MULBERRY

MULBERRY GROUP PLC ("Mulberry" or the "Group")
INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

Mulberry Group plc, the English luxury brand, announces its results for the six months ended 30 September 2014.

GODFREY DAVIS, CHAIRMAN, COMMENTED:

"The results for the six months to 30 September 2014 are in line with the guidance given on 14 October.

We have continued to take steps to return the business to growth and sales for the nine weeks to 29 November are encouraging. Total retail sales are up 8% compared to last year, including online sales, +18%.

We have worked hard to re-engage with our customers and our tongue in cheek Christmas video #WinChristmas has been viewed well over one million times.

After a difficult couple of years, the steps that we have taken to return Mulberry to growth are beginning to bear fruit and looking further forward, we expect to gain further momentum from the appointment of Johnny Coca as our new Creative Director."

FINANCIAL HIGHLIGHTS

- As reported on 14 October 2014, total H1 revenue declined 17% to £64.7 million (2013: £78.1 million)
    - Retail revenue was down by 9% to £45.1 million
    - Wholesale revenue was down 31% to £19.6 million
- Gross margin was 59.9% as expected (2013: 63.0%), reflecting in part the impact of the new factory as its production efficiency increases
- Loss before tax of £1.1 million (2013: £7.2 million profit) in line with expectations, reflecting lower sales, the increase in costs associated with new stores opened this year and last year (£2.8 million) and the lower gross margin

OPERATING HIGHLIGHTS

- Successful launch of the Tessie and Cara Delevingne bag families
- Two new directly operated international stores opened during H1 (Las Vegas, Hamburg)
- Click & Collect service introduced for full price standalone stores in the UK

CURRENT TRADING AND OUTLOOK

- Retail revenue up 8% for the nine weeks to 29 November 2014, driven by a strong performance by our online business (+18%)
- Three further directly operated international stores opened since 30 September 2014 (Dallas, Frankfurt, Paris)
- New Creative Director, Johnny Coca, to join Mulberry during July 2015

Whilst the progressive improvement in Retail and online sales trends is encouraging, the next few weeks trading through Christmas and into January are very important to the full year result.

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FINANCIAL REVIEW

As explained in the trading update on 14 October, total revenue for the six months to 30 September 2014 was £64.7 million, down 17% from £78.1 million.

Retail

The Retail business declined 9% to £45.1 million (2013: £49.5 million) with like-for-like sales down 13%. Growth in our international business was more than offset by a decline in the UK.

- UK Retail sales (excluding online) were down 16% to £31.0 million, with our full price stores affected by a decline in footfall, particularly tourist shoppers (down 12% to £20.9 million) and our outlet stores continuing to normalise from unusually high levels in the prior year (down 23% to £10.1 million);

- International Retail sales (excluding online) were up 20% to £7.5 million (2013: £6.3 million), reflecting the impact of new stores; and

- Online sales were up 1% to £6.6 million, representing 10% of Group sales (2013: 8%).

As shown in the table at the end of this announcement, sales trends are progressively improving as new product is introduced.

Wholesale

Wholesale sales declined by 31% to £19.6 million (2013: £28.6 million), reflecting a combination of inventory reduction and conservative ordering by our Asian and European partners.

Financial

Gross margin was 59.9% for the six months to 30 September 2014 (2013: 63.0%). This reduction reflects the fact that selling prices were not increased during the period and competitively priced new product was introduced. In addition, the new factory in Somerset reduced manufacturing margins as it was still in the training phase after opening during June 2013.

Net operating expenses for the period decreased by £2.2 million to £40.0 million (2013: £42.2 million). This reflects £2.8 million additional costs related to new directly operated stores, which were more than offset by lower variable costs and savings elsewhere in the business.

With a greater proportion of sales derived from the Retail business, the Group's profit stream has become increasingly weighted towards the second half of our financial year due to the important Christmas trading period. As a result of this increased seasonality and our inherent operational leverage, the lower sales during H1 generated a loss before tax of £1.1 million (2013: £7.2 million profit).

