



16 June 2011

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

PRELIMINARY RESULTS FOR THE YEAR ENDED 31 MARCH 2011

Mulberry Group plc, the British luxury fashion brand, is pleased to announce a strong performance for the year ended 31 March 2011.

FINANCIAL HIGHLIGHTS

- Revenues increased by 69% to £121.6 million (2010: £72.1 million)
- Retail sales up 44% to £73.5 million, like-for-like up 43%
- Wholesale shipments to third-parties up 130% to £48.1 million
- Profit before tax up 358% to £23.3 million (2010: £5.1 million)
- Basic earnings per share up by 473% to 29.8p (2010: 5.2p)
- Proposed dividend up 82% to 4.0p per share (2010: 2.2p per share)

OPERATING HIGHLIGHTS

- 9 new stores opened during the year in Beijing, Hong Kong, Malaysia, Korea, Qatar, UAE, the Netherlands and Sydney
- New flagship store opened at 50 New Bond Street, London
- Global expansion continued with international revenues growing 145% to £40.5 million (2010: £16.6 million)
- Online sales grew 64% to £9.2 million, accounting for 8% of sales
- New London headquarters opened on Kensington Church Street

CURRENT TRADING AND OUTLOOK

- Retail sales up 38% for the 10 weeks to 4 June 2011, like-for-like up 42%
- Like-for-like UK Retail sales in full price stores and department store concessions up by 33% for the 10 weeks to 4 June 2011
- Autumn/Winter 2011 third-party orders already 38% ahead of Autumn/Winter 2010 total orders, with 5 months selling left
- New store openings scheduled for New York, Amsterdam, Germany, Korea, China and Bangkok over the next 10 months
- Expansion of the Somerset factory under way, creating 50 new manufacturing jobs and adding 30% to UK production capacity

GODFREY DAVIS, CHAIRMAN AND CHIEF EXECUTIVE COMMENTED:

"Mulberry has increased sales by 69% year on year and delivered a step change in profitability. Strong demand in all markets has continued into the new financial year and the outlook for the Mulberry brand is positive. While we remain cautious about the global economic environment, we are focused on accelerating our international expansion."

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Chairman's statement

The Group has continued to deliver strong sales and profit growth during the year to 31 March 2011.

As a result of continuous investment over a number of years, we have been successful in developing international demand for the Mulberry brand. This, combined with the programme of new store openings in all regions, means that future growth is becoming less dependent upon consumers in the UK or any other single market.

Looking forward, we will continue our strategy of building the brand in international markets by investing in opening shops and progressively increasing our marketing activity to drive sales growth.

BUSINESS REVIEW

Sales increased 69% to £121.6 million for the year to 31 March 2011 (2010: £72.1 million) and profit before tax increased 358% to £23.3 million (2010: £5.1 million). International sales were £40.5 million, 145% up on the prior year.

Retail sales from our own stores, department store concessions and website in the UK, France, the Netherlands and North America have increased by 44% compared to the prior year to £73.5 million (like-for-like up 43%).

UK Retail sales in our own 44 stores and department store concessions increased for the year by 40% (like-for-like up 39%). Our UK full price stores and concessions were up 48% (like-for-like up 47%). Sales through our website, www.mulberry.com, grew by 64% to £9.2 million during the year, accounting for 8% of Group sales (2010: 7%). In addition to being a profitable and growing sales channel, the website is a key marketing tool for the brand.

Our two stores in New York have recorded sales increases of 122% compared to the prior year whilst our North American wholesale and online businesses have also increased satisfactorily. In France, sales in our Rue St Honore store increased by 151% compared to the prior year.

Wholesale shipments to customers during the year to 31 March 2011 were £48.1 million, up 130% compared to the prior year. The Wholesale business includes sales to our European franchise partners, European and North American independent retailers and department stores, as well as sales to our international distribution partners in Asia and the Middle East. In Asia, sales to our partner shops and wholesale accounts grew by 319% to £14.8 million, reflecting strong underlying growth and the opening of new shops, as well as restocking from their depleted inventory position at 31 March 2010.

