Mulberry Group plc
Preliminary results for the 52 weeks ended 28 March 2020

Strategic and operational progress despite challenging global market conditions

Mulberry Group plc ("the Group" or "Mulberry"), the British luxury brand, announces its audited results for the 52 weeks ended 28 March 2020.

FINANCIAL HIGHLIGHTS

The income statement set out below is included to show the underlying performance of the Group. It does not form part of the consolidated financial statements for the 52 weeks ended 28 March 2020 and 53 weeks ended 30 March 2019.

	52 weeks ended 28 March 2020			53 weeks ended 30 March 2019		
£'million	**Underlying**	**Adjusting items**	**Reported**	**Underlying**	**Adjusting items**	**Reported**
Revenue	149.3		149.3	166.3		166.3
Gross profit	91.1		91.1	102.3		102.3
Impairment charge property, plant and equipment	-	(7.1)	(7.1)	-	(0.8)	(0.8)
Impairment charge related to right of use assets	-	(24.9)	(24.9)	-	-	-
Other operating expenses	(101.6)	(1.7)	(103.2)	(102.1)	(5.2)	(107.3)
Other operating income	1.1	-	1.1	0.9		0.9
Operating loss	(9.3)	(33.7)	(43.0)	1.1	(6.0)	(4.9)
Share of results of associates	-.	-	-	0.1	-	0.1
Finance income	0.1	-	0.1	0.1	-	0.1
Finance expense	(5.0)	-	(5.0)	(0.3)	-	(0.3)
Loss before tax	(14.2)	(33.7)	(47.9)	1.0	(6.0)	(5.0)

Adjusting items include restructuring costs of £0.7m, store closure costs of £0.9m and store asset and right of use asset impairments of £32.1m largely resulting from the expected impact of COVID-19 on future trading.

- Group revenue down 10% to £149.3m (2019: £166.3m), primarily reflecting a challenging UK market and the impact of COVID-19 towards the end of the financial period. Group revenue down 6% before the start of COVID-19.
- International retail sales increased 4% to £32.4m (2019: £31.3m) representing 26% of retail revenue (2019: 23%). Asia Pacific retail sales increased 30%, driven by ongoing investment in this region, offset by a 14% decrease in rest of world retail sales, which included some store closures.
- Adjusted loss before tax of £14.2m (2019: adjusted profit £1.0m) before adjusting items of £33.7m (2019: £6.0m) largely resulting from the expected impact of COVID-19 on future trading.
- Period end Group net cash of £7.2m (2019: £11.1m), reflecting the increased operating loss, offset by lower working capital and capital expenditure.
- Inventory reduced by 12% to £34.9m reflecting good progress with our agile supply chain and inventory control.
- The Board has taken the decision not to pay a full year 2020 dividend (2019: 5.0p) in order to maintain a robust liquidity position given the uncertainty and duration of COVID-19.

OPERATING HIGHLIGHTS

- Direct-to-customer sales represented 91% of Group revenue (2019: 88%) and were £135.4m (2019: £146.0m).
- Digital sales as a proportion of Group revenue were 24% (2019: 22%).
- New Mulberry store concept now in 28 stores (including 8 partner stores), driving a significant lift in sales per square foot.
- We reacted swiftly to manage the impact of COVID-19, with the Board meeting fortnightly, and continue to execute a well-developed plan to manage capital, reduce costs and maintain a robust liquidity position.

SUSTAINABILITY HIGHLIGHTS

- Released our first 100% sustainable leather bag 'The Portobello', which sold out online in 24 hours.
- Mulberry is now carbon neutral across all UK operations.

CURRENT TRADING

- Trading since the start of the current financial period is ahead of our early expectations.
- Group revenue down 29% for the 26-week period from 29 March to 26 September 2020, compared to the same period last year, with an improving trend since stores have re-opened
- Digital revenue up 69%
- Asia Pacific retail revenue up 27%
- Digital off-price site established to replace lost sales from our outlet stores, which has been successful.
- Net cash of £8.0m at 25 September 2020, bank facilities extended to March 2022 with renegotiated banking covenants to reflect the current COVID-19 world.
- The Group expects losses to be reduced in the current financial period.

THIERRY ANDRETTA, CHIEF EXECUTIVE OFFICER, COMMENTED:

"The Group has made strategic and operational progress during the most challenging market conditions in the history of the brand. Prior to the impact of the Coronavirus pandemic we were performing well and on-track to record a pre-tax profit in the second half of the year. This was due to progressing our four-pillar growth strategy: our omni-channel distribution, our international development in Asia, a drive for constant innovation, and sustainability. The Group has been able to withstand some of the pressures that we, and indeed the entire retail industry, have been faced with.

I am extremely proud of my colleagues, who have coped admirably with these challenges. I am pleased to say the Group reacted swiftly to the impact of COVID-19, managing capital and reducing costs to ensure that we were able to maintain a robust liquidity position.

Post year end, the Group has continued to benefit from its long-term strategic focus with initial sales ahead of our early expectations. However, we cannot escape the reality that British luxury and UK cities face a very uncertain future, hampered by necessary but dramatic social distancing measures and alarmingly low levels of footfall, as well as the pressures of high rents and business rates and the upcoming changes to tax free shopping.

We cannot control external events, but we have a clear strategy and remain confident in the strength of the Mulberry brand. I would like to take this opportunity to once more thank my colleagues for their hard work, resilience and dedication during these difficult times."

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Chairman's Statement

In summary, the Group was destined to record a small profit in the second half of the financial period, until trading was impacted by the outbreak of COVID-19 with the majority of Group stores closing on different dates between January and 28 March 2020.

As with all brands, we have suffered from the impact of this global pandemic. Yet our omni-channel approach, including our market leading digital platforms and international development in Asia has enabled us to withstand some of the pressures affecting all consumer-facing businesses.

Our omni-channel distribution, digital strategy and company-wide approach to sustainability are at the core of our growth strategy and are deeply embedded in our culture and systems. We believe that being leaders in these areas is the basis of our future success, and this has enabled the Group to improve upon our base case sales projections during the new financial period to date.

New Accounting Standards

We have adopted the accounting standard IFRS 16 with effect from 31 March 2019. This gives rise to material non-cash adjustments to our Balance Sheet and Income Statement, making the Group's year-on-year performance not comparable.

Under IFRS 16 we must treat leases as if the underlying assets have been purchased for the life of the lease. Right of use assets of £111.2m and lease liabilities of £113.6m have been added to the balance sheet at 31 March 2019 and depreciation and interest is charged to the Income statement instead of rent. In addition we must forecast sales and costs forward for the full period of the lease to calculate any impairment of this new asset on an annual basis. An impairment analysis of the right of use assets was performed on transition, with a resulting impairment charge of £17.8m recognised against opening reserves as at 31 March 2019.

Due to COVID-19 and the related uncertainty around footfall and sales in our Central London stores, the Group has taken a carefully considered approach to forecasting future trading, which has resulted in a further impairment charge against the right of use assets of £24.9m in the period ended 28 March 2020.

Importantly, these are non-cash accounting adjustments, with no corresponding impact on the underlying trading of the Group, which has benefitted from our digital/omni-channel offering.

The impact of COVID-19

The immediate effect of COVID-19 was the closure of the majority of our shops and our UK factories by the end of March 2020. This resulted in all store staff and direct production teams, along with many support staff, being furloughed under the UK Coronavirus Job Retention Scheme ('CJRS'). Our digital business continued to trade strongly and the team created a digital off-price site that has traded well.

However, the absence of shoppers on the high street in the short-term, and the absence of tourists in the UK and Europe in the longer term, required a major restructuring of our business. The CJRS enabled us to take a measured look at the changes required. Sadly, we concluded that it was necessary to reduce our global headcount by approximately 25%, which we announced on 8 June 2020. Without the time afforded by the CJRS, we would have been forced to act earlier and make deeper cuts. The redundancy process was completed at the end of July 2020 and it has been an extremely difficult decision to part with so many of our valued colleagues and friends.

The Board has decided that no dividend will be declared for the period ended 28 March 2020 (2019: 5.0p per ordinary share) in order to maintain a robust liquidity position given the uncertainty and duration of COVID-19.

Asia

Having taken direct control of our businesses in China in March 2018, and South Korea in August 2018, we have made significant progress in Asia, implementing our global single inventory and replenishment systems in both territories. Combined with the recruiting of new management in Korea and Japan, we have started to roll-out our omni-channel approach in these regions.

The benefits of this were masked by the impact of the COVID-19 outbreak in these territories, but have become clear in the current period. In China, our team completed the complex task of integrating our systems with the key digital players so that we could operate efficiently on a concession basis. There is still much to do, but we have seen good growth in this region.

Creative Director

With effect from 31 March 2020, Johnny Coca left after five years as our creative director and we are currently considering his replacement. In the meantime, our well-established design team continue their excellent work. I would like to take this opportunity to thank Johnny for his contribution to Mulberry.

Current trading and outlook

In practice, the strength of our digital business has resulted in initial sales in the period to date being ahead of early expectations, with growth in Asia helping to offset some of the impact of the shut down in the UK, Europe and North America.