The effective tax rate for the year is expected to be 63.0% (year ended 31 March 2014: 38.6%). This rate has been applied to the half year results, resulting in a tax credit which will unwind over the next six months as the Group generates profits. The rate has increased primarily as a consequence of the unrelieved overseas tax losses being a greater proportion of the expected Group profit for the year.

Capital and investment expenditure for the period was £12.0 million, up from £10.7 million last year, of which £7.3 million related to the acquisition of the company which owns the property rights to our new Paris flagship store (due to open during April 2015) and £4.5 million related to stores.

Inventories have increased to £39.3 million from £33.4 million at the same time last year due to the lower than planned sales performance, the higher level of raw materials and work in progress needed for the second factory and the higher number of directly operated stores. At 30 September 2014, the Group had net cash of £3.6 million (2013: £11.1 million).

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OPERATING REVIEW

Product

Re-invigorating our product offering has been a top priority and we continue to introduce new product across the complete price spectrum. Following the successful launch of the Tessie and Cara Delevingne bag families, the first products from our Spring Summer 2015 collections arrived in our stores during November which include the new Blossom tote, the mini Lily and an enhanced range of small leather goods. The customer response to these products has been encouraging.

Brand and Marketing

Alongside our product initiatives, we have worked hard to re-engage with our customers by reinforcing our core brand values.

We continue to use digital marketing in innovative ways to connect with our customers. Our tongue in cheek Christmas video #WinChristmas, with well over one million views, is a good example of how we are marketing the brand in a cost effective and uniquely British way.

We have implemented a sophisticated CRM application which will enable us to gain a deeper insight into our customers' behaviour and better service their needs.

Distribution

Our distribution strategy is to build the business internationally with strategically-placed stores complemented by a strong digital presence and selective relationships with multi-brand retailers. During H1 we opened two directly operated stores in Las Vegas and Hamburg and opened two partner stores in Bangkok and Dubai. We also closed a total of five partner stores in South Korea, one in Hong Kong and one in Bahrain in line with our plans to optimise our distribution platform in those markets. This brings Mulberry's global store footprint to 120 stores at 30 September 2014, including directly operated and partner stores.

Operations

During the six months to 30 September 2014 we have continued to invest in new stores, factory capacity in the UK and IT systems. Two important IT projects were a focus for the period:

- We have completed the roll-out of a new EPOS system into our own stores which allows better inventory control and supports the new CRM application; and

- We have implemented the first phase of an omni-channel project for our UK full price stores which includes in-store online ordering, in-store collection of online orders (Click & Collect) and in-store online returns. The omni-channel service will be progressively enhanced.

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CURRENT TRADING AND OUTLOOK

During the nine weeks to 29 November 2014, total Retail sales were up 8% compared to the same period last year (like-for-like +2%).

UK full price sales (excluding online) were up 2% with like-for-like +5%.

UK outlet performance improved by +6% (like-for like down 9%) but remained volatile, as sales in this channel continue to normalise after unusually high levels in the prior year period. The annual UK sample sale has returned to its normal date during November this year compared to March last financial year, adding £0.9 million to outlet sales during the nine week period.

International Retail sales (excluding online) rose by 23% during the nine weeks to 29 November 2014 (like-for-like +1%).

Online sales were up 18% during the nine week period, benefitting from the investment in our digital platform over the last two years.

Whilst the progressive improvement in Retail and online sales trends is encouraging, the next few weeks trading through Christmas and into January are very important to the full year result.

Since the end of September we have opened directly operated international stores in Frankfurt and Dallas and a concession in Galeries Lafayette, Paris reaching our target of five new directly-operated international stores for the financial year. Following the opening of our store in the new Terminal 2 at Heathrow, we have closed our store in Terminal 1. Since 30 September 2014, we have also opened one partner store in China, while closing one partner store in Singapore. We are on track to open our Paris flagship store at the beginning of the next financial year.

As highlighted in our trading update of 14 October, we expect H1 wholesale trends to continue for the rest of the year to 31 March 2015 although partner sales performance is improving similarly to our own Retail business.

Capital and investment expenditure for the year to 31 March 2015 is expected to be approximately £18.0 million, subject to the timing of new store openings and other investments.