The Group's balance sheet remains strong with cash of £21.4 million and no debt at 31 March 2011. This means that we are able to move quickly to invest in new retail opportunities and other projects when they arise.

The Mulberry network of stores continues to develop. On 1 December 2010, we opened a new flagship store at 50 New Bond Street, London and closed the old flagship store at 40-41 New Bond Street. Sales since opening at the new store are 42% higher than sales at the old store for the same period last year. We have also moved our Manchester store to the new Spinningfields development and opened a concession in De Bijenkorf, Amsterdam during the year.

During the year, new Mulberry stores have been opened by our partners in Beijing, Hong Kong, Malaysia, Korea, Qatar, UAE and Sydney.

During March 2011, the Group moved into its new London headquarters at 30 Kensington Church Street, bringing all the London teams under one roof for the first time and providing excellent showroom facilities. The net cash cost of this project during the year was £3.2 million. We opened new showrooms in both Paris and New York during the year to support the growing international wholesale business.

As a result of the rapid increase in demand, we have doubled the production of women's handbags whilst ensuring that quality standards are maintained.

CURRENT TRADING AND OUTLOOK

In our 40th anniversary year, Mulberry continues to focus on the craftsmanship and quality that is synonymous with its brand. These authentic British attributes differentiate the brand and are in tune with the changing times and attitudes.

The strong consumer demand for Mulberry products has continued since 31 March 2011.

During the 10 weeks to 4 June 2011, total Retail sales were 38% above the same period last year with like-for-like sales up 42%. Within this figure, UK full price Retail sales have grown by 33% like-for-like compared to the off price business which has increased by 56% like-for-like.

The Autumn/Winter 2011 season has started strongly with the third-party wholesale order book already 38% higher than the Autumn/Winter 2010 end of season position with 5 months selling yet to go.

In May 2011, we delivered the new Taylor family of bags, which has been well received and will join the already strong product line up.

In Europe, we have taken back the distribution rights for Germany, the Netherlands and Belgium from our agents and the retail rights from our Amsterdam franchise partner. The main Amsterdam store, which is currently closed for redevelopment, will reopen under our direct control before Christmas. We are planning to open approximately ten stores in Germany, Switzerland and Austria over the next 3 years as sites become available. We are already negotiating on a number of leases.

In North America, a new 5,000 sq ft flagship store on Spring Street, Soho, New York will open during the Autumn which will mark the beginning of the next stage of development of our North American business. We have commenced a search for locations on the West Coast in Los Angeles and San Francisco with the objective of building a small group of stores over the next 2 years.

Our partner in Korea, who started the current year with 10 shop-in-shops, has already opened another 3 and is planning a further 5 before the end of March 2012.

Club 21, our partner for the rest of Asia, plans to open a number of new stores as sites become available. The main focus will be on China after the successful opening of a Beijing store during January 2011 which is already trading profitably. In Hong Kong, the very successful store in Harbour City will relocate to a much larger space before Christmas. In addition, we are working with Club 21 on plans to expand in Japan which is an under-developed market for Mulberry.

We continue to build production capacity with our partners around the world in order to meet the rapidly growing demand. In the UK, we are expanding our factory in Somerset and construction is well advanced. We will start occupying the new space during August 2011. This will add approximately 30% to our UK capacity and is projected to generate over 50 new manufacturing jobs which will include school leavers who will be trained under our apprenticeship scheme.

DIVIDENDS

The Board is recommending the payment of a dividend on the ordinary shares of 4.0p per ordinary share (2010: 2.2p) which will be paid on 19 August 2011 to shareholders on the register on 22 July 2011.

DIRECTOR CHANGES

During the year, Edward Vandyk stepped down as a Non-Executive Director after 8 years of service and Melissa Ong was appointed to the Board as a Non-Executive Director bringing considerable experience of the Asian markets.

STAFF

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

Financial review

GROSS MARGIN

The Group's gross profit as a percentage of revenue has increