MULBERRY

MULBERRY GROUP PLC INTERIM STATEMENT
HALF YEAR TO 30 SEPTEMBER 2007

DIRECTORS, SECRETARY AND ADVISERS

Directors:

Godfrey Pawle Davis FCA (Chairman and Chief Executive)
Guy Gibson Rutherford FCCA (Group Finance Director)
Robert (Robin) Edward Graeme Gibson (Non-Executive Director and Chairman of the Remuneration Committee)
Andrew Christopher Roberts FCCA (Non-Executive Director and Chairman of the Audit Committee)
Steven Grapstein (Non-Executive Director)
Bernard Lam Kong Heng (Non-Executive Director)
Edward Vandyk (Non-Executive Director)

Registered Office:

The Rookery, Chilcompton, Bath, Somerset BA3 4EH

Secretary:

Guy Gibson Rutherford FCCA

Nominated Adviser and Nominated Broker:

Landsbanki Securities (UK) Limited
Beaufort House
15 St. Botolph Street
London
EC3A 7QR

Registered Auditors:

Deloitte & Touche LLP
Bristol

Solicitors:

Osborne Clarke
2 Temple Back East
Temple Quay
Bristol
BS1 6EG

Principal Bankers:

HSBC Bank plc
PO Box 120
49 Corn Street
Bristol
BS99 7PP

Registrars:

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

CHAIRMAN'S STATEMENT

The Group continues to make solid progress as it develops into a global luxury brand. We continue to invest in building our presence not only in the UK and Europe but also in new markets such as the USA, Asia and the Middle East. This strategy is supported by our strong underlying profits and cash flow.

Sales for the six months to 30 September 2007 increased by 4% to £21.5 million (2006: £20.7 million).

As a result of our decision to develop our business internationally, especially in the USA and Asia, we have increased our expenditure substantially on advertising and marketing. As I explained in my last Chairman's Statement, this investment is an important part of the strategy to turn Mulberry into a global luxury brand. As anticipated, this expenditure reduced our operating profits for the period under review, which were £1.1 million (2006: £2.5 million). Basic earnings per share reduced to 1.4 pence (2006: 3.0 pence) due to the reduction in operating profits and the conversion of the preference shares in April 2007.

The increased proportion of Group sales through Mulberry owned shops and concessions resulted in a further improvement in our gross profit margins which increased to 57.4% (2006: 56.5%).

Overall administrative expenses increased by £2.1 million in the six months under review compared to the prior year. This includes the operating costs of the new shops and concessions opened in the previous twelve months of £1.6 million combined with increased marketing and advertising expenditure of £0.8 million which has been balanced by general savings in administrative and occupancy costs as the process of simplifying operations has continued.

The Group's cash position continues to be strong with cash generated by operations before tax and capital expenditure of £1.3 million. At 30 September 2007, the Group had cash at bank of £7.6 million (2006: £7.0 million).

The Group has prepared these interim results using accounting policies consistent with International Financial Reporting Standards (IFRS). Mulberry has not published a separate IFRS transition statement as the impact is not material to the Group's profit and loss account or balance sheet. Full details are shown in note 6.

BUSINESS REVIEW

We are following a two pronged strategy of completing our UK retail network in the short term while building our international business in the medium term.

As expected, growth has been at a more moderate pace in the first half of the year, as we continue to build a strong platform for future growth. Our focus continues to be the development of Mulberry as a global luxury brand. The immediate financial impact of this is the increase in marketing and advertising costs as we work to build consumer awareness of the brand in the USA and Asia. In the twelve months to 30 September 2007, our partners opened five shops in the USA and two department store corners in Korea. In the next six months the pace will accelerate with new shops in Hong Kong, Singapore airport, Shanghai, Kuwait, Jeddah and two further department store corners in Korea.

Over the last twelve months we have opened three further shops and seven concessions in department stores as we improve our control of the UK market. This includes new shops in Glasgow and at Stansted airport, which opened in the period. In the next six months we will open new shops in Covent Garden, Heathrow Terminal 5 and two concessions in department stores. In addition, we have opened a new outlet shop at Cheshire Oaks. For the twenty six weeks to 29 September 2007, sales at our UK shops increased by 38% and like for like sales, for the same period, increased by 11%. This substantial sales growth in more challenging market conditions reflects the strength of our product range. In particular, the new Mabel bags introduced this Autumn and carried by celebrities such as Kate Moss, Keira Knightley and Kate Bosworth have become immediate best sellers and, despite increasing production substantially, we have been unable to keep up with demand for purple patent Bayswater bags, which continue to be extremely popular.

Wholesale accessories orders for Autumn/Winter 2007 reduced by 13% as we continued to change the distribution pattern in both the UK and overseas markets. Due to the timing of deliveries, shipments to wholesale customers in the first half were approximately 20% below the previous year. The wholesale order book for Spring/Summer 2008 is growing with orders up by 6% compared to the same point in the prior year.

Our factory at The Rookery, Chilcompton, Somerset, is an extremely valuable part of our brand DNA. Manufacturing in the UK is a significant challenge which our team tackles with energy and enthusiasm. In the last year, we have increased the manufacturing space, changed the production method and invested in new machinery all of which is showing benefits in productivity and quality.

CURRENT TRADING AND OUTLOOK

We expect that our business will continue to grow supported by the acceleration in the rate of new shop openings in the next six months and a strong Spring 2008 collection. Sales in our UK shops in the nine weeks to 1 December were 36% higher than the prior year comparative period. Like for like sales for the same period increased by 9%.

We have agreed to develop the main markets in the Middle East with the Chaloub Group, a leading luxury brand distributor for the region. The new shops that will open in Jeddah in Saudi Arabia and Kuwait are a result of this new partnership.

In the USA, Christmas will mark the first full year of trading for the shops. As planned, our partners will not open more stores until we both feel comfortable that we have successfully built awareness in this market through our advertising, PR and marketing activities.

We continue to see sales growth, which we believe is due to a combination of factors including the strength of our new product introductions, our investment in the international markets and a level of insulation amongst luxury consumers from the vagaries of the high street, however, we are not immune to factors that affect general retailing conditions and the Christmas period, as always, will have a substantial impact on our year end results.

Looking forward, the Group has developed a business model which is increasing sales and generating profit and cash, which will be used to invest in building consumer demand internationally. While this will hold back profits in the short term, we believe that this will deliver the greatest shareholder value in the medium term and is an essential part of our strategy of building Mulberry into a global luxury brand.

DIVIDENDS

The full year dividend of 1.5 pence per ordinary share, announced with the final results in June 2007 was paid on 15 August 2007. The Board plan to consider a dividend in respect of the current full year when the final results are available in June 2008. The Board is not recommending the payment of an interim dividend on the ordinary shares.

STAFF

As always, I would like to take this opportunity to thank all of our staff and our partners for their enthusiasm and commitment to Mulberry and its strategy. The achievements of the last six months would not have been possible without them.

I would also like to express my gratitude to Guy Rutherford who has been Finance Director for the past nine years and who has been a key member of the team that has transformed the Company. He is moving on to a more entrepreneurial role outside the Group as announced on 24 August 2007. His successor, Roger Mather, is already in place after a smooth transition.

Godfrey Davis
Chairman and Chief Executive

13 December 2007

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months to 30 September 2007

			(Restated under IFRS)	
		Unaudited	*Unaudited*	*Audited*
		six months	*six months*	*year*
		ended	*ended*	*ended*
		30 September	*30 September*	*31 March*
		2007	*2006*	*2007*
	Note	*£'000*	*£'000*	*£'000*
Revenue		21,517	20,655	45,078
Cost of sales		(9,164)	(8,984)	(18,818)
Gross profit		12,353	11,671	26,260
Administrative expenses		(11,264)	(9,211)	(19,588)
Operating profit		1,089	2,460	6,672
Share of results of associates		1	(234)	(498)
Finance income		226	137	324
Finance expense		(62)	(140)	(298)
Profit before taxation		1,254	2,223	6,200
Taxation	3	(439)	(756)	(2,219)
Profit for the period		815	1,467	3,981
Attributable to:				
Equity holders of the parent		815	1,467	3,981
		pence	*pence*	*pence*
Basic earnings per share	4	1.4	3.0	8.1
Diluted earnings per share	4	1.4	2.8	7.4

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 September 2007

		(Restated under IFRS)	
	Unaudited	*Unaudited*	*Audited*
	30 September	*30 September*	*31 March*
	2007	*2006*	*2007*
	£'000	*£'000*	*£'000*
Assets			
Non-current assets			
Intangible assets	1,872	41	1,587
Property, plant and equipment	7,789	6,182	6,997
Interests in associates	164	435	152
Deferred tax assets	151	474	174
	9,976	7,132	8,910
Current assets			
Inventories	7,085	6,508	6,688
Trade and other receivables	5,828	5,327	3,869
Cash and equivalents	7,609	6,959	10,271
	20,522	18,794	20,828
Total assets	30,498	25,926	29,738
Liabilities			
Current liabilities			
Trade and other payables	(9,013)	(8,106)	(7,950)
Tax liabilities	(409)	(758)	(892)
Obligations under finance leases	(25)	(42)	(37)
Bank overdrafts and loans	(120)	–	–
	(9,567)	(8,906)	(8,879)
Non-current liabilities			
Bank loans	(1,130)	–	(1,250)
Preference shares	–	(2,539)	(2,564)
Deferred tax liabilities	(158)	(119)	(149)
Obligations under finance leases	(20)	(45)	(27)
	(1,308)	(2,703)	(3,990)
Total liabilities	(10,875)	(11,609)	(12,869)
Net assets	19,623	14,317	16,869
Equity			
Share capital	2,871	2,471	2,474
Share premium	7,007	4,605	4,633
Revaluation reserve	33	63	49
Capital redemption reserve	154	154	154
Special reserve	1,467	1,467	1,467
Retained earnings	8,106	5,607	8,186
Forex reserve	(15)	(50)	(94)
Total equity and reserves	19,623	14,317	16,869

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months to 30 September 2007

		(Restated under IFRS)	
	Unaudited	*Unaudited*	*Audited*
	six months	*six months*	*year*
	ended	*ended*	*ended*
	30 September	*30 September*	*31 March*
	2007	*2006*	*2007*
	£'000	*£'000*	*£'000*
Operating profit for the period	1,089	2,460	6,672
Adjustments for:			
Depreciation	614	501	1,067
Loss on sale of plant and equipment	–	–	2
Employee share-based payments (credit)/charge	(49)	51	102
Operating cash flows before movements in working capital	1,654	3,012	7,843
Increase in stocks	(397)	(541)	(721)
(Increase)/decrease in debtors	(1,958)	(366)	1,093
Increase/(decrease) in creditors	1,987	692	(289)
Cash generated by operations	1,286	2,797	7,926
Corporation taxes paid	(890)	(987)	(1,987)
Interest paid	(54)	(15)	(43)
Preference dividends paid	(56)	(98)	(196)
Net cash from operating activities	286	1,697	5,700
Investing activities:			
Interest received	226	137	324
Purchase of tangible fixed assets	(2,505)	(1,707)	(2,335)
Sale of tangible fixed assets	–	–	10
Purchase of intangible assets	–	–	(1,517)
Net cash used in investing activities	(2,279)	(1,570)	(3,518)
Financing activities:			
Dividends paid	(861)	(490)	(490)
Repayments of obligations under finance leases	(15)	(20)	(43)
Proceeds on issue of shares	207	60	90
New bank loans raised	–	–	1,250
Net cash flows (used in)/from financing activities	(669)	(450)	807
Net (decrease)/increase in cash and equivalents	(2,662)	(323)	2,989
Cash and cash equivalents at beginning of the period	10,271	7,282	7,282
Cash and cash equivalents at end of the period	7,609	6,959	10,271

CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

For the six months to 30 September 2007

		(Restated under IFRS)	
	Unaudited six months ended 30 September 2007 £'000	*Unaudited six months ended 30 September 2006 £'000*	*Audited year ended 31 March 2007 £'000*
Net profit for the period	815	1,467	3,981
Exchange differences on foreign currency net investments	79	(50)	(94)
Recognised income and expense for the period	894	1,417	3,887

CONDENSED CONSOLIDATED RECONCILIATION OF MOVEMENTS IN EQUITY

For the six months to 30 September 2007

		(Restated under IFRS)	
	Unaudited six months ended 30 September 2007 £'000	*Unaudited six months ended 30 September 2006 £'000*	*Audited year ended 31 March 2007 £'000*
Recognised income and expense for the period	894	1,417	3,887
Ordinary dividend paid	(861)	(490)	(490)
New shares issued	207	60	90
Conversion of preference shares	2,563	–	–
Employee share-based payments (credit)/charge	(49)	51	102
Finance costs on preference shares	–	2	3
	2,754	1,040	3,592
Opening equity	16,869	13,277	13,277
Closing equity	19,623	14,317	16,869

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. General information

Mulberry Group plc is a company incorporated in the United Kingdom under the Companies Act 1985. The address of the registered office is given in note 8.

These condensed interim financial statements do not comprise statutory accounts under the meaning of Section 240 of the Companies Act 1985. Statutory accounts for the year ended 31 March 2007, as prepared under United Kingdom Generally Accepted Accounting Principles, were approved by the Board of Directors on 20 June 2007 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 237 (2) or (3) of the Companies Act 1985.

2. Basis of preparation

The condensed consolidated financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards (IFRS) as adopted for use in the European Union.

These are the Group's first set of condensed consolidated financial statements under IFRS. The first full set of consolidated financial statements under IFRS will be for the year ending 31 March 2008.

The transition to IFRS has resulted in a number of changes in the reported consolidated financial statements, notes thereto and accounting principles compared to previous annual reports which were prepared under applicable United Kingdom Generally Accepted Accounting Principles (UK GAAP). The comparative information has been restated in accordance with IFRS. Note 6 provides further details on the transition from UK GAAP to IFRS. The date of transition to IFRS was 1 April 2006 (transition date). Details of the accounting policies adopted by the Group under IFRS are disclosed in note 7.

These condensed interim 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 7.

The Group has elected not to comply with IAS 34 'Interim financial reporting'.

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

Amendment to IAS 23 'Borrowing Costs'
IFRS 8 'Operating Segments'
IFRIC 9 'Reassessment of Embedded Derivatives'
IFRIC 10 'Interim Financial Reporting and Impairment'
IFRIC 11 'IFRS 2 – Group and Treasury Share Transactions'
IFRIC 12 'Service Concession Arrangements'
IFRIC 13 'Customer Loyalty Programmes'
IFRIC 14 'IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'.

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the consolidated financial statements of the Group.

In the current period, the Group will adopt IFRS 7 'Financial Instruments Disclosures' for the first time. As IFRS 7 is a disclosure standard, there is no impact of that change in accounting policy on the interim consolidated financial statements. Full details of the change will be disclosed in our report for the year ending 31 March 2008.

2. Basis of preparation (continued)

IFRS 1 Exemptions

IFRS 1, 'First-time Adoption of International Financial Reporting Standards', permits those companies adopting IFRS for the first time to take some exemptions from the full requirements of IFRS in the transition period:

- Business combinations – any business combinations prior to the transition date have not been restated on an IFRS basis.
- Share-based payments – IFRS 2 'Share-based Payments' applies to equity instruments. This has been applied to all share options granted since 7 November 2002. All cumulative charges have been recognised in equity at the transition date.
- Cumulative translation differences – the cumulative translation differences for all foreign operations are deemed to be zero at the date of transition to IFRS.
- Revaluations on property – for any property that has been previously revalued the revaluation is classed as being the fair value and therefore the deemed cost at the date of transition to IFRS.

