These openings will be supplemented by at least eight further new stores planned by our partners in Asia-Pacific and the Middle East.

As announced on 4 October 2011, we renewed our distribution agreement with Club 21 Pte Limited, our major partner in the Asia-Pacific region. This agreement will run until 30 June 2021 and enables additional investment in store openings and penetration of the Mulberry brand into these markets. In addition, a distribution agreement has been finalised for the Japanese market with a joint venture vehicle owned by Club 21 and Mammina Co. Limited (a subsidiary of Isetan Mitsukoshi Holdings Limited). This is a ten year agreement and anticipates the opening of multiple department store 'shop in shops' and new flagship stores in Tokyo and Osaka.

Despite the economic uncertainty, Mulberry continues to build market share internationally whilst maintaining a strong balance sheet. We remain cautiously optimistic about the future.

DIVIDENDS

The full year dividend of 4.0 pence per ordinary share was paid on 19 August 2011. In line with prior years, the Board is not recommending the payment of an interim dividend.

Godfrey Davis
Chairman and Chief Executive
8 December 2011

Consolidated income statement

Six months ended 30 September 2011

	Note	Unaudited six months 30 Sept 2011 £'000	Unaudited six months 30 Sept 2010 £'000	Audited year ended 31 March 2011 £'000
Revenue		72,263	44,668	121,645
Cost of sales		(24,431)	(16,128)	(42,144)
Gross profit		47,832	28,540	79,501
Other administrative expenses		(32,765)	(23,219)	(58,047)
Exceptional costs		–	(1,000)	(100)
Administrative expenses		(32,765)	(24,219)	(58,147)
Other operating income		297	235	1,656
Operating profit		15,364	4,556	23,010
Operating profit before exceptional costs		15,364	5,556	23,110
Share of results of associates		164	104	305
Finance income		38	62	74
Finance expense		(5)	(14)	(44)
Profit before tax		15,561	4,708	23,345
Tax	5	(4,304)	(1,445)	(6,282)
Profit for the period		11,257	3,263	17,063
Attributable to:				
Equity holders of the parent		11,257	3,263	17,063
		pence	pence	pence
Basic earnings per share	6	19.6	5.7	29.8
Diluted earnings per share	6	19.2	5.6	29.1

All activities arise from continuing operations.

Consolidated statement of comprehensive income

Six months ended 30 September 2011

	Unaudited six months 30 Sept 2011 £'000	Unaudited six months 30 Sept 2010 £'000	Audited year ended 31 March 2011 £'000
Net profit for the period	11,257	3,263	17,063
Exchange differences on translation of foreign operations	(23)	(90)	1
Total comprehensive income for the period	<u>11,234</u>	<u>3,173</u>	<u>17,064</u>
Attributable to:			
Equity holders of the parent	<u>11,234</u>	<u>3,173</u>	<u>17,064</u>

Consolidated balance sheet

At 30 September 2011

	Unaudited 30 Sept 2011 £'000	Unaudited 30 Sept 2010 £'000	Audited 31 March 2011 £'000
Non-current assets			
Intangible assets	2,778	2,528	2,134
Property, plant and equipment	20,712	8,781	18,207
Interests in associates	321	300	210
Deferred tax assets	275	193	69
	24,086	11,802	20,620
Current assets			
Inventories	29,124	12,883	22,408
Trade and other receivables	13,645	16,720	12,186
Cash and cash equivalents	16,694	12,329	21,373
	59,463	41,932	55,967
Total assets	83,549	53,734	76,587
Current liabilities			
Trade and other payables	(31,002)	(24,043)	(30,476)
Current tax liabilities	(4,409)	(1,567)	(4,079)
	(35,411)	(25,610)	(34,555)
Total liabilities	(35,411)	(25,610)	(34,555)
Net assets	48,138	28,124	42,032
Equity			
Share capital	2,958	2,943	2,943
Share premium account	7,427	7,007	7,007
Own share reserve	(607)	(631)	(621)
Capital redemption reserve	154	154	154
Special reserves	1,467	1,467	1,467
Foreign exchange reserve	363	295	386
Retained earnings	36,376	16,889	30,696
Total equity	48,138	28,124	42,032

