

17 June 2010

**MULBERRY GROUP PLC ("Mulberry" or the "Group")**

**PRELIMINARY RESULTS FOR THE YEAR ENDED 31 MARCH 2010**

Mulberry Group plc, the AIM listed luxury brand announces sales growth of 23% to £72.1 million (2009: £58.6 million) and a profit before tax of £5.1 million (2009: £4.2 million). Delivered during a period of continuing economic uncertainty, this is the seventh successive year of sales growth.

**HIGHLIGHTS**

- Sales increased by 23% to £72.1 million (2009: £58.6 million)
- Retail sales growth of 39%, with like-for-like growth of 35%
- Operating profit before exceptional property impairment costs of £1.0m increased by 49% to £5.8 million (2009: £3.9 million)
- Profit before tax increased by 22% to £5.1 million (2009: £4.2 million)
- Cash of £12.2 million (2009: £3.7 million)
- Like-for-like sales in full price shops and departments store concessions up by 44% for the first 10 weeks of the new financial year
- Autumn 2010 wholesale revenues forecast up 84% compared to prior year
- Increased international footprint with showrooms opening in New York and Paris and new partner stores planned to open in Sydney, Hong Kong, Korea, Qatar, Dubai and Kuala Lumpur over the next 12 months
- Proposed dividend increased by 10% to 2.2p per ordinary share (2009: 2.0p)

**GODFREY DAVIS, CHAIRMAN AND CHIEF EXECUTIVE COMMENTED:**

"We have achieved another year of strong sales growth, delivering an increase of 23% for the year. We have started the new financial year strongly. Current indications are that sales will grow more rapidly during the next financial year than the one just ended."

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## Chairman's statement

The Group has completed a successful year with sales growth of 23% to £72.1 million (2009: £58.6 million). Sales grew by 16% during the first half and accelerated further during the second half, growing by 29%.

Operating profit before exceptional costs increased by 49% to £5.8 million (2009: £3.9 million). The exceptional non-recurring cost of £1.0 million represents a one-off impairment charge associated with the relocation of our flagship New Bond Street store.

Profit before tax increased by 22% to £5.1 million (2009: £4.2 million).

### BUSINESS REVIEW

The business has performed strongly with demand increasing for our products as the year progressed. We have continued to invest in the business both in the UK and internationally, using retained profits and cash flow. This strategy has enabled the Group to continue to grow and increase market share despite challenging market conditions.

The global trading pattern was complex with sales in our own shops, which are principally in the UK, growing strongly throughout the year (total retail sales increased 39%, with like-for-like growth of 35%). In Europe and Asia, sales in our partners' shops started to accelerate during the summer of 2009 and have continued to grow steadily since then. Sales in the USA were the last to react with growth commencing during the third quarter of the financial year.

As expected, wholesale customers were wary of the economic outlook, and ordered conservatively for the Autumn 2009 and Spring 2010 seasons. In practice, sales in their shops have been robust and there has been strong demand for mid-season stock replenishment. The overall result was that wholesale revenue for the year was broadly flat compared to the prior year.

Although we have increased production significantly, the level of demand for our products exceeded our expectations. In addition, the long production lead times meant that we sold out of a number of key lines. This restricted our sales growth during the second half of the financial year and we continue to operate with low inventory levels.

This strong overall consumer demand for our products is the result of the continued investment that we have made in the business. The design of products which fit the mood and needs of the consumer is fundamental to our continued growth. Our design team has delivered highly desirable new additions to the product range which have been supported by creative and focused marketing. In addition to the successful Bayswater, Mitzy and Daria ranges, we launched the Alexa during Spring 2010 which became an immediate best seller.

During the year, our partners opened stores in Helsinki Airport, a second shop in Athens, a seventh shop-in-shop in Korea and a shop-in-shop in Takashimaya in Singapore. We closed our small second shop in Paris to focus attention upon our main store on Rue Saint Honoré.

As previously announced, at the beginning of October 2009 we completed the transaction to purchase the two New York shops previously held by our associate. In addition, we reclaimed the full distribution rights for the North American market. Under the terms of the agreement we took full management control of the two shops with effect from 1 April 2009 and they have been fully consolidated within the results of the Group for the year. The performance of these shops during the year ending 31 March 2010 met our expectations.

### CURRENT TRADING AND OUTLOOK

The pattern of strong trading has continued into the new financial year with retail sales up 36% during the first 10 weeks of the new financial year (like-for-like growth of 35%).

Like-for-like sales during the first 10 weeks of the new financial year in our 39 full price shops and department store concessions were up 44%, internet sales were up 99%, the two stores in New York were up 103% and in Paris our single store was up 169%. Counteracting these buoyant figures is the fact that our four off price stores showed a slight decline of 2% for the first 10 weeks due to a shortage of stock.

Sales to our international partners and wholesale accounts represented 29% of Group sales for the year ended 31 March 2010 (2009: 37%). This proportion is expected to grow as forecast wholesale deliveries for the Autumn 2010 season are 84% above last year.

A key objective of the management team has been the continued development of our business internationally. In particular, our business in Asia is growing rapidly with wholesale revenues expected to increase by more than 100% during the new financial year. It is clear that our best selling products in our home market have equal appeal internationally.

Production capacity has been increased to meet anticipated demand, although certain of our most popular products may continue to be in short supply if high demand continues. Increasing production capacity is a complex task as our materials suppliers have long lead times and maintaining quality is essential.

It is important for future growth in shareholder value that the Group continues its planned international expansion. We are opening a showroom in New York as a base for our business in North America and a showroom in Paris to enable us to show collections in a proper setting to international buyers who do not visit London.

Our partners are planning to open new stores in Sydney, Hong Kong, Korea, Qatar, Dubai and Kuala Lumpur during the next 12 months.

As previously announced, during December 2010 we plan to open a new flagship store at 50 New Bond Street which will be large enough to show all of our collections on a single floor. The existing New Bond Street store will be closed at the same time and the lease assigned. We plan to open a new shop in Manchester within the Spinningfields development during September 2010.

In the UK, we have signed the lease on a new London headquarters which will consolidate our two existing office locations which we have now outgrown. This is expected to increase annual costs by £2.0 million and will meet the requirements of the Group for the foreseeable future. In order to increase our own production capacity in the UK, we are also working on a plan to extend our factory in Somerset to increase its capacity by 25%.

These capital projects will absorb a significant amount of cash, as will the increased inventory that will be needed to meet the forecast demand for our products. We expect to be able to fund these investments from our existing cash resources and future cash flows.

## **DIVIDEND**

The Board is recommending the payment of a dividend on the ordinary shares of 2.2 pence per share (2009: 2.0 pence) which will be paid on 20 August 2010 to ordinary shareholders on the register on 23 July 2010.

## **STAFF**

Entering our 40<sup>th</sup> Anniversary year, I would like to express my thanks to all of our staff for their enthusiasm and dedication which are so important to the brand's future development. The achievements of the last year are a direct result of their efforts and would not have been possible without them.

Godfrey Davis  
Chairman and Chief Executive  
16 June 2010

## Financial review

### GROSS MARGIN

The Group's gross profit as a percentage of revenue has decreased slightly to 59% from 60% for the prior year. This is principally the result of price discounting within our Retail business as we cleared surplus inventory during the first quarter of the financial year.

### NET OPERATING EXPENSES

Net operating expenses for the year increased by £6.4 million to £37.6 million (2009: £31.2 million). This increase reflects £1.9 million of additional costs associated with running the new retail network in the USA, £1.5 million of additional commission and turnover rents relating to increased retail sales, £1.5 million of extra employee costs (excludes £0.6 million for USA employee costs included above) and a £1.0 million impairment charge associated with the move to a new flagship store on New Bond Street.

### SHARE OF RESULTS OF ASSOCIATES

Our associate in Norway had a successful year with our share of their results increasing to £0.2 million (2009: £34,000).

### FINANCE INCOME AND EXPENSE

The decrease in net finance income to £48,000 (2009: £0.2 million) has resulted from a combination of declining interest rates and the fact that cash balances during the first half of the year were relatively low.

### TAXATION

The Group reported an effective tax rate of 41.7% (2009: 38.2%) resulting in a tax charge of £2.1 million (2009: £1.6 million). The increase in the effective rate compared to the prior year is due largely to overseas losses which are not subject to group relief, the non-deductible property impairment and share-based payment costs.

### BALANCE SHEET

Capital expenditure on property, plant and equipment for the year totalled £2.0 million (2009: £2.4 million) and included investment in our UK factory, the initial costs of the relocation of the New Bond Street store and London offices and the refurbishment of our Heathrow Terminal 4 store. The expenditure of £0.3 million on intangible assets reflects the ongoing investment in the Group's new ERP system, the warehouse module of which was implemented during October 2009.

Inventory levels have decreased by £5.7 million to £9.1 million (2009: £14.8 million) resulting from the higher than expected level of sales, particularly in our retail business. Purchasing decisions are made six months in advance of the selling season and so when sales accelerated during the second half of the year, some inventory shortages were experienced.

### CASH FLOW

The cash generated from operations for the year amounted to an inflow of £12.9 million (2009: outflow of £1.5 million). The net cash balance has increased to £12.2 million (2009: £3.7 million) due to the operational performance and the conversion to cash of surplus inventories that had built up at the end of the prior year.

### SHAREHOLDER RETURN

The basic earnings per share for the year increased by 16% to 5.2p (2009: 4.5p). This reflects the 22% increase in pre-tax profit, offset by the increased tax charge and the increased number of shares following the small share issue during the year. The basic and diluted earnings per share adjusted to add back the exceptional impairment charge was 6.9p (2009: 4.5p).

Roger Mather  
Group Finance Director  
16 June 2010

## Consolidated income statement Year ended 31 March 2010

	Note	2010 £'000	2009 £'000
Revenue		72,052	58,585
Cost of sales		(29,565)	(23,449)
<b>Gross profit</b>		<u>42,487</u>	<u>35,136</u>
Other administrative expenses		(37,090)	(31,627)
Exceptional impairment of property	3	(987)	-
Administrative expenses		(38,077)	(31,627)
Other operating income		446	421
<b>Operating profit</b>		<u>4,856</u>	<u>3,930</u>
Operating profit pre exceptional impairment of property		5,843	3,930
Share of results of associates		192	34
Finance income		74	229
Finance expense		(26)	(16)
<b>Profit before tax</b>		<u>5,096</u>	<u>4,177</u>
Tax		(2,124)	(1,596)
<b>Profit for the year</b>		<u>2,972</u>	<u>2,581</u>
<b>Attributable to:</b>			
Equity holders of the parent		<u>2,972</u>	<u>2,581</u>
		<b>pence</b>	<b>pence</b>
Basic earnings per share	4	5.2	4.5
Diluted earnings per share	4	5.2	4.5

All activities arise from continuing operations.

## Consolidated statement of comprehensive income Year ended 31 March 2010

	2010 £'000	2009 £'000
Profit for the year	2,972	2,581
Exchange differences on translation of foreign operations	(108)	278
<b>Total comprehensive income for the year</b>	<u>2,864</u>	<u>2,859</u>
<b>Attributable to:</b>		
Equity holders of the parent	<u>2,864</u>	<u>2,859</u>

**Consolidated balance sheet**  
**At 31 March 2010**

	<b>2010</b> <b>£'000</b>	<b>2009</b> <b>£'000</b>	<b>2008</b> <b>£'000</b>
<b>Non-current assets</b>			
Intangible assets	2,499	2,527	2,095
Property, plant and equipment	7,876	8,872	8,454
Interests in associates	347	295	242
Deferred tax assets	38	-	-
	<u>10,760</u>	<u>11,694</u>	<u>10,791</u>
<b>Current assets</b>			
Inventories	9,090	14,830	7,785
Trade and other receivables	8,263	6,032	5,548
Cash and cash equivalents	12,171	3,710	10,237
	<u>29,524</u>	<u>24,572</u>	<u>23,570</u>
<b>Total assets</b>	<u>40,284</u>	<u>36,266</u>	<u>34,361</u>
<b>Current liabilities</b>			
Trade and other payables	(12,197)	(10,726)	(10,894)
Current tax liabilities	(1,622)	(1,024)	(917)
Obligations under finance leases	-	-	(10)
	<u>(13,819)</u>	<u>(11,750)</u>	<u>(11,821)</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities	-	(132)	(17)
Obligations under finance leases	-	-	(4)
	<u>-</u>	<u>(132)</u>	<u>(21)</u>
<b>Total liabilities</b>	<u>(13,819)</u>	<u>(11,882)</u>	<u>(11,842)</u>
<b>Net assets</b>	<u>26,465</u>	<u>24,384</u>	<u>22,519</u>
<b>Equity</b>			
Share capital	2,943	2,871	2,871
Share premium account	7,007	7,007	7,007
Own share reserve	(107)	(49)	-
Capital redemption reserve	154	154	154
Special reserves	1,467	1,467	1,485
Foreign exchange reserve	385	493	215
Retained earnings	14,616	12,441	10,787
<b>Total equity</b>	<u>26,465</u>	<u>24,384</u>	<u>22,519</u>

**Consolidated statement of changes in equity**  
**Year ended 31 March 2010**

**Equity attributable to equity holders of the parent**

	<b>Share capital</b>	<b>Share premium account</b>	<b>Own share reserve</b>	<b>Capital reserves</b>	<b>Special reserves</b>	<b>Foreign exchange reserve</b>	<b>Retained earnings</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>As at 1 April 2008</b>	2,871	7,007	-	154	1,485	215	10,787	22,519
Total comprehensive income for the year	-	-	-	-	-	278	2,581	2,859
Amortisation of revaluation surplus	-	-	-	-	(18)	-	18	-
Charge for employee share-based payments	-	-	-	-	-	-	203	203
Own shares	-	-	(49)	-	-	-	-	(49)
Ordinary dividends paid	-	-	-	-	-	-	(1,148)	(1,148)
<b>As at 31 March 2009</b>	<b>2,871</b>	<b>7,007</b>	<b>(49)</b>	<b>154</b>	<b>1,467</b>	<b>493</b>	<b>12,441</b>	<b>24,384</b>
Total comprehensive income for the year	-	-	-	-	-	(108)	2,972	2,864
Issued share capital	72	-	-	-	-	-	-	72
Charge for employee share-based payments	-	-	-	-	-	-	351	351
Own shares	-	-	(58)	-	-	-	-	(58)
Ordinary dividends paid	-	-	-	-	-	-	(1,148)	(1,148)
<b>As at 31 March 2010</b>	<b>2,943</b>	<b>7,007</b>	<b>(107)</b>	<b>154</b>	<b>1,467</b>	<b>385</b>	<b>14,616</b>	<b>26,465</b>

**Consolidated cash flow statement**  
**Year ended 31 March 2010**

	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
<b>Operating profit for the year</b>	4,856	3,930
<b>Adjustments for:</b>		
Depreciation of property, plant and equipment	2,879	1,723
Amortisation of intangible assets	289	217
Loss on sale of property, plant and equipment	74	287
Effects of foreign exchange	(14)	(117)
Share-based payments charge	351	203
<b>Operating cash flows before movements in working capital</b>	8,435	6,243
Decrease/(increase) in inventories	5,740	(7,045)
Increase in receivables	(2,065)	(484)
Increase/(decrease) in payables	829	(205)
<b>Cash generated by/(used in) operations</b>	12,939	(1,491)
Corporation taxes paid	(1,693)	(1,374)
Interest paid	(26)	(16)
<b>Net cash inflow/(outflow) operating activities</b>	11,220	(2,881)
<b>Investing activities:</b>		
Interest received	74	229
Purchases of property, plant and equipment	(1,365)	(2,313)
Proceeds from sale of property, plant and equipment	6	11
Acquisition of intangible fixed assets	(340)	(362)
<b>Net cash used in investing activities</b>	(1,625)	(2,435)
<b>Financing activities:</b>		
Dividends paid	(1,148)	(1,148)
Repayments of obligations under finance leases	-	(14)
Proceeds on issue of shares	72	-
Investment in own shares	(58)	(49)
<b>Net cash used in financing activities</b>	(1,134)	(1,211)
<b>Net increase/(decrease) in cash and cash equivalents</b>	8,461	(6,527)
Cash and cash equivalents at beginning of year	3,710	10,237
<b>Cash and cash equivalents at end of year</b>	12,171	3,710



## Notes

### 1. Basis of preparation

The financial information in this announcement, which was approved by the Board of Directors on 16 June 2010, does not constitute the Company's statutory accounts for the years ended 31 March 2010, 2009 and 2008, but is derived from these accounts.

Statutory accounts for the year ended 31 March 2010 have been approved and will be delivered to the Registrar of Companies following the Company's Annual General Meeting. The auditors' report on these accounts is unqualified and does not contain any statement under section 498 (2) or (3) of the Companies Act 2006.

Statutory accounts for the years ended 31 March 2009 and 2008 have been delivered to the Registrar of Companies. The auditors have reported on those accounts; their reports were unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under section 237 (2) or (3) of the Companies Act 1985.

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. Accounting policies

The Group's financial statements for the year ended 31 March 2010 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union.

During the current year, the following new and revised Standards and Interpretations have been adopted:

#### ***Standards affecting presentation and disclosure***

IAS 1 (revised 2007), Presentation of Financial Statements	This introduced a number of changes to the format and content of financial statements. In addition, the revised Standard has required the presentation of a third balance sheet at 31 March 2010 because the Group has applied the change in accounting policies for IFRS 8.
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IFRS 8 Operating segments	This has resulted in a review of the Group's reportable segments.
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The Directors have, at the time of approving the financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

### 3. Exceptional costs

As part of the Group's future growth strategy, the decision has been made to relocate its flagship New Bond Street store to alternative premises on New Bond Street. The remaining net book value of the leasehold improvements and fixtures and fittings at the existing store on the anticipated date of closure of £987,000 has been deemed to be impaired. Given the one-off nature and size of the impairment, these costs have been disclosed separately on the face of the Income Statement. The Directors do not expect to incur any lease costs beyond the date of closure of the store and so no provision has been made.

#### 4. Earnings per share

	<b>2010</b>	<b>2009</b>
	<b>p</b>	<b>p</b>
Basic and diluted earnings per share	5.2	4.5
Adjusted basic and diluted earnings per share	6.9	4.5
	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
Profit for the year for basic and diluted earnings per share	2,972	2,581
Adjustment to exclude exceptional impairment of property	987	-
Adjusted profit for the year for adjusted basic and diluted earnings per share	<u>3,959</u>	<u>2,581</u>
	<b>2010</b>	<b>2009</b>
	<b>million</b>	<b>million</b>
Weighted average number of ordinary shares for the purposes of basic EPS	57.4	57.4
Effect of dilutive potential ordinary shares: share options	0.1	-
Weighted average number of ordinary shares for the purpose of diluted EPS	<u>57.5</u>	<u>57.4</u>

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

On 8 October 2009, 1,450,000 5p ordinary shares were issued at par to the Mulberry Group plc Employee Share Trust for share awards.

#### 5. Dividends

The dividends approved and paid during the year are as follows:

	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
2.0p (2009: 2.0p) per share on 5p ordinary shares	<u>1,148</u>	<u>1,148</u>

The Directors are recommending the payment of a final dividend of 2.2p per ordinary share. This proposed final dividend is subject to approval by shareholders at the Annual General Meeting on the 18 August 2010 and has not been included as a liability in these financial statements.

#### 6. Information

Copies of the Annual Report and financial statements will be posted to shareholders. Further copies can be obtained from Mulberry Group plc's registered office at The Rookery, Chilcompton, Somerset, BA3 4EH.

Copies of this announcement are available for a period of one month from the date hereof from the Company's registered office, and from the Company's nominated adviser, Altium Capital Limited, 30 St James's Square, London, SW1Y 4AL.