Since the start of the new financial period, most of our UK and European stores have re-opened, with trading depressed in capital cities but stronger elsewhere, reflecting the absence of tourists and people in offices. Our digital business has continued its pattern of strong growth.

We have recommenced manufacturing in Somerset to meet the demand for our product. Inventory levels remain on target, with no build-up of out-of-season merchandise.

The Group started the new financial period with net cash of £7.2m. We have extended our bank facilities with HSBC until March 2022 and renegotiated covenants to reflect the current COVID-19 world. At the date of writing, the Group has net cash and is not utilising the HSBC bank facilities.

With the background of COVID-19 conditions likely to continue for the remainder of the current period, sales are expected to be lower than the period ended 28 March 2020, but the Group expects losses to be reduced. Our expectations will undoubtedly be negatively affected by any further countrywide lock downs or a “second wave” of COVID-19 and hence there remains considerable uncertainty about future performance.

I would like to thank all of the team at Mulberry for their dedication and achievements during a time of extreme change and stress in our industry. I believe that they have laid the foundations for a successful future.

Godfrey Davis

Non-Executive Chairman

5 October 2020

Chief Executive's Statement

Overview

During the 52 weeks to 28 March 2020, we made progress against our strategic goal of making Mulberry a sustainable global luxury brand. With our rich heritage in leather craftsmanship and reputation for innovation, we strive to grow the Group through our four strategic pillars, which focus on omni-channel distribution, international development, constant innovation and a sustainable lifecycle.

It has been a challenging period for the Group. A difficult UK sales environment, affected by Brexit-related political uncertainty, the fall in consumer confidence, an increasingly promotion-led market and the impact of COVID-19 towards the end of the financial period.

COVID-19 has had a dramatic impact on our business, and we expect the recovery in our sales levels over the medium term to be gradual. Prior to the outbreak of COVID-19 we were making good progress in delivering against our strategy, in particular, our sector-leading omni-channel platform and global network of digital concessions, our international development strategy and our continuing focus on a sustainable lifecycle. Whilst we will continue to monitor and react appropriately to the ongoing impact of COVID-19, we are confident that our strategy is the right one.

Although the UK market, which accounted for 66% of Group revenue (2019: 69%), has been challenging, our international development continued, with international retail sales growing 4% year on year. Asia pacific retail sales increased 30%, driven by ongoing investment in this region, offset by a 14% decrease in rest of world sales, which included some store closures. The Asia region continues to offer a significant growth opportunity and remains a key strategic focus.

Direct-to-customer sales, which accounted for 91% of Group revenue (2019: 88%), include sales generated through Mulberry stores (including franchise partner stores), department stores and digital channels. Our initial strategic focus on building a direct-to-customer model has enabled us to enhance the customer experience, drive engagement with our customers and build brand loyalty.

Our wholesale channel, representing the balancing 9% of Group revenue (2019: 12%), largely results from working with selected partners in smaller markets where we do not operate directly.

We are developing a market-leading approach to sustainability across our products, materials, supply chain and people. I am proud that Mulberry is now carbon neutral across all operations in the UK. Also, in 2020 we released our first 100% sustainable leather bag, the Portobello, which sold out online within 24 hours. For more detail, see Mulberry Green, our responsibility commitments below.

COVID-19

COVID-19 has had a marked effect on our business and that of all global brands and retailers. International Mulberry stores started to close in mid-January 2020 and by the end of March 2020, we had closed 70% of our stores worldwide. The Group reacted swiftly to the impact of COVID-19 and we continue to execute a well-developed plan to manage capital, reduce costs and maintain a robust liquidity position. Whilst our digital sales performance has been good and we continued to operate successfully in all markets without interruption, it cannot fully offset the decrease in demand experienced during the period that stores were closed.

During the UK COVID-19 lockdown, which started in March 2020, we were delighted to be able to support our NHS; we used one of our Somerset-based factories to produce PPE gowns for our local NHS Trusts and frontline workers, producing over 15,000 reusable, machine-washable gowns. We also raised over £75,000 for the National Emergency Trust via our Coronavirus Appeal.

Outlook

The outlook changed dramatically in the last quarter of the financial period under review. The immediate impact was a significant increase in digital sales, while the majority of our stores were closed.

It is clear that tourism in London and other capital cities will be non-existent for the foreseeable future and that offices in the main cities will remain closed, further reducing the potential footfall in these locations.

Our stores in China and South Korea re-opened in April 2020, followed by stores in Japan and Europe. In line with UK Government advice, we commenced a phased re-opening of our UK stores in June 2020. Detailed additional safety standards and procedures for our staff and customers are in place to allow our stores to operate safely. As expected, sales in our capital city stores such as Central London continue to be depressed while sales in regional cities have recovered more strongly, albeit trading below last period.

Throughout this entire period, our distribution centre in Somerset has remained open enabling the digital business to operate relatively normally. The team have done an outstanding job of dealing with the surge in digital demand. Our distribution centre is large enough for proper safety standards to have been put in place from the outset and we are fortunate that the incidence of COVID-19 in our part of Somerset has been extremely low.

Given the uncertainty as to the impact and duration of COVID-19 on the Group and the wider economy, and the consequential effect on demand, recovery in our overall sales levels will be gradual. In response to this, a number of key actions and strategic changes have been made including:

1. A digital off-price site was immediately established to replace lost sales from our outlet stores, which has been extremely successful.
2. The launch of a new global pricing strategy was brought forward and implemented with effect from April 2020. The new pricing applies the same retail price globally. Previously, in common with other luxury brands, prices outside Europe were higher. This appears to be contributing to the strong growth in Asian markets.
3. A cost reduction programme was implemented across the whole Group and included:
    - Reducing headcount by approximately 25%, completed 31 July 2020.
    - Renegotiating or terminating leases where possible.

The objective of this restructuring was to ensure that our cost base was in line with anticipated trading levels.

In tandem with these measures, the investment in the Group's subsidiaries in China, Korea and Japan, has made good progress and after two years of substantial cost and investment, these businesses are approaching breakeven.

In summary, the combination of these factors means that the Group has delivered an improved net operating performance in the first half to date and is expected to deliver improved results for the 52 weeks to 27 March 2021, unless there are further material disruptions due to COVID-19 .

The Group started the period with net cash of £7.2m and has renegotiated its bank facilities with its main banker HSBC to extend the period and incorporate COVID-19 appropriate covenants. However, the Group continues to have net cash on hand and has not used the revolving credit facility at any point since the start of the new financial period.

In view of the complex pattern of trading, we show a more detailed unaudited sales analysis for the 26 weeks ended 26 September 2020:

£ Million	Quarter 1 Sales	Quarter 1 % Change	Quarter 2 Sales	Quarter 2 % Change	Period to date Sales	Period to date % Change
Digital	14.6	76%	8.9	59%	23.5	69%
Stores	5.5	-74%	13.8	-38%	19.3	-55%
Retail incl. omnichannel	**20.1**	**-31%**	**22.7**	-18%	**42.8**	**-25%**
Wholesale and Franchise	**1.7**	**-74%**	**4.1**	-21%	**5.8**	**-51%**
Group Revenue	**21.8**	**-39%**	**26.8**	**-19%**	**48.6**	**-29%**

£ Million	Quarter 1 Sales	Quarter 1 % Change	Quarter 2 Sales	Quarter 2 % Change	Period to date Sales	Period to date % Change
Digital	11.5	83%	6.3	50%	17.8	70%
Stores	0.9	-94%	9.2	-43%	10.1	-68%
Wholesale and Franchise	0.1	-95%	1.0	-17%	1.1	-65%
UK	**12.5**	**-46%**	**16.5**	**-23%**	**29.0**	**-35%**
Digital	1.2	100%	0.8	167%	2.0	122%
Stores	4.1	24%	3.4	3%	7.5	14%
Wholesale and Franchise	0.2	-78%	0.3	-75%	0.5	-76%
Asia Pacific	**5.5**	**15%**	**4.5**	-6%	**10.0**	**4%**
Digital	1.9	36%	1.8	64%	3.7	48%
Stores	0.5	-81%	1.2	-59%	1.7	-69%
Wholesale and Franchise	1.4	-63%	2.8	0%	4.2	-36%
Rest of World	**3.8**	**-51%**	**5.8**	-15%	**9.6**	**-34%**
Group Revenue	**21.8**	**-39%**	**26.8**	-19%	**48.6**	**-29%**

It is clear that the Group is benefitting from our long-term strategy of directly controlling our digital sales network and distribution system worldwide and the investment in our Asian business. In the light of the above, we remain confident in the strength of the Mulberry brand and our strategy over the longer term.

Progress against our strategy

Strategic Pillar 1

Omni-channel distribution

Through our omni-channel distribution model, we aim to enhance our customers' experience and drive engagement. This includes developing our store network through selective store openings and closures, the continued roll-out of the new Mulberry store concept and further enhancements to our omni-channel approach, which allow customers to research, buy and return product anywhere across our stores and digital platforms. Our aim is to expand this across our global network over the coming period.

Our new Mulberry store concept features design elements that represent our distinctive British heritage and enables us to better display and promote our collections. The concept includes innovative customer-facing technology, creates more space and supports our omni-channel proposition. It has helped to elevate our brand position, with the new concept stores outperforming more traditional outlets. As at the period end, the new store concept had been implemented in 12 stores in the UK and 16 stores in international markets and we will continue our roll-out over the coming years. In addition, in the UK we extended our omni-channel proposition with the launch of same-day delivery in our standalone retail stores.

The store network at the period end was as follows:

Number of stores as at:	28-Mar 2020	30-Mar 2019	Total change (this period vs last period)
China, Hong Kong, Taiwan	8	7	+1
Japan	7	7	0
South Korea	17	18	-1
Total Asia Retail	32	32	0
Europe	6	7	-1
North America	7	7	0
Total International Retail	45	46	-1
Total International Franchise Partner	20	22	-2
Total International (Retail & Franchise Partner)	65	68	-3
Total UK Retail	54	55	-1
Total Group Retail	99	101	-2
Total Group (Retail & Franchise Partner)	119	123	-4

In the UK, we operated 54 retail stores at the period end, with 19 John Lewis concessions and 11 House of Fraser concessions. During the period, we further rebalanced the concession portfolio with the opening of 4 John Lewis locations and the closure of 6 House of Fraser locations. We will continue to manage the business proactively and focus on optimising the UK store network.

Digital sales now represent 24% of Group revenue (2019: 22%). This growth was partly due to building consumer confidence in online shopping for luxury goods, but also due to further enhancements in our market-leading digital platforms including better functionality, localisation and local fulfilment. Digital traffic increased in many markets as a result of our digital and social channel marketing activities, and customer database growth was up on the previous period across all key countries and regions.

In April 2019, we launched the Mulberry global digital store on Farfetch, the leading global technology platform for the luxury fashion industry. This partnering on a global concession basis enhances our direct-to-customer model and strengthens our international presence. Performance here has been strong with total sales outperforming our expectations. All Mulberry product groups are now available via Farfetch, with the range expanding each season.

Strategic Pillar 2

International Development

Sales generated from international markets have continued to grow as a proportion of overall Group sales and we expect this trend to continue as we grow brand awareness in Asia.

Local and digital marketing activities are starting to increase brand awareness across our regions. Our international store launches are celebrated through social media, increasing our reach with target audiences, and showcasing our luxury retail credentials.

South Korea: As part of our investment in Asia, Mulberry Korea became a wholly owned subsidiary during July 2019, following the purchase of the 40% which the Group did not already own. We continued to enhance our retail store network with the relocation of the Lotte Busan store, which included the new Mulberry store concept. In addition to continued investment in local marketing, new management were installed in Seoul and the Group merchandising systems were implemented,

North Asia: China, Hong Kong, Taiwan. Currently 8 stores, the Chinese market is a target growth market. While progress in China and Taiwan has been promising, trading in Hong Kong was significantly affected by ongoing political disruption.

Japan: In August 2019 we held a successful immersive customer event, #MulberryxTokyo, featuring our "My Local" tour series and taking inspiration from the British pub. This included accompanying musical and interactive events, a pop-up shop in Isetan Shinjuku with a limited-edition bag and the launch of the Group's Japanese social media channel with LINE. Momentum has accelerated since then with particularly strong performance including the launch of a new soft bag, Iris.

Rest of world: We continue to refine our international presence and identify strategic growth opportunities. In the US we have 5 stores; including a new concept store opened in April 2019 in Rockefeller Centre, New York. We closed our store in Las Vegas in October 2019. Digital sales grew strongly in this region over the financial period. In Europe, and outside the UK, we continue to operate stores in Switzerland, Germany, Netherlands and France. We closed our store in Vienna, Austria in December 2019.

Strategic Pillar 3

Constant Innovation

During the period, we introduced a number of new bag families including the Millie, the Iris, and our first 100% sustainable bag the Portobello, which sold out globally online within the first 24 hours following its launch in December 2019. The M Collection, a new collection constructed with a sustainable jacquard fabric made from a blend of environmentally friendly Econyl (replacing virgin nylon) and Better Cotton Initiative (BCI) cotton, was launched at London Fashion Week in 2020.

Our mini bag range has performed particularly well, driven by the Small Darley and Small Darley Satchel. Across our lifestyle categories, eyewear and soft accessories continued to have strong sales.
Our collaborations with brands and celebrities continue. The Acne X Mulberry collaboration was launched in November 2019 with significant global media attention, increasing our brand awareness. The collection saw the two houses signature styles blended together, such as Acne's Musubi bag with its origami knot with Mulberry's iconic Bayswater.

In March 2020, model and celebrity Iris Law created a sell-out collection with her own take on her namesake Mulberry bag with a small tie dye collection, sold in our flagship Regent Street store. This collection was manufactured in our Artisan studios in Somerset.

Strategic Pillar 4

Sustainable Lifecycle

In 2019 we developed 'Mulberry Green'; our approach to responsibility across sourcing, manufacturing, repairs, circular economy and people. We take responsibility seriously across the Group, from sourcing and manufacturing to innovation and marketing.

Mulberry products have been 'made to last' from the outset and we are committed to lifetime service for a Mulberry item. Our world-class Repair Centre in our Somerset HQ is a key feature in our journey towards a fully sustainable product and service offer. Our responsible approach is followed throughout our manufacturing processes and standards to ensure we uphold and protect our heritage in leather craftsmanship. We use innovative technology such as the latest digital cutting machines, which ensure improved utilisation and reduced waste on leather cutting.

We are proud that we received Zero Waste to Landfill certification in 2020 in the UK. The Woodland Trust issued us with a certificate stating that 26,700sqm of woodland (around 5½ football pitches) will be planted in the UK to offset our 2018/19 carbon footprint, achieving carbon neutrality for our UK operations.

Over 50% of our bags are made in the UK (other manufacturing areas include Europe and Asia) and last period 48% of our range used leather and suede that is traceable to the country of origin. Our global manufacturing partners follow strict ethical and environmental standards set out in our global sourcing principles and over 65% of leather in the collection is sourced from environmentally accredited tanneries and our target is to achieve 100% by 2022.

In December 2019, we joined the Better Cotton Initiative (the largest cotton sustainability programme in the world) as a Brand/Retailer member. Our target is for all cotton to be sustainably sourced by 2025 – recycled, organic or BCI. We also joined Textile Exchange's Sustainable Cotton Challenge.

In February 2020, we launched The Mulberry Exchange, offering a suite of new services that enable our customers to have their bags authenticated and appraised, with the opportunity to put this value towards a new purchase. This initiative got off to a strong start at London Fashion Week 2020 but was then affected by the COVID-19 lockdown. We are committed to this initiative and are very encouraged by the initial response from customers.

Marketing and Brand

The Group continues to invest in bringing to life the brand's youthful British luxury positioning for a global audience, with a strong focus on its sector-leading responsibility mission. Mulberry takes a 360-degree approach to its customer engagement strategy, targeting digital, fashion forward customers, and localising customer acquisition plans for priority markets, with a particular focus on Asia and the UK.

The Group invests strongly in social-first content storytelling, experiential event formats, innovative brand collaborations and digital media partnerships that enables the brand to connect directly with its target customers. This approach is underpinned by using the power of customer data and insight to unlock 1:1 personalised customer journeys and omni-channel clientelling services across the Group's predominantly direct-to-consumer retail network.

In June 2019 Mulberry launched its "My Local" event series, inspired by the British pub which saw the brand hosting live music gigs across London pubs, with international pop-ups following in Seoul, Sydney and New York, and a four day immersive brand experience in Tokyo complemented by the global launch of the new Iris range and a pop-up boutique in Isetan Shinjuku.
This was followed by the global launch of its friendship collaboration with Acne Studios in October 2019 which saw the two houses release a collection of leather goods that married Acne Studios' strong Swedish design ethos and celebrated the British heritage and modernity of Mulberry. The range was supported by a global influencer campaign and particularly well received across Asia.

The festive season saw the evolution of the annual #MulberryLights campaign brought to life via projections across the UK, and also the release of the Portobello Tote: Mulberry's first 100% sustainable leather bag, coinciding with the launch of our Mulberry Green responsibility charter, detailing our sustainability strategy and commitments.

In February 2020, the brand launched its "Made to Last" campaign during London Fashion Week that brought customers further into the brand's sustainability efforts and our design and craft ethos. The three day installation saw our carbon neutral Somerset factories transported to our Bond Street store where customers could see the 100% sustainable Portobello being made, complemented by a programme of live music, exclusive events, craft workshops and a pop-up café. The event also served as the launch of The Mulberry Exchange: a progressive new circular economy programme offering buy-back and resale of Mulberry bags.

Financial review

Results for the 52 weeks to 28 March 2020 were affected by the combined impact of a difficult UK sales environment, affected by Brexit-related political uncertainty, the consequential fall in consumer confidence and the market becoming increasingly promotion-led, as well as the impact of COVID-19 at the end of the period.

Group revenue and gross profit

Group revenue for the period was £149.3m (2019: £166.3m) and retail sales reduced 7%. As anticipated, wholesale sales reduced 24%, as the Group continues to focus on its direct-to-customer distribution model. Global digital sales decreased 2% during the period to £36.3m and now represent 24% of Group revenue (2019: 22%). Whilst progress achieved in Asia was encouraging, the UK and rest of world remained challenging.

The global COVID-19 pandemic started to affect Mulberry sales in Asia during January 2020, before affecting sales in European and US markets. Prior to this, we were on track to deliver a pre-tax profit in the second half of the 52 weeks to 28 March 2020, with growth in digital sales, as consumer confidence in shopping online for luxury goods climbed and sales in Asia increased.

£ Million	**2019/20**	**2018/19**	**% Change**
Digital	36.3	36.9	-2%
Stores	89.1	97.9	-9%
Retail incl. omnichannel	125.4	134.8	**-7%**
Wholesale and Franchise	**23.9**	**31.5**	**-24%**
Group Revenue	**149.3**	**166.3**	**-10%**

£ Million	**2019/20**	**2018/19**	**% Change**
Digital	27.8	29.1	-4%
Stores	65.2	74.4	-12%
Wholesale and Franchise	5.7	11.1	-49%
UK	**98.7**	**114.6**	**-14%**
Digital	2.4	1.7	41%
Stores	13.6	10.6	28%
Wholesale and Franchise	5.4	6.3	-14%
Asia Pacific	**21.4**	**18.6**	**15%**
Digital	6.1	6.1	0%
Stores	10.3	12.9	-20%
Wholesale and Franchise	12.8	14.1	-9%
Rest of World	**29.2**	**33.1**	**-12%**
Group Revenue	**149.3**	**166.3**	**-10%**

** Regional splits include Digital sales*

International retail sales increased 4% to £32.4m (2019: £31.3m) representing 26% of retail revenue (2019: 23%). Asia Pacific retail sales increased 30%, driven by ongoing investment in this region, offset by a 14% decrease in rest of world retail sales, which included some store closures.

South Korea was a new retail territory following the creation of Mulberry Korea and the market's transition from a franchise arrangement during August 2018. During the period, the Group established a new local management team in Seoul, enhanced the store portfolio and invested further in targeted marketing activities. Progress in China and Taiwan has been promising during the period following the ongoing enhancement of the Group's Retail, Digital and omni-channel platform including the introduction of strategic digital partnerships including Tmall (Alibaba), Farfetch (global) and Secoo. Trading in the Group's two Hong Kong stores has been significantly affected by the ongoing disruption in the market. Whilst still a nascent market, Japan has started to deliver encouraging growth following the MulberryxTokyo event held during August 2019 with the accompanying pop-up shop in Isetan Shinjuku generating a strong uplift in sales. In other international markets, the Group continues to refine and enhance its presence.

Against the backdrop of a challenging retail environment and the impact of COVID-19 at the end of the period, the Group's UK Retail sales, including digital, decreased 10% to £93.0m. Digital sales increased as a proportion of retail sales, whilst store sales continue to be impacted by lower traffic.

Wholesale and franchise sales, as anticipated, decreased 24% to £23.9m (2019: £31.5m) reflecting the continued focus on the direct-to-customer model. International Wholesale and Franchise sales were £18.2m (2019: £20.4m), primarily reflecting the shift in South Korea sales from Wholesale to Retail during August 2018 as part of the creation of Mulberry Korea. UK Wholesale sales were £5.7m (2019: £11.1m) primarily reflecting the conversion of John Lewis from wholesale to a concession model during November 2018.

Gross margin for the period was broadly maintained at 61.0% (2019: 61.5%).

Other operating expenses

Other operating expenses (net) decreased to £103.2m (2019: £107.4m). Underlying expenses reflected investment in the omni-channel distribution model in Asia, with the expansion and enhancement of the Retail store network, and in the UK with the conversion of John Lewis to a concession and roll-out of the new store concept. The Group's UK business has experienced a sustained period of cost inflation during recent years.

Loss before tax

The Group's adjusted loss before tax for the period was £14.2m (2019: adjusted profit before tax £1.0m). The reported loss before tax for the period was £47.9m (2019: £5.0m). See notes 3 and 7 for further details of Alternative Performance Measures.

Adjusting items in the period amounted to £33.7m (2019: £6.0m) and are detailed below. The impairment charges related to retail property, plant and equipment of £7.1m and right of use assets of £24.9m, are largely due to the expected impact of COVID-19 on future trading. Property, plant and equipment and right of use assets are reviewed for impairment if there are indicators of impairment indicating that the carrying amount may not be recoverable.

	52 weeks ended 28 March 2020 (£ 000)	53 weeks ended 30 March 2019 (£ 000)
Restructuring costs	676	-
Store closure costs	886	-
Impairment charge related to retail property, plant and equipment	7,143	795
Impairment charge related to right of use assets	24,947	-
Bad debt and other expenses from House of Fraser administration	-	2,073
Write back of profit on reacquired stock and set up costs relating to conversion of John Lewis to concession	-	1,323
Launch costs relating to Mulberry Korea	-	1,821
Adjusting items	**33,652**	**6,012**

IFRS 16

During the period, the Group adopted IFRS 16 'Leases' for the first time. IFRS 16 specifies how to recognise, measure, present and disclose leases and replaces IAS 17 'Leases'. The Group adopted IFRS 16 from 31 March 2019 using a simplified modified retrospective transition approach, under which the comparative information presented for the 53 weeks ended 30 March 2019 has not been restated and therefore continues to be shown under IAS 17. Further information is provided in note 2.

An impairment analysis of the right of use assets was performed on transition, with a resulting impairment charge of £17.8m recognised against opening reserves as at 31 March 2019. A further impairment charge against the right of use assets of £24.9m was taken in the period, largely due to the expected impact of COVID-19 on future trading.

Taxation

The Group reported a tax credit for the period of £0.9m (2019: £0.2m), an effective tax rate of 2% (2019: 3%). The effective tax rate is lower than the UK tax rate for the period of 19% primarily due to not recognising deferred tax assets on all current period losses.

Dividends

Due to the impact of COVID-19 on the business, the Board has taken the decision that no dividend will be declared for the 52 weeks ended 28 March 2020 (2019: 5.0p per ordinary share) in order to maintain a robust liquidity position given the uncertainty and duration of COVID-19 and to reflect the use of the UK Coronavirus Job Retention Scheme.

Cash flow

The net decrease in cash and cash equivalents per the cash flow statement of £4.6m (2019: £13.1m) primarily reflected an increased operating loss, offset by lower working capital and capital expenditure.

Inventory reduced by 12% to £34.9m and reflects the Group's focus on an agile supply chain and inventory control. Capital expenditure during the period reduced to £6.8m (2019: £11.7m) and related to the opening and refurbishment of stores, further investment in digital, IT systems and the Group's factories.

Borrowing facilities

The Group's net cash balance (comprising cash and cash equivalents, less overdrafts) at 28 March 2020 was £7.2m (2019: £11.1m). Since the period end, the Group has extended its revolving credit facility with HSBC until March 2022 and renegotiated banking covenants to reflect the current COVID-19 world. The £15.0m revolving credit facility is secured and covenants are tested on a quarterly basis and contain a minimum 12 month rolling EBITDA target and a maximum net debt target. Covenants are tested on a 'frozen GAAP' basis and exclude the impact of IFRS 16. In addition, the Group has a £4m overdraft facility and a further USD1.9m overdraft facility in China, which are renewed annually.

Corporate Social Responsibility - Mulberry Green

Mulberry Green is our signature brand colour and the name we give to our responsibility commitments. This is also our Corporate Social Responsibility report for the 52 weeks to 28 March 2020. Our approach is based on a simple principle; that Mulberry will make a positive difference to its people, the environment and the communities in which we work. Employees are actively encouraged to find new ways of meeting our wider responsibilities. We are proud of our achievements in sustainability and have set ambitious targets for the Group going forward.

Sourcing

- Our overarching aim is to work towards the sustainable sourcing of all raw materials used in the production of Mulberry goods.
- All of our leathers are a bi-product of food production and sourced to meet our high ethical standards, with most coming from Europe.
- For the period ended 28 March 2020, 65% (2019: 35%) of leather in the collection was sourced from environmentally accredited tanneries – our target is to hit 100% by 2022.
- For the period ended 28 March 2020, 48% (2019: 38%) of our range used leather and suede that is traceable to the country of origin – our target is 100% by late 2023.
- Animal welfare – we are committed to ethical practices and traceability in our leather and do not use fur or exotic skins.

Manufacturing

- Our overarching aim is to achieve a year-on-year improvement in our sustainability metrics within our supply chain
- We are committed to producing at least 50% of our leather bags in the UK.
- Our UK operations became carbon neutral in 2019.
- We ensure our global partners and suppliers uphold our high ethical and environmental standards set out in our Global Sourcing Principles.
- For the period ended 28 March 2020, 44% (2019: 44%) of our customer facing packaging was kerbside recyclable – our target is 100% by 2021.

Repairs

- Our overarching goal is to move towards a fully sustainable product and service offer.
- Our world-class Repairs Centre repairs thousands of bags each year.
- We hold an archive of components and materials going back 35 years and continue to enhance our service offer.
- Committed to finding an end-of-life solution for all of our products.

Circular Economy

- We launched our circular economy program 'The Mulberry Exchange' at London Fashion Week in February 2020, allowing customers to buy and sell pre-loved Mulberry items.
- Climate change – we invest in the latest technologies to help reduce energy consumption and our impact on the environment. We source purchases from sustainable or renewable sources wherever possible.
- Reducing waste – there is a continuous process at Mulberry to identify ways to reduce waste, as well as recycling as much material as possible from our UK sites, especially to community arts and crafts groups.

People

- Continue to support our apprenticeship scheme which has now seen over 100 apprentices complete the government approved Leather Goods Manufacturing qualification.
- We believe in driving a positive culture through our Employee Values: Be Open, Be Bold, Be Imaginative, Be Responsible
- We support our local communities through partnerships with charities and volunteering schemes.

Going Concern

In determining whether the Group's accounts can be prepared on a going concern basis, the Directors considered the Group's business activities and cash requirements together with factors likely to affect its performance and financial position, including the current and future anticipated impact of COVID-19.

The Group's business activities, together with the factors likely to affect its future development, performance and financial position are set out in the Strategic Report.

The key judgements in relation to the going concern assessment are in respect of the potential ongoing impact of COVID-19 on the Group. They include the timing of the Group's recovery to pre-COVID-19 trading levels and the likelihood and impact of further lockdowns, including their duration and the impact on consumer demand in the markets in which the Group operates. When making these judgements, the Directors considered trading levels since the majority of the Group's stores have re-opened and the outlook for the Group against their detailed base case scenario. The Directors have also considered a further downside scenario and a reverse stress test scenario. These are described in further detail below.

The Group had net cash of £7.2 million (2019: £11.1 million) at 28 March 2020 and had not drawn down on its revolving credit facility.

Borrowing facilities

The Group has a £15m revolving credit facility, which on 15 September 2020 was extended until March 2022, with renegotiated banking covenants to reflect the current COVID-19 world and security granted in favour of HSBC. Covenants are tested on a quarterly basis and contain a 12-month rolling minimum EBITDA target and a maximum net debt target. Covenants are tested on a 'frozen GAAP' basis and exclude the impact of IFRS 16. In addition, the Group has a £4m overdraft facility and a further USD1.9m overdraft facility in China, which are not committed facilities and therefore not considered by the Directors as part of the going concern assessment. The Group overdraft is renewed annually in May and the overdraft in China is renewed annually in July.

The Company is proposing an amendment to the Company's borrowing powers at the forthcoming General Meeting to ensure that the use of its borrowing facilities is not restricted. The Group's main shareholder has given their commitment to vote in favour of this amendment to the Company's borrowing powers.

The revolving credit facility was not drawn down at the period end and remains undrawn at the date of this report. The Group had net cash of £8.0m at 25 September 2020.

Mitigating actions taken post year end

The Group reacted swiftly to manage the impact of COVID-19 and continues to execute a well-developed plan to manage its capital and costs and maintain its liquidity position.

The following actions have already been taken following the start of the new financial year and are modelled in the Directors' base case scenario:

- A significant reduction in discretionary costs (mainly marketing, consumables and travel), the freezing of pay and recruitment and a temporary pay cut of 20% for PLC Directors and other senior managers. The pay cut for senior managers ceased in August 2020 and the pay cut for PLC Directors is ongoing and will be reviewed when there is further certainty regarding COVID-19;
- A reduction in employee numbers by approximately 25% across the Group;
- The renegotiation or termination of leases where possible;
- A reduction in inventory production and purchases in line with anticipated demand;
- The cancellation of all non-essential capital expenditure;
- Optimising working capital by negotiating extended payment terms with landlords and suppliers, whilst continuing to pay all suppliers in full;
- Accessing relevant government support programmes, such as business rates relief and the Coronavirus Job Retention Scheme in the UK and similar schemes in other countries;
- Utilising government allowances for deferring certain direct and indirect tax and social security payments. At the date of this report, £1.0m of PAYE payments have been deferred until January 2021 and £0.7m of VAT payments until March 2021, with an option to defer for a further 11 months;
- The suspension of all shareholder distributions until the Directors have a clearer view of the scale and duration of the impact of COVID-19 on the Group; and
- The renegotiation and relaxation of the Group's banking covenants in line with the downside scenario projections.

These actions represent a 34% reduction in operating expenses and a 72% reduction in capital expenditure against the prior year. Inventory production and purchases have been reduced in line with anticipated demand, based on the base case scenario and are regularly reviewed and adjusted in line with revised trading projections. Trading since the Group's stores began to re-open, is currently outperforming the base case scenario.

Further actions, including further cost savings and working capital benefits, are available to the Directors to mitigate the impact of the trading environment assumed in the Directors' downside scenario (see below). On 24 September 2020, further Government support measures were announced as part of the Government's Winter Economy Plan. These have not been included in these scenarios but would potentially provide the Group with further contribution to costs.

Base case scenario

The Directors' base case scenario assumes that revenues do not recover to levels recorded in the year to 28 March 2020 in the short term. Whilst the majority of the Group's stores have re-opened following lockdown in various territories, the Directors expect that social distancing measures and reduced tourist and footfall levels will continue to impact revenues over the going concern period. The impact of COVID-19 on the wider economy (particularly the

UK) will also have a consequential effect on demand. The Directors assume the trading experienced through the Group's digital channels will continue, although not at sufficient levels to fully offset the expected slower growth in the stores. The base case scenario assumes a 35% reduction in retail sales and a 61% reduction in wholesale and franchise sales against the prior year, with the mix between full price and off-price sales largely maintained. No additional COVID-19 related lockdown periods have been assumed.

The cost savings and working capital benefits assumed in this scenario are detailed above (see Mitigating Actions) and at the date of this report, the Group are on track to deliver these.

Under this scenario, banking covenants will be met and borrowing levels remain within the Group's committed borrowing facilities over the 12 month going concern period.

Downside scenario

The Directors' downside scenario does model a second wave of COVID-19 in the UK, Europe and North America, with a further 2.5-month lockdown and store closure period in these territories between October and December 2020. No factory or distribution centre closures are assumed and no lockdown is assumed in Asia, as early containment measures have proved effective in curbing the pandemic. Digital revenues are anticipated to increase while stores are closed, which is in line with the Group's experience during the March to June 2020 lockdown. The impact of this would result in a 41% reduction in retail sales against the prior year.

Further mitigating cost saving, primarily reduced inventory purchases and working capital actions are assumed to be undertaken, although no further Government support is assumed in this scenario.

Under this scenario, banking covenants will be met and borrowing levels remain within the Group's committed borrowing facilities over the 12 month going concern period.

Reverse stress test scenario

The Directors have reviewed a reverse stress test scenario that models the decline in sales that the Group would be able to absorb before triggering a breach of banking covenants. The Directors believe that this scenario is remote, for the following reasons:

- Trading since the Group's stores began to re-open, is currently outperforming the base case scenario;
- As demonstrated in the March to June 2020 lockdown, digital revenues are able to offset some of the lost sales while stores are closed;
- The Group continues to execute a well-developed plan to manage its capital and costs and maintain a robust liquidity position; and
- Further actions, including revenue opportunities, further cost savings and working capital benefits are available.

The reverse stress test assumes a further 10% reduction on revenue against the downside scenario , offset by working capital optimisation and a further 20% reduction in payroll and discretionary costs (marketing, consumables, travel and other goods not for resale). Inventory production and purchases have been reduced in line with the anticipated demand under this scenario. Additional costs arising from Brexit have been assumed under this scenario, effective from 1 January 2021.

Under this scenario, borrowing levels remain within the Group's committed borrowing facilities with 80% facility utilisation at peak borrowing, however, the minimum EBITDA target would be breached in September 2021. Whilst the Directors believe that this scenario is remote, it would allow time for further actions to be taken, including a possible further relaxation of banking covenants. Whilst there is no guarantee that this will be agreed, the Group currently maintains a good relationship with their lender.

Going concern basis

Based on the assessment outlined above, the Directors have a reasonable expectation that the Group has access to adequate resources to enable it to continue to operate as a going concern for the foreseeable future. For these reasons, the Directors consider it appropriate for the Group to continue to adopt the going concern basis of accounting in preparing the Annual Report and financial statements.

GROUP INCOME STATEMENT
PERIOD ENDED 28 MARCH 2020

	52 weeks ended 28 March 2020 £'000	Restated* 53 weeks ended 30 March 2019 £'000
Revenue	149,321	166,268
Cost of sales	(58,203)	(63,984)
Gross profit	91,118	102,284
Impairment charge related to property, plant and equipment	(7,143)	(795)
Impairment charge related to right of use assets	(24,947)	-
Other operating expenses	(103,141)	(107,378)
Other operating income	1,093	909
Operating loss	(43,020)	(4,980)
Share of results of associates	49	90
Finance income	83	140
Finance expense	(4,978)	(258)
Loss before tax	(47,866)	(5,008)
Tax	998	157
Loss for the period	(46,868)	(4,851)
Attributable to:		
Equity holders of the parent	(44,136)	(2,479)
Non-controlling interests	(2,732)	(2,372)
Loss for the period	(46,868)	(4,851)
Basic loss per share	(78.9p)	(8.2p)
Diluted (loss)/earnings per share	(78.9p)	(8.2p)

All activities arise from continuing operations.

* For the 53 weeks ended 30 March 2019 licence income of £471,000 was included within operating expenses and is now included within Other operating income.

GROUP STATEMENT OF COMPREHENSIVE INCOME
PERIOD ENDED 28 MARCH 2020

	52 weeks ended 28 March 2020 £'000	53 weeks ended 30 March 2019 £'000
Loss for the period	(46,868)	(4,851)
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	608	151
Losses on cash flow hedges	123	(3)
Income tax relating to items that may be reclassified subsequently to profit or loss	(129)	(30)
Total comprehensive expense for the period	(46,266)	(4,733)
Attributable to:		
Equity holders of the parent	(43,291)	(2,394)
Non-controlling interests	(2,975)	(2,339)
Total comprehensive expense for the period	(48,266)	(4,733)

GROUP BALANCE SHEET
AT 28 MARCH 2020

	28 March 2020 £'000	30 March 2019 £'000
Non-current assets		
Intangible assets	14,701	13,970
Property, plant and equipment	16,953	26,171
Right of use assets	45,920	-
Interests in associates	187	337
Deferred tax asset	1,488	1,102
	79,249	41,580
Current assets		
Inventories	34,853	39,740
Trade and other receivables	11,075	13,688
Current tax asset	420	1,785
Cash and cash equivalents	7,998	12,377
	54,346	67,590
Total assets	133,595	109,170
Current liabilities		
Trade and other payables	(21,955)	(23,984)
Lease liabilities	(15,329)	-
Borrowings	(3,424)	(2,709)
Total liabilities	(40,708)	(26,693)
Net current assets	13,638	40,897
Non-current liabilities		
Lease liabilities	(76,775)	-
Borrowings	(2,591)	(1,770)
	(79,366)	(1,770)
Total liabilities	(120,074)	(28,463)
Net assets	13,521	80,707
Equity		
Share capital	3,004	3,002
Share premium account	12,160	12,072
Own share reserve	(1,061)	(1,378)
Capital redemption reserve	154	154
Hedging reserve	-	(100)
Foreign exchange reserve	1,323	821
Retained earnings	1,761	67,555
Equity attributable to holders of the parent	17,341	82,126
Non-controlling interests	(3,820)	(1,419)
Total equity	13,521	80,707

GROUP STATEMENT OF CHANGES IN EQUITY
PERIOD ENDED 28 MARCH 2020

	Share capital £'000	Share premium account £'000	Own share reserve £'000	Capital re-demption reserve £'000	Cashflow hedge reserve £'000	Foreign exchange reserve £'000	Retained earnings £'000	Total £'000	Non-controlling interest £'000	Total equity £'000
Balance at 24 March 2018	3,001	11,961	(1,388)	154	(98)	701	73,165	87,496	747	88,243
Loss for the period	-	-	-	-	-	-	(2,479)	(2,479)	(2,372)	(4,851)
Other comprehensive (expense)/income for the period	-	-	-	-	(2)	87	-	85	33	118
Total comprehensive (expense)/income for the period	-	-	-	-	(2)	87	(2,479)	(2,394)	(2,339)	(4,733)
Issue of share capital	1	111	-	-	-	-	-	112	-	112
Charge for employee share-based payments	-	-	-	-	-	-	(138)	(138)	-	(138)
Exercise of share options	-	-	-	-	-	-	(23)	(23)	-	(23)
Own shares	-	-	10	-	-	-	-	10	-	10
Adjustment arising from movement in non-controlling interest	-	-	-	-	-	33	-	33	173	206
Dividends paid	-	-	-	-	-	-	(2,970)	(2,970)	-	(2,970)
Balance at 30 March 2019	3,002	12,072	(1,378)	154	(100)	821	67,555	82,126	(1,419)	80,707
Impairment on IFRS 16 transition	-	-	-	-	-	-	(17,770)	(17,770)	-	(17,770)
Loss for the period	-	-	-	-	-	-	(44,136)	(44,136)	(2,732)	(48,868)
Other comprehensive income/(expense for the period	-	-	-	-	100	745	-	845	(243)	602
Total comprehensive income/(expense) for the period	-	-	-	-	100	745	(44,136)	(43,291)	(2,975)	(46,266)
Issue of share capital	2	88	-	-	-	-	-	90	-	90
Charge for employee share-based payments	-	-	-	-	-	-	(24)	(24)	-	(24)
Impairment of shares in trust	-	-	317	-	-	-	(317)	-	-	-
Non-controlling interest foreign exchange	-	-	-	--	-	(243)	-	(243)	-	(243)
Adjustment arising from movement in non-controlling interest	-	-	-	-	-	-	(574)	(574)	574	-
Dividends paid	-	-	-	-	-	-	(2,973)	(2,973)	-	(2,973)
Balance at 30 March 2019	3,004	12,160	(1,061)	154	-	1,323	1,761	17,341	(3,820)	13,521

GROUP CASH FLOW STATEMENT
PERIOD ENDED 30 MARCH 2019

	52 weeks ended 28 March 2020 £'000	53 weeks ended 30 March 2019 £'000
Operating loss for the period	(43,020)	(4,980)
Adjustments for:		
Depreciation and impairment of property, plant and equipment	13,627	6,999
Depreciation and impairment of right of use assets	41,551	-
Amortisation of intangible assets	1,165	1,081
Loss on sale of property, plant and equipment	(16)	396
Share-based payments charge	(24)	(138)
Operating cash (outflows)/inflows before movements in working capital	13,283	3,358
Decrease in inventories	5,006	7,714
Decrease in receivables	1,560	1,541
Increase/(decrease) in payables	1,848	(6,682)
Cash generated from operations	21,697	5,931
Income taxes received/(paid)	1,847	(1,730)
Interest paid	(4,978)	(258)
Net cash inflow from operating activities	18,566	3,943
Investing activities:		
Interest received and gains on foreign exchange contracts	83	140
Purchases of property, plant and equipment	(5,121)	(9,455)
Proceeds from disposal of property, plant and equipment	39	60
Acquisition of intangible fixed assets	(1,728)	(2,234)
Acquisition of subsidiary	-	(5,741)
Net cash used in investing activities	(6,727)	(17,230)
Financing activities:		
Dividends paid	(2,973)	(2,970)
Proceeds on issue of shares	2	1
Increase in loans from non-controlling interests	783	1,771
Increase in loans from related parties	1,707	-
Investment from non-controlling interests	-	173
New borrowings	-	1,231
Repayment of loans from non-controlling interests	(1,090)	-
Repayment of borrowings	(566)	-
Principal elements of lease payments	(14,257)	-
Settlement of share awards	-	(23)
Net cash used in financing activities	(16,394)	183
Net decrease in cash and cash equivalents	(4,555)	(13,104)
Cash and cash equivalents at beginning of period	12,377	25,071
Effect of foreign exchange rate changes	176	410
Cash and cash equivalents at end of period	7,998	12,377

Cash and cash equivalents comprise cash and short term bank deposits with an original maturity of three months or less. The carrying amount of these assets at the end of the reporting period as shown in the Consolidated Statement of Cash Flows can be reconciled to the related items in the Consolidated Balance Sheet position as shown above. Cash and cash equivalents does not include bank overdrafts that are not integral to the cash management of the Group

SELECTED NOTES TO THE GROUP FINANCIAL STATEMENTS

1.BASIS OF PREPARATION

The financial information in this announcement, which was approved by the Board of Directors on 5 October 2020, does not constitute the Company's statutory accounts for the 52 weeks ended 28 March 2020 or for the 53 weeks ended 30 March 2019, but is derived from those accounts.

Statutory accounts for the 53 weeks ended 30 March 2019 have been delivered to the Registrar of Companies and those for the 52 weeks ended 28 March 2020 have been approved and will be delivered to the Registrar of Companies following the Company's General Meeting. The auditors have reported on those accounts, their reports were unqualified and did not draw attention to any matters by way of emphasis without qualifying their reports and did not contain any statement under section 498 (2) or (3) of the Companies Act 2006.

Whilst the financial information included in this preliminary announcement has been completed in accordance with International Financial Reporting Standards (IFRS), this announcement itself does not contain sufficient information to comply with IFRS.

2. SIGNIFICANT ACCOUNTING POLICIES

In the current year the Group has applied IFRS 16 Leases as issued by the International Accounting Standards Board (IASB) in January 2016 that is effective for an accounting period that begins on or after 1 January 2019.
IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. The date of initial application of IFRS 16 for the Group is 31 March 2019.

In the current period the Group has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2018. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

New accounting Standards adopted by the Group:

There have been significant changes to accounting under IFRS which have affected the Group's financial statements. New Standards and Interpretations effective as of 1 January 2018 and therefore applicable to the Group's financial statements for the 53 weeks ended 30 March 2019 are listed below:

- IFRS 9 Financial Instruments.
- IFRS 15 Revenue from Contracts with Customers.

The adoption of IFRS 9 and IFRS 15 has not had a material impact on either the Consolidated Income Statement or the Consolidated Statement of Financial Position.

IFRS 16 Leases
In the current period the Group has applied IFRS 16 Leases as issued by the International Accounting Standards Board (IASB) in January 2016 that is effective for an accounting period that begins on or after 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right of use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. Details of these new requirements are described in note 3. The impact of the adoption of IFRS 16 on the Group's consolidated financial statements is described below. The date of initial application of IFRS 16 for the Group is 31 March 2019.

The Group has applied IFRS 16 using the modified retrospective approach where right of use assets equal lease liabilities at the date of transition and accordingly there is no restatement of comparatives, which continue to be presented under IAS 17 and IFRIC 4.

Property, plant and equipment

	Freehold land and buildings £'000	Short leasehold land and buildings £'000	Plant and equipment £'000	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Total £'000
Cost						
At 25 March 2018	12,123	22,270	9,566	30,611	50	74,620
Additions	38	3,694	965	4,975	-	9,672
Acquisition of subsidiaries	-	1,550	-	367	-	1,917
Disposals	(3)	(1,696)	(908)	(1,475)	-	(4,082)
Foreign currency translation	–	498	34	256	-	788
At 30 March 2019	12,158	26,316	9,657	34,734	50	82,915
Additions	168	1,402	579	2,669	-	4,818
Disposals	(2)	(7,923)	(589)	(9,791)	(18)	(18,323)
Foreign currency translation	-	787	44	908	-	1,739
At 28 March 2020	12,324	20,582	9,691	28,520	32	71,149
Accumulated depreciation and impairment						
At 25 March 2018	3,886	18,166	6,506	24,041	50	52,649
Charge for the period	423	1,858	1,138	2,785	–	6,204
Impairment charge	–	735	1	59	–	795
Disposals	(2)	(1,475)	(874)	(1,285)	–	(3,636)
Foreign currency translation	–	457	32	243	–	732
At 30 March 2019	4,307	19,741	6,803	25,843	50	56,744
Charge for the period	431	1,712	1,166	3,175	-	6,484
Impairment charge	-	3,802	86	3,255	-	7,143
Disposals	-	(7,777)	(559)	(9,272)	(18)	(17,626)
Foreign currency translation	-	644	37	770	-	1,451
At 28 March 2020	4,738	18,122	7,533	23,771	32	54,196
Carrying amount						
At 28 March 2020	7,586	2,460	2,158	4,749	-	16,953
At 30 March 2019	7,851	6,575	2,854	8,891	–	26,171
At 24 March 2018	8,237	4,104	3,060	6,570	–	21,971

Included within the table above are the following assets under the course of construction which are not being depreciated:

At 28 March 2020	-	-	32	42		74
At 30 March 2019	–	243	404	63		710

The Group has the following contractual commitments:

	Freehold land and buildings £'000	**Short leasehold land and buildings £'000**	**Plant and equipment £'000**	**Fixtures, fittings and equipment £'000**	**Motor vehicles £'000**	**Total £'000**
At 30 March 2020	-	-	7	4		11
At 28 March 2019	–	349	30	94	–	473

Freehold land of £2,029,000 (2019: £2,029,000) and store fixtures and fittings of £325,000 which were not in use have not been depreciated.

The Group reviews property, plant and equipment at each reporting period end for indicators of impairment. Where indicators of impairment are identified, the recoverable amounts of the cash-generating units ('CGU') are determined from value in use calculations and are compared to the assets' carrying values at 28 March 2020.For the period ended March 28 2020 the Group reviewed the property, plant and equipment in all of its retail stores.

During the period, an impairment charge of £7,143,000 (2019: £795,000) was identified as part of the Directors' impairment review of the retail store assets relating to 40 stores across the Group portfolio. This was principally caused by reductions in trading performance in the current year compared to budget and uncertainty of the impact of COVID-19 on future trading. In the prior period one store was impaired. The total recoverable amount for these stores at the balance sheet date is considered to be £1,630,000 (2019: £nil).

The key assumptions for the value in use calculations are those regarding the post-tax discount rates, and sales growth rates. Management estimates discount rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The cash flow projections were based on the most recent financial budgets, and the Board approved 3 year strategic plan, and thereafter a nominal growth rate is used.

With regard to the assessment of value in use, a change in any of the above key assumptions could have a material impact on the carrying value of the cash generating unit. A 10% decrease in revenue would result in a reduction in the head room of between £0.5m to £0.6m (2019: £nil). This is also a reasonably possible change in the key assumption.

The growth rates reflect expectations of future changes in the market. In years four and five this is 3%, and after five years this rate reduces to 2%, being the approximate average long term growth rate for the relevant markets. A 10% decrease in the long term growth rate would result in a reduction in headroom of up to £0.1m. This is considered a reasonable possible change.

The pre-tax discount rates used in these calculations were between 10.0% and 12.1% (2019: 11.5% and 13.9%). This is based on the Group's weighted average cost of capital adjusted for country specific risks. A 10% increase in the discount rate would result in a reduction in headroom of up to £0.3m. This is also a reasonable possible change in the key assumption.

Intangible assets

	Goodwill £'000	Software £'000	Lease costs £'000	Total £'000
Cost				
At 25 March 2018	-	13,151	8,071	21,222
Additions	-	2,235	-	2,235
Acquisition of subsidiaries	2,629	-	-	2,629
Disposals	-	(13)	-	(13)
Foreign currency translation	(91)	(1)	(70)	(162)
At 30 March 2019	2,538	15,372	8,001	25,911
Additions	-	1,583	-	1,583
Disposals	-	-	-	-
Foreign currency translation	(7)	19	306	318
At 28 March 2020	2,531	16,974	8,307	27,812
Amortisation				
At 25 March 2018	-	10,860	-	10,860
Charge for the period	-	1,081	-	1,081
Disposals	-	–	-	–
Foreign currency translation	-	–	-	–
At 30 March 2019	-	11,941	-	11,941
Charge for the period	-	1,165	-	1,165
Disposals	-	-	-	-
Foreign currency translation	-	5	-	5
At 28 March 2020	-	13,111	-	13,111
Carrying amount				
At 28 March 2020	2,531	3,863	8,307	14,701
At 30 March 2019	2,538	3,431	8,001	13,970
At 24 March 2018	-	2,291	8,071	10,362

Goodwill

Goodwill represents the opportunity to grow by utilising an established distribution network in Korea. The recoverable amount of the goodwill is determined based on a value in use calculation which uses cash flow projections based on financial projections approved by the Directors covering a 2-year period,and using a pre-tax discount rate of 15% per annum. Acquired goodwill is regarded as having an indefinite life and under IAS36 is not subject to amortisation but is subject to annual tests for impairment.

Key assumptions used in value in use calculations

Existing goodwill of £2.6m (2019: £2.6m) is wholly attributable to the acquisition of the Korea business. The recoverable amount of goodwill is determined based on a value in use calculation for the individual stores (CGUs) and online sales from the business using cash flow projections to March 2023 from financial budgets approved by the Board. The pre-tax discount rate applied to cash flow projections is 15% and cash flows up to March 2023 are between 13 and 18%, and beyond March 2023 are extrapolated using a 2% long term growth rate.

The discount rate calculation is based on the specific circumstances of the Korea business and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity where the cost of equity is derived from the expected return on investment by the Group's investors and the cost of debt is based on the interest bearing borrowings the Group is obliged to service.

Based on these projections and corresponding discounted cash flows no impairment of goodwill was indicated at 28 March 2020 (2019: £nil).

Sensitivity to changes in assumptions

With regard to the assessment of value in use, a change in any of the above key assumptions could have a material impact on the carrying value of the cash generating unit. A decrease in the short term growth rate is also a reasonably possible change in a key assumption A 12% decrease in the short term growth rate (revenue over three years) or a 80% increase in discount rate would result in a reduction in the head room from £2.3m to £nil. This is also considered a reasonable possible change.

Software

At 28 March 2020, the Group had entered into contractual commitments for the acquisition of software of £59,000 (2019: £347,000). Included within software is £258,000 of projects still in development, where amortisation will not commence until the projects are complete and the assets come into use (2019: £397,000). The carrying value of website development costs within software is £2,039,000 (2019: £1,611,000). The estimated useful life of such assets is estimated as four to five years.

Lease costs

Lease costs comprise the lease premium and related costs associated with the Group's Paris store and are recorded at historic cost with no amortisation charge. Recoverable amounts are confirmed by an annual third party valuation of the lease premium.

Right of use assets

	Short leasehold land and buildings £'000	Fixtures fittings and equipment £'000	Motor vehicles £'000	Total £'000
Cost				
At 31 March 2019 – initial application of IFRS	110,969	124	88	111,181
Additions	3,920	-	-	3,920
Modifications	(8,167)	-	-	(8,167)
Disposals	(2,810)	-	-	(2,810)
Foreign currency translation	1,357	-	-	1,357
At 28 March 2020	105,269	124	88	105,481
Depreciation				
At 31 March 2019	-	-	-	-
Impairment on transition to IFRS 16	(17,770)	-	-	(17,770)
Charge for the period	(16,523)	(46)	(35)	(16,604)
Impairment charge for the period	(24,947)	-	-	(24,947)
Foreign currency translation	(240)	-	-	(240)
At 28 March 2020	(59,480)	(46)	(35)	(59,561)
Carrying amount				
At 28 March 2020	45,789	78	53	45,920
At 30 March 2019	-	-	-	-

The Group leases several assets including buildings, office equipment and cars. The average lease term is 4 years.

The Group reviews right of use assets at each reporting period end for indicators of impairment. Where indicators of impairment are identified, the recoverable amounts of the cash-generating units ('CGU') are determined from value in use calculations and are compared to the assets' carrying values at 28 March 2020. For the period ended March 28 2020 the Group reviewed the right of use assets for all its retail stores at 31 March 2019, the date of transition to IFRS 16, and the period end 28 March 2020.

The Group recognised an impairment of £17,770,000 on five stores on transition to IFRS 16. During the period, an additional impairment charge of £24,947,000 was identified as part of the Directors' impairment review of 40 retail store assets. This was principally caused by reductions in trading performance in the current year compared to budget and uncertainty of the impact of COVID-19 on future trading

The key assumptions for the value in use calculations are those regarding the post-tax discount rates, and sales growth rates. Management estimates discount rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The cash flow projections were based on the most recent financial budgets, and the Board approved 3 year strategic plan, and thereafter a nominal growth rate is used.

1. With regard to the assessment of value in use, a change in any of the above key assumptions could have a material impact on the carrying value of the cash generating unit. A 10% decrease in revenue would result in an increase in the impairment charge of between £3.0m to £4.0m. This is a reasonably possible change in the key assumption.

The growth rates reflect expectations of future changes in the market. After five years this rate reduces to 2%, being the approximate average long term growth rate for the relevant markets. A 10% decrease in the long term growth rate would result in an increase in the impairment charge of up to £0.4m.

The pre-tax discount rates used in these calculations were between 10.0% and 12.1%.This is based on the Group's weighted average cost of capital adjusted for country specific risks. A 10% increase in the discount rate would result in a reduction in the impairment charge of between £0.5m and £1.0m. This is also a reasonably possible change in the key assumption

The following amounts recognised in the income statement;

	53 weeks ended 28 March 2020 £'000
Depreciation of right of use assets	16,604
Impairment charge for the period	24,947
Finance costs of lease liabilities	4,722
Expense relating to short-term leases	2,475
Expense relating to variable payments not included in the measurement of the lease liability	9,150
	57,898

The variable lease payments constitute up to 30% of the Group's entire lease payments. The Group expects this ratio to remain constant in future years. The variable payments depend on sales and consequently on the overall economic development over the next few years. Taking into account the development of sales expected over the next 3 years, variable rent expenses are expected to continue to present a similar proportion of store sales in future years.

The total cash outflow for leases amounted to £30,200,000.

The impact of adopting IFRS 16 on the opening Group balance sheet is as follows;

	30 March 2019 as reported £'000	Initial adoption of IFRS 16 £'000	Impairment of right of use assets on transition £'000	30 March 2019 £'000
Non-current assets				
Right of use assets	-	111,181	(17,770)	93,411
Current assets				
Trade and other receivables	13,688	(1,053)	-	12,635
Total assets	13,688	110,128	(17,770)	106,046
Current liabilities				
Trade and other payables	(23,984)	3,517	-	(20,467)
Lease liabilities	-	(15,673)	-	(15,673)
	(23,984)	(12,156)	-	(36,140)
Non-current liabilities				
Lease liabilities	-	(97,972)	-	(97,972)
	-	(97,972)	-	(97,972)
Total liabilities	(23,984)	(110,128)	-	(134,112)
Net assets	(10,296)	-	(17,770)	(28,066)
Equity				
Retained earnings	67,555	-	(17,770)	53,759
Total equity	67,555	-	(17,770)	53,759

3. ADJUSTED (LOSS)/PROFIT

Reconciliation to adjusted (loss)/profit before tax

	52 weeks ended 28 March 2020 £'000	53 weeks ended 30 March 2019 £'000
Loss before tax	(47,866)	(5,008)
Restructuring costs	676	-
Store closure costs	886	-
Impairment charge related to retail property, plant and equipment	7,143	795
Impairment charge related to right of use assets	24,947	-
Bad debt and other expenses from House of Fraser administration	-	2,073
Write back of profit on reacquired stock and set up costs relating to conversion of John Lewis to concession	-	1,323
Launch costs relating to Mulberry Korea	-	1,821
Adjusted loss/Profit before tax – non-GAAP measure	(14,214)	1,004
Adjusted basic (loss)/earnings per share	(22.4p)	0.9p
Adjusted diluted (loss)/earnings per share	(22.4p)	0.9p

In reporting financial information, the Group presents Alternative Performance Measures ("APM"s), which are not defined or specified under the requirements of IFRS. The Group believes that these APMs, which are not considered to be a substitute for, or superior to, IFRS measures, provide stakeholders with additional helpful information on the performance of the business. These APMs are consistent with how the business performance is planned and reported within the internal management reporting to the Board of Directors. Some of these measures are also used for the purpose of setting remuneration targets. The Group makes certain adjustments to the statutory profit or loss measures in order to derive APMs. Adjusting items are those items which, in the opinion of the directors, should be excluded in order to provide a consistent and comparable view of the performance of the Group's ongoing business. Generally, this will include those items that are largely one-off and material in nature as well as income or expenses relating to acquisitions or disposals of businesses or other transactions of a similar nature. Treatment as an adjusting item provides stakeholders with additional useful information to assess the year-on-year trading performance of the Group.

Restructuring costs
During the period, one-off charges of £676,000 were incurred relating to people restructuring costs.

Store closure costs
During the period, an international store was closed which had not been trading in line with expectations. Closure costs relate to lease exit and redundancy costs and net of a profit on disposal of right of use assets.

Impairment charge related to property, plant and equipment and right of use assets
The fixed assets and right of use assets of Retail stores are subject to impairment based on whether current or future events and conditions suggest that their recoverable amount may be less than their carrying value. The recoverable amount of each store is based on the higher of the value in use and fair value less costs to dispose. Value in use is calculated from expected future cash flows using suitable discount rates, management assumptions and estimates on future performance. The carrying value for each store is considered net of the carrying value of any cash contribution received in relation to that store. For impairment testing purposes, the Group has determined that each store is a separate CGU. Each CGU is tested for impairment if any indicators of impairment have been identified. The value in use of each CGU is calculated based on the Group's latest budget and forecast cash flows. Cash flows are discounted using the weighted average cost of capital ("WACC") and are modelled for each store through to their lease expiry or break date. No lease extensions have been assumed when forecasting. As a result of this assessment impairment charges of £7,143,000 (2019: £795,000) and £24,947,000 (2019: £nil) were recognised in the period against the property, plant and equipment and right of use assets respectively for the stores which are impaired.

Bad debt and other expenses from House of Fraser administration
In the prior year, a one-off expense of £2,073,000 was recognised when House of Fraser went into administration in August 2018, comprising bad debt expense and costs of recovering stock from House of Fraser premises.

Write back of profit on reacquired stock and set up costs relating to conversion of John Lewis to concession
In the prior year, a one-off expense of £1,323,000 was recognised on the write back of profit on reacquired stock and set up costs relating to the conversion of John Lewis from a wholesale customer to a concession.

Launch costs relating to Mulberry Korea
In the prior year, a one-off expense of £1,821,000 was recognised relating to marketing and other launch costs when the Group acquired control of Mulberry (Korea) Co., Ltd.

4. DIVIDENDS

	52 weeks ended 28 March 2020 £'000	53 weeks ended 30 March 2019 £'000
Dividend for the period ended 30 March 2019 of 5p (2018: 5p) per share paid on 21 November 2019	2,973	2,969
Proposed dividend for the period ended 28 March 2020 of nil per share (2018: 5p)	-	2,970

5. EARNINGS PER SHARE ('EPS')

	52 weeks ended 28 March 2020 pence	53 weeks ended 30 March 2019 pence
Basic loss per share	(78.9)	(8.2)
Diluted loss earnings per share	(78.9)	(8.2)
Adjusted basic earnings per share	(22.4)	0.9
Adjusted diluted earnings per share	(22.4)	0.9

EARNINGS PER SHARE IS CALCULATED BASED ON THE FOLLOWING DATA:

	52 weeks ended 28 March 2020 £'000	53 weeks ended 30 March 2019 £'000
Loss for the period for basic and diluted earnings per share	(46,868)	(4,851)
Adjusting items:		
Restructuring costs*	584	-
Store closure costs	886	-
Impairment relating to retail assets	7,143	795
Impairment relating to right of use assets	24,947	-
Bad debt and other expenses from House of Fraser administration*	-	1,679
Write back of profit on reacquired stock and set up costs relating to conversion of John Lewis to concession*	-	1,072
Korea launch costs	-	1,821
Adjusted (loss)/profit for the period for basic and diluted earnings per share	(13,308)	516

*These items are included net of tax

	52 weeks ended 28 March 2020 Million	53 weeks ended 30 March 2019 Million
Weighted average number of ordinary shares for the purpose of basic EPS	59.4	59.4
Effect of dilutive potential ordinary shares: share options	-	0.3
Weighted average number of ordinary shares for the purpose of diluted EPS	59.4	59.7

The weighted average number of ordinary shares in issue during the period excludes those held by the Mulberry Group Plc Employee Share Trust.