3. Taxation

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

4. Earnings per ordinary share

Basic earnings per ordinary share has been calculated by dividing the profit on ordinary activities after taxation for each period by the weighted average number of ordinary shares in issue during the period.

Diluted earnings per share has been calculated by dividing the profit on ordinary activities after taxation, excluding the interest and finance costs relating to the preference shares for each period by the weighted average potential ordinary shares, calculated by taking account of the potential conversion of the preference shares and exercise of unexercised options:

	Unaudited six months ended 30 September 2007	*Unaudited six months ended 30 September 2006*	*Audited year ended 31 March 2007*
	thousands	*thousands*	*thousands*
Weighted average number of shares in issue	56,517	48,943	48,974
Weighted average potential ordinary shares	56,708	57,397	57,382

5. Conversion of the B Preference shares by Challice Limited

On 16 April 2007 the 8,000,000 B preference shares issued pursuant to the subscription agreement between the Company and Challice Limited, announced on 17 August 2000 and approved by shareholders on 11 September 2000, were converted into 8,000,000 ordinary shares of 5p each following satisfaction of the relevant conditions set out in the Company's articles of association. As a consequence Challice Limited's shareholding in the share capital of the Company increased to 34,212,144 shares.

6. Transition to IFRS

As stated in note 2, these are the Group's first condensed interim financial statements prepared in accordance with IFRS.

The transition from UK GAAP to IFRS has been made in accordance with IFRS 1, 'First-time Adoption of International Financial Reporting Standards'.

The following reconciliations and explanatory notes thereto describe the effects of the transition on the IFRS opening balance sheet as at 1 April 2006 and for the periods ending 30 September 2006 and 31 March 2007. Additionally they show the reconciliation of the profit and loss reported under UK GAAP for the periods ended 30 September 2006 and 31 March 2007 to IFRS.

All explanations should be read in conjunction with the IFRS accounting policies of the Group as disclosed in note 7.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
(continued)

6. Transition to IFRS (continued)

Reconciliation of UK GAAP to IFRS consolidated balance sheet as at 1 April 2006 (date of transition)

		(a)	*(b)*	*(d)*	
	UK GAAP	*IAS 17*	*IAS 38*	*IAS 12*	
	in IFRS	*Lease*	*Reclassify*	*Deferred*	
	format	*incentives*	*software*	*tax*	*IFRS*
	£'000	*£'000*	*£'000*	*£'000*	*£'000*
Assets					
Non-current assets					
Intangible assets	–	–	24	–	24
Property, plant and equipment	5,228	–	(24)	–	5,204
Interests in associates	730	–	–	–	730
Deferred tax assets	277	–	–	194	471
	6,235	–	–	194	6,429
Current assets					
Inventories	5,967	–	–	–	5,967
Trade and other receivables	4,962	–	–	–	4,962
Cash and equivalents	7,282	–	–	–	7,282
	18,211	–	–	–	18,211
Total assets	24,446	–	–	194	24,640
Liabilities					
Current liabilities					
Trade and other payables	(7,386)	(250)	–	–	(7,636)
Tax liabilities	(987)	–	–	–	(987)
Obligations under finance leases	(42)	–	–	–	(42)
	(8,415)	(250)	–	–	(8,665)
Non-current liabilities					
Preference shares	(2,514)	–	–	–	(2,514)
Deferred tax liabilities	–	–	–	(119)	(119)
Obligations under finance leases	(65)	–	–	–	(65)
	(2,579)	–	–	(119)	(2,698)
Total liabilities	(10,994)	(250)	–	(119)	(11,363)
Net assets	13,452	(250)	–	75	13,277
Equity					
Share capital	2,467	–	–	–	2,467
Share premium	4,547	–	–	–	4,547
Revaluation reserve	80	–	–	–	80
Capital redemption reserve	154	–	–	–	154
Special reserve	1,467	–	–	–	1,467
Retained earnings	4,737	(250)	–	75	4,562
Forex reserve	–	–	–	–	–
Total equity and reserves	13,452	(250)	–	75	13,277

6. Transition to IFRS (continued)

Reconciliation of UK GAAP to IFRS consolidated balance sheet as at 30 September 2006

		(a)	*(b)*	*(c)*	*(d)*	
	UK GAAP	*IAS 17*	*IAS 38*	*IAS 21*	*IAS 12*	
	in IFRS	*Lease*	*Reclassify*	*Forex*	*Deferred*	
	format	*incentives*	*software*	*reserve*	*tax*	*IFRS*
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Assets						
Non-current assets						
Intangible assets	–	–	41	–	–	41
Property, plant and equipment	6,223	–	(41)	–	–	6,182
Interests in associates	435	–	–	–	–	435
Deferred tax assets	278	–	–	–	196	474
	6,936	–	–	–	196	7,132
Current assets						
Inventories	6,508	–	–	–	–	6,508
Trade and other receivables	5,327	–	–	–	–	5,327
Cash and equivalents	6,959	–	–	–	–	6,959
	18,794	–	–	–	–	18,794
Total assets	25,730	–	–	–	196	25,926
Liabilities						
Current liabilities						
Trade and other payables	(7,848)	(258)	–	–	–	(8,106)
Tax liabilities	(758)	–	–	–	–	(758)
Obligations under finance leases	(42)	–	–	–	–	(42)
	(8,648)	(258)	–	–	–	(8,906)
Non-current liabilities						
Preference shares	(2,539)	–	–	–	–	(2,539)
Deferred tax liabilities	–	–	–	–	(119)	(119)
Obligations under finance leases	(45)	–	–	–	–	(45)
	(2,584)	–	–	–	(119)	(2,703)
Total liabilities	(11,232)	(258)	–	–	(119)	(11,609)
Net assets	14,498	(258)	–	–	77	14,317
Equity						
Share capital	2,471	–	–	–	–	2,471
Share premium	4,605	–	–	–	–	4,605
Revaluation reserve	63	–	–	–	–	63
Capital redemption reserve	154	–	–	–	–	154
Special reserve	1,467	–	–	–	–	1,467
Retained earnings	5,738	(258)	–	50	77	5,607
Forex reserve	–	–	–	(50)	–	(50)
Total equity and reserves	14,498	(258)	–	–	77	14,317

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
(continued)

6. Transition to IFRS (continued)

Reconciliation of UK GAAP to IFRS consolidated balance sheet as at 31 March 2007

		(a)	*(b)*	*(c)*	*(d)*	
	UK GAAP	*IAS 17*	*IAS 38*	*IAS 21*	*IAS 12*	
	in IFRS	*Lease*	*Reclassify*	*Forex*	*Deferred*	
	format	*incentives*	*software*	*reserve*	*tax*	*IFRS*
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Assets						
Non-current assets						
Intangible assets	1,499	–	88	–	–	1,587
Property, plant and equipment	7,085	–	(88)	–	–	6,997
Interests in associates	152	–	–	–	–	152
Deferred tax assets	–	–	–	–	174	174
	8,736	–	–	–	174	8,910
Current assets						
Inventories	6,688	–	–	–	–	6,688
Trade and other receivables	3,869	–	–	–	–	3,869
Cash and equivalents	10,271	–	–	–	–	10,271
	20,828	–	–	–	–	20,828
Total assets	29,564	–	–	–	174	29,738
Liabilities						
Current liabilities						
Trade and other payables	(7,690)	(260)	–	–	–	(7,950)
Tax liabilities	(892)	–	–	–	–	(892)
Obligations under finance leases	(37)	–	–	–	–	(37)
	(8,619)	(260)	–	–	–	(8,879)
Non-current liabilities						
Bank loans	(1,250)	–	–	–	–	(1,250)
Preference shares	(2,564)	–	–	–	–	(2,564)
Deferred tax liabilities	(53)	–	–	–	(96)	(149)
Obligations under finance leases	(27)	–	–	–	–	(27)
	(3,894)	–	–	–	(96)	(3,990)
Total liabilities	(12,513)	(260)	–	–	(96)	(12,869)
Net assets	17,051	(260)	–	–	78	16,869
Equity						
Share capital	2,474	–	–	–	–	2,474
Share premium	4,633	–	–	–	–	4,633
Revaluation reserve	49	–	–	–	–	49
Capital redemption reserve	154	–	–	–	–	154
Special reserve	1,467	–	–	–	–	1,467
Retained earnings	8,274	(260)	–	94	78	8,186
Forex reserve	–	–	–	(94)	–	(94)
Total equity and reserves	17,051	(260)	–	–	78	16,869