The Group has made significant progress in opening stores in North America and Europe, creating the foundations for our business in these regions. As a result, fewer new stores will be opened while we build the sales and operating performance of the 20 stores opened internationally over the past three years.

After a difficult couple of years, the steps that have been taken to return Mulberry to growth are beginning to bear fruit. We expect to gain further momentum from the appointment of Johnny Coca as our new Creative Director.

	Retail like-for-like sales			Retail total sales		
This year vs. last year (%)	**26 weeks to 30-Sep-14****	**9 weeks to 29-Nov-14**	**4 weeks to 29-Nov-14**	**26 weeks to 30-Sep-14****	**9 weeks to 29-Nov-14**	**4 weeks to 29-Nov-14**
UK full price	-12%	+5%	+16%	-12%	+2%	+12%
UK outlet	-25%	-9%	-8%	-23%	+6%	+22%
UK Retail total*	**-17%**	**-1%**	**+5%**	**-16%**	**+4%**	**+17%**
International Retail total*	**-2%**	**+1%**	**+1%**	**+20%**	**+23%**	**+28%**
Online total	**+1%**	**+18%**	**+27%**	**+1%**	**+18%**	**+27%**
Group Retail total	**-13%**	**+2%**	**+7%**	**-9%**	**+8%**	**+19%**

* Regional splits exclude online sales
** Retail sales for the 26 weeks to 30-Sep-14 have been previously reported

NON-EXECUTIVE DIRECTORS

We are pleased to have announced, on 2 December, the appointment to the Board of a new independent non-executive director, Julie Gilhart. Ms. Gilhart is a freelance fashion consultant who has advised many clients including Amazon.com and LVMH. Previously Julie spent 18 years in various roles at Barneys New York, most recently as Fashion Director. She currently holds board positions with Outerknown LLC and Parsons/New School.

As announced on 16 September, we are deeply saddened by the recent passing of one our non-executive directors, Mr. Bernard Heng. Mr. Heng made a substantial contribution to the Group as a non-executive director for 11 years and will be greatly missed.

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Consolidated income statement
Six months ended 30 September 2014

	Note	Unaudited six months 30 Sept 2014 £'000	Unaudited six months 30 Sept 2013 £'000	Audited year ended 31 Mar 2014 £'000
Revenue		64,700	78,094	163,456
Cost of sales		(25,950)	(28,861)	(59,992)
Gross profit		38,750	49,233	103,464
Administrative expenses		(40,127)	(42,402)	(90,194)
Other operating income		159	234	447
Operating (loss)/profit		(1,218)	7,065	13,717
Share of results of associates		100	157	292
Finance income		13	25	35
Finance expense		(5)	(20)	(30)
(Loss)/profit before tax		(1,110)	7,227	14,014
Tax credit/(charge)	4	700	(2,150)	(5,412)
(Loss)/profit for the period		(410)	5,077	8,602
Attributable to:				
Equity holders of the parent		(410)	5,077	8,602
Basic (loss)/earnings per share	6	(0.7p)	8.7p	14.5p
Diluted (loss)/earnings per share	6	(0.7p)	8.6p	14.3p

All activities arise from continuing operations.

Consolidated statement of comprehensive income
Six months ended 30 September 2014

	Unaudited six months 30 Sept 2014 £'000	Unaudited six months 30 Sept 2013 £'000	Audited year ended 31 Mar 2014 £'000
(Loss)/profit for the period	(410)	5,077	8,602
Exchange differences on translation of foreign operations	(436)	(588)	(981)
Tax impact arising on above exchange differences	89	135	545
Total comprehensive (expense)/income for the period	(757)	4,624	8,166
Attributable to:			
Equity holders of the parent	(757)	4,624	8,166

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Consolidated balance sheet
At 30 September 2014

	Unaudited 30 Sept 2014 £'000	Unaudited 30 Sept 2013 £'000	Audited 31 Mar 2014 £'000
Non-current assets			
Intangible assets	14,020	6,863	7,323
Property, plant and equipment	36,274	37,985	35,139
Interests in associates	120	423	64
Deferred tax asset	550	780	770
	50,964	46,051	43,296
Current assets			
Inventories	39,329	33,365	33,780
Trade and other receivables	13,988	17,372	13,574
Current tax asset	1,199	-	-
Cash and cash equivalents	3,585	11,143	23,414
	58,101	61,880	70,768
Total assets	109,065	107,931	114,064
Current liabilities			
Trade and other payables	(28,639)	(24,500)	(29,423)
Current tax liabilities	-	(2,398)	(683)
	(28,639)	(26,898)	(30,106)
Total liabilities	(28,639)	(26,898)	(30,106)
Net assets	80,426	81,033	83,958
Equity			
Share capital	3,000	2,994	3,000
Share premium account	11,961	11,852	11,961
Own share reserve	(1,641)	(2,593)	(1,676)
Capital redemption reserve	154	154	154
Special reserves	1,467	1,467	1,467
Foreign exchange reserve	(559)	(229)	(212)
Retained earnings	66,044	67,388	69,264
Total equity	80,426	81,033	83,958

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Consolidated statement of changes in equity
Six months ended 30 September 2014

	Equity attributable to equity holders of the parent							
	Share capital £'000	Share premium account £'000	Own share reserve £'000	Capital reserve £'000	Special reserves £'000	Foreign exchange reserve £'000	Retained earnings £'000	Total £'000
As at 1 April 2013	2,992	11,835	(2,937)	154	1,467	224	64,974	78,709
Total comprehensive income for the period	-	-	-	-	-	(453)	5,077	4,624
Charge for employee share-based payments	-	-	-	-	-	-	627	627
Exercise of share options	2	17	-	-	-	-	(358)	(339)
Own shares	-	-	344	-	-	-	-	344
Ordinary dividends paid	-	-	-	-	-	-	(2,932)	(2,932)
As at 30 September 2013	2,994	11,852	(2,593)	154	1,467	(229)	67,388	81,033
Total comprehensive income for the period	-	-	-	-	-	17	3,525	3,542
Charge for employee share-based payments	-	-	-	-	-	-	(546)	(546)
Exercise of share options	6	109	-	-	-	-	(1,103)	(988)
Own shares	-	-	917	-	-	-	-	917
As at 31 March 2014	3,000	11,961	(1,676)	154	1,467	(212)	69,264	83,958
Total comprehensive expense for the period	-	-	-	-	-	(347)	(410)	(757)
Charge for employee share-based payments	-	-	-	-	-	-	90	90
Exercise of share options	-	-	-	-	-	-	66	66
Own shares	-	-	35	-	-	-	-	35
Ordinary dividends paid	-	-	-	-	-	-	(2,966)	(2,966)
As at 30 September 2014	3,000	11,961	(1,641)	154	1,467	(559)	66,044	80,426

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Consolidated cash flow statement
Six months ended 30 September 2014

	Unaudited six months 30 Sept 2014 £'000	Unaudited six months 30 Sept 2013 £'000	Audited year ended 31 Mar 2014 £'000
Operating (loss)/profit for the period	(1,218)	7,065	13,717
Adjustments for:			
Depreciation of property, plant and equipment	3,462	3,365	9,870
Amortisation of intangible assets	1,027	639	1,428
Profit on sale of property, plant and equipment	(4)	(11)	(13)
Effects of foreign exchange	51	479	(40)
Share-based payments charge	107	627	127
Operating cash flows before movements in working capital	3,425	12,164	25,089
(Increase)/decrease in inventories	(5,581)	2,322	1,931
(Increase)/decrease in receivables	(389)	(3,139)	558
Increase/(decrease) in payables	498	(5,016)	(377)
Cash (used in)/generated by operations	(2,047)	6,331	27,201
Corporation taxes paid	(873)	(3,192)	(7,749)
Interest paid	(5)	(20)	(30)
Net cash (outflow)/inflow from operating activities	(2,925)	3,119	19,422
Investing activities:			
Interest received	13	25	35
Dividend received from associate	-	-	441
Purchases of property, plant and equipment	(6,074)	(9,009)	(13,199)
Proceeds from sale of property, plant and equipment	9	31	44
Acquisition of intangible fixed assets	(484)	(1,954)	(3,023)
Purchase of subsidiary undertaking, net of cash acquired	(7,271)	-	-
Net cash used in investing activities	(13,807)	(10,907)	(15,702)
Financing activities:			
Dividends paid	(2,966)	(2,932)	(2,932)
Settlement of share awards	(131)	(333)	(493)
Disposal of own shares	-	338	1,261
Net cash used in financing activities	(3,097)	(2,927)	(2,164)
Net (decrease)/increase in cash and cash equivalents	(19,829)	(10,715)	1,556
Cash and cash equivalents at beginning of period	23,414	21,858	21,858
Cash and cash equivalents at end of period	3,585	11,143	23,414

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Notes to the condensed financial statements
Six months ended 30 September 2014

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 2014 (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 2014 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 2014, 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 2014, except for the adoption of the following standards which have had no quantitative impact on the financial statements:

- IFRS 12: Disclosure of Interests in Other Entities

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

- IFRS 9: Financial Instruments

The Directors do not expect that the adoption of this Standard 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) or from the Company Secretary at the Company's registered office, The Rookery, Chilcompton, Bath, England, BA3 4EH.

3. Going concern

The Group has considerable 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. In addition, during June 2014, the Group arranged a £7.5 million revolving credit facility to provide additional headroom in available funds. This facility will be in place for a period of two years from the date of first draw down. The first draw down was made in October 2014. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully despite the uncertain economic outlook.

After making enquiries, the Directors have a reasonable expectation that the Company and the Group 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.

Notes to the condensed financial statements
Six months ended 30 September 2014

4. Taxation

The tax credit/(charge) is calculated by applying the forecast full year effective tax rate to the interim loss.

5. Dividend

	Six months 30 Sept 2014 £'000	Six months 30 Sept 2013 £'000	Year ended 31 Mar 2014 £'000
Dividend of 5p per ordinary share (2013: 5p) paid during the period relating to the previous year's results	2,966	2,932	2,932

6. Earnings per share ('EPS')

	Six months 30 Sept 2014	Six months 30 Sept 2013	Year ended 31 Mar 2014
Basic (loss)/earnings per share	(0.7p)	8.7p	14.5p
Diluted (loss)/earnings per share	(0.7p)	8.6p	14.3p

Earnings per share is calculated based on the following data:

	Six months 30 Sept 2014 £'000	Six months 30 Sept 2013 £'000	Year ended 31 Mar 2014 £'000
(Loss)/profit for the period for basic and diluted earnings per share	(410)	5,077	8,602
	30 Sept 2014 Million	**30 Sept 2013 Million**	**31 Mar 2014 Million**
Weighted average number of ordinary shares for the purpose of basic EPS	59.3	58.6	59.4
Effect of dilutive potential ordinary shares: share options	0.6	0.3	0.8
Weighted average number of ordinary shares for the purpose of diluted EPS	59.9	58.9	60.2

Notes to the condensed financial statements
Six months ended 30 September 2014

7. Acquisitions

On 20 June 2014, the Company completed an agreement entered into on 19 November 2013, to purchase all of the shares of KJ Saint Honoré SA, a company registered in France. This company owns the rights to a lease for a store on Rue Saint-Honoré Paris where a flagship store is due to open during April 2015. This was accounted for as an acquisition under IFRS 3 'Business Combinations'. The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are set out in the table below:

	Fair value £'000
Trade and other receivables	134
Cash	12
Trade and other payables	(311)
Total identifiable assets	(165)
Goodwill	7,448
Total cash consideration	7,283

The goodwill relates to the underlying value inherent in the lease held by KJ Saint Honoré SA. This will be carried forward in the balance sheet and subject to annual impairment review.

The acquisition costs which are included in administrative expenses amounted to £50,000 in the current period and £25,000 in the prior year.

The acquisition of the entity added £111,000 of operating expenses to the Group for the period to 30 September 2014. If the acquisition had occurred at the start of the period it would have added £222,000 of operating expenses.

The investing section of the consolidated cash flow statement for the period to 30 September 2014 includes £7,271,000 relating to the acquisition (being cash paid of £7,283,000 less cash in the subsidiary at the date of acquisition of £12,000).