Consolidated statement of changes in equity

Six months ended 30 September 2011

Equity attributable to equity holders of the parent

	Share capital £'000	Share premium account £'000	Own share reserve £'000	Capital reserves £'000	Special reserves £'000	Foreign exchange reserve £'000	Retained earnings £'000	Total £'000
As at 1 April 2010	2,943	7,007	(107)	154	1,467	385	14,616	26,465
Total comprehensive income for the period	-	-	-	-	-	(90)	3,263	3,173
Charge for employee share based payments	-	-	-	-	-	-	275	275
Own shares	-	-	(524)	-	-	-	-	(524)
Ordinary dividends paid	-	-	-	-	-	-	(1,265)	(1,265)
As at 30 Sept 2010	2,943	7,007	(631)	154	1,467	295	16,889	28,124
Total comprehensive income for the period	-	-	-	-	-	91	13,800	13,891
Issued share capital	-	-	-	-	-	-	-	-
Charge for employee share based payments	-	-	-	-	-	-	426	426
Exercise of share options	-	-	10	-	-	-	(418)	(408)
Ordinary dividends paid	-	-	-	-	-	-	(1)	(1)
As at 31 March 2011	2,943	7,007	(621)	154	1,467	386	30,696	42,032
Total comprehensive income for the period	-	-	-	-	-	(23)	11,257	11,234
Issued share capital	15	420	-	-	-	-	-	435
Charge for employee share based payments	-	-	-	-	-	-	390	390
Exercise of share options	-	-	14	-	-	-	(3,657)	(3,643)
Ordinary dividends paid	-	-	-	-	-	-	(2,310)	(2,310)
As at 30 Sept 2011	2,958	7,427	(607)	154	1,467	363	36,376	48,138

Consolidated cash flow statement

Six months ended 30 September 2011

	Unaudited six months 30 Sept 2011 £'000	Unaudited six months 30 Sept 2010 £'000	Audited year ended 31 March 2011 £'000
Operating profit for the period	15,364	4,556	23,010
Adjustments for:			
Depreciation of property, plant and equipment	1,896	984	2,261
Amortisation of intangible assets	138	167	837
Loss on sale of property, plant and equipment	6	–	152
Effects of foreign exchange	(45)	(6)	24
Share based payments charge	390	275	701
Operating cash flows before movements in working capital	17,749	5,976	26,985
Increase in stocks	(6,663)	(3,793)	(13,318)
Increase in debtors	(1,713)	(8,623)	(3,848)
(Increase)/decrease in creditors	(239)	11,784	16,805
Cash generated by operations	9,134	5,344	26,624
Corporation taxes paid	(4,180)	(1,655)	(3,856)
Interest paid	(5)	(14)	(44)
Net cash from operating activities	4,949	3,675	22,724
Investing activities:			
Interest received	76	62	47
Dividend received from associate	214	308	308
Purchases of property, plant and equipment	(3,598)	(1,827)	(11,176)
Acquisition of intangible fixed assets	(784)	(271)	(503)
Net cash used in investing activities	(4,092)	(1,728)	(11,324)
Financing activities:			
Dividends paid	(2,310)	(1,265)	(1,266)
Proceeds on issue of shares	435	–	–
Cash settlement of share awards	(3,661)	–	(418)
Acquisition of own shares	–	(524)	(514)
Net cash used in financing activities	(5,536)	(1,789)	(2,198)
Net (decrease)/increase in cash and cash equivalents	(4,679)	158	9,202
Cash and cash equivalents at beginning of period	21,373	12,171	12,171
Cash and cash equivalents at end of period	16,694	12,329	21,373

Notes to the condensed financial statements

Six months ended 30 September 2011

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 2011 (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 2011 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 2011 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 2011.

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

3. GOING CONCERN

After making enquiries, the Directors have a reasonable expectation that the Company will have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the half year results.

4. EXCEPTIONAL COSTS

There are no exceptional expenses or income during the first half of 2011/12. During the first half of the prior period a provision of £1 million was made for the deferred consideration arising on the transaction to assume operational control of the two New York stores and the distribution rights to the North American market during October 2009. These shops were previously held by our joint venture partner, Mulberry USA LLC. In the results for the year ended 31 March 2011, exceptional income of £900,000 was recognised following agreement with the landlord of our old New Bond Street store to purchase back the lease during January 2011.

5. TAXATION

The tax charge is calculated by applying the forecast full year effective tax rate to the half year profit.

6. EARNINGS PER SHARE ('EPS') AND SHARE ISSUE

	Six months 30 Sept 2011 pence	Six months 30 Sept 2010 pence	Year ended 31 March 2011 pence
Basic earnings per share	19.6	5.7	29.8
Diluted earnings per share	19.2	5.6	29.1
Adjusted basic earnings per share	19.6	7.6	30.4
Adjusted diluted earnings per share	19.2	7.5	29.7
	Six months 30 Sept 2011 £'000	Six months 30 Sept 2010 £'000	Year ended 31 Mar 2011 £'000
Earnings per share is calculated based on the following data:			
Profit for the period for basic and diluted earnings per share	11,257	3,263	17,063
Adjustment for exceptional costs	–	1,000	352
	<hr/>	<hr/>	<hr/>
Adjusted profit for the period for adjusted basic and diluted earnings per share	11,257	4,263	17,415
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	30 Sept 2011 million	30 Sept 2010 million	31 March 2011 million
Weighted average number of ordinary shares for the purpose of basic EPS	57.5	57.3	57.3
Effect of dilutive potential ordinary shares: share options	1.1	0.7	1.4
	<hr/>	<hr/>	<hr/>
Weighted average number of ordinary shares for the purpose of diluted EPS	58.6	58.0	58.7
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

On 14 April 2011 300,000 5p ordinary shares were issued at par in order to satisfy the exercise of share options.