6. Transition to IFRS (continued)

Reconciliation of UK GAAP consolidated profit and loss account to IFRS consolidated income statement for the six months ended 30 September 2006

	UK GAAP in IFRS format	*(a) IAS 17 Lease incentives*	*(d) IAS 12 Deferred tax*	*IFRS (restated)*
	£'000	*£'000*	*£'000*	*£'000*
Revenue	20,655	–	–	20,655
Cost of sales	(8,984)	–	–	(8,984)
Gross profit	11,671	–	–	11,671
Administrative expenses	(9,203)	(8)	–	(9,211)
Operating profit	2,468	(8)	–	2,460
Share of results of associates	(234)	–	–	(234)
Finance income	137	–	–	137
Finance expense	(140)	–	–	(140)
Profit before taxation	2,231	(8)	–	2,223
Taxation	(758)	–	2	(756)
Profit for the period	1,473	(8)	2	1,467
Attributable to:				
Equity holders of the parent	1,473	(8)	2	1,467

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
(continued)

6. Transition to IFRS (continued)

Reconciliation of UK GAAP consolidated profit and loss account to IFRS consolidated income statement for the year ended 31 March 2007

	UK GAAP in IFRS format £'000	*(a) IAS 17 Lease incentives £'000*	*(d) IAS 12 Deferred tax £'000*	*IFRS (restated) £'000*
Revenue	45,078	–	–	45,078
Cost of sales	(18,818)	–	–	(18,818)
Gross profit	26,260	–	–	26,260
Administrative expenses	(19,578)	(10)	–	(19,588)
Operating profit	6,682	(10)	–	6,672
Share of results of associates	(498)	–	–	(498)
Finance income	324	–	–	324
Finance expense	(298)	–	–	(298)
Profit before taxation	6,210	(10)	–	6,200
Taxation	(2,222)	–	3	(2,219)
Profit for the period	3,988	(10)	3	3,981
Attributable to:				
Equity holders of the parent	3,988	(10)	3	3,981

6. Transition to IFRS (continued)

Notes to the IFRS transition statements

a. Under UK GAAP lease incentives were recognised over the period to the first market rent review or the end of the lease whichever is the shorter period. Under IFRS lease incentives are required to be recognised over the entire lease term.

   As a result the Group's IFRS opening balance sheet as at 1 April 2006 includes additional deferred lease incentives income of £250k and an associated tax asset adjustment of £75k. In respect of the six months ended 30 September 2006 and the year ended 31 March 2007 adjustments have been made to decrease the deferred lease incentives amortisation by a further £8k and £10k respectively, with an associated deferred tax adjustment of £2k and £3k respectively.

b. Under IFRS, computer software is classified as an intangible asset 'where the software is not an integral part of the related hardware'. This means that application software costs that have been capitalised as tangible fixed assets must now be reclassified to intangible assets. The effect is to increase the intangible assets and reduce property, plant and equipment by £24k, £41k and £88k being the net book value of software at 1 April 2006, 30 September 2006 and 31 March 2007 respectively.

c. Under IFRS, cumulative translation differences that arise on translation of foreign operations are shown as a separate reserve within equity.

d. This is the tax effect of the adjustments (a) to (c).

7. Accounting policies

Basis of consolidation

The condensed consolidated 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 where the Company has the power to govern the financial and operating policies of each investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of in any year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

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.

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. Amortisation is charged to the income statement over the estimated useful life of the asset.

Computer software that is integral to a related item of hardware is included as property, plant and equipment. All other computer software is recorded as an intangible asset.

7. 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.

Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method, on the following bases:

Freehold buildings	5%
Short leasehold land and buildings	over the term of the lease
Fixtures, fittings and equipment	10% to 33%
Plant and equipment	20%
Motor vehicles	25%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

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.

Assets in the course of construction are not depreciated. Depreciation on these assets commences when the assets are ready for intended use.

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

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 discount rate 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. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

7. Accounting policies (continued)

Investments in subsidiary undertakings and associates
Investments in subsidiaries are stated at cost less provision for any impairment in value.

An associate is an entity over which the Group is in a position to exercise significant influence. 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 not recognised.

Any excess of the cost of acquisition over the Group's share of the 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.

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.

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. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
(continued)

7. Accounting policies (continued)

Retirement benefit costs
Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

Research and development
Expenditure on research is written off against profits as incurred. Where development expenditure meets the criteria of IAS 38, such expenditure is capitalised and amortised over its useful life.

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 consolidated 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 consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

For the purpose of presenting consolidated 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 translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Operating profit
Operating profit is stated after charging restructuring costs but before the share of results of associates, investment income and finance costs.

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.

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

7. Accounting policies (continued)

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.

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.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at 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 accrual basis in 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.

Convertible redeemable preference shares

Convertible preference shares are regarded as compound instruments, consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible preference shares and the fair value assigned to the liability component, representing the embedded option to convert the liability into equity of the Group, is included in equity.

Issue costs are apportioned between the liability and equity components of the convertible preference shares based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly against equity.

Trade payables

Trade payables are not interest-bearing and are stated at their nominal value.

Equity instruments

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

Revenue recognition

Revenue represents amounts receivable for goods and services 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 when goods are delivered and title has passed.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which 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 accrued on a time basis as the income is earned.

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.

7. Accounting policies *(continued)*

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

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.

Share-based payments
The Group has applied the requirements of 'IFRS 2 Share-based payments' to all grants of equity instruments after November 2002 that were unvested at 1 April 2006.

The Group issues equity-settled share-based payments to certain employees. 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 shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

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, exercise restrictions, and behavioural considerations.

8. Approval and distribution
This report was approved by the Board of Directors on 12 December 2007 and is being sent to all shareholders. Copies are available on the Group's website (www.mulberrygroupplc.com) or from the Company Secretary at the Company's registered office:

The Rookery
Chilcompton
Bath
Somerset
BA3 4EH

INDEPENDENT REVIEW REPORT
TO THE MEMBERS OF MULBERRY GROUP PLC

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2007 which comprises the consolidated income statement, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of recognised income and expense, the consolidated reconciliation of movements in equity, and related notes 1 to 7. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements 2410 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the AIM Rules of the London Stock Exchange.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report have been prepared in accordance with the accounting policies the Group intends to use in preparing its next annual financial statements.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

The interim results for the six months ended 30 September 2006 have not previously been reported on as the Directors took the option not to have a review completed. Accordingly, we have not reviewed the comparative information for the six months ended 30 September 2006.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2007 is not prepared, in all material respects, in accordance with the AIM Rules of the London Stock Exchange.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditor
Bristol, UK

13 December 2007

SHAREHOLDERS' NOTES

SHAREHOLDERS' NOTES
(continued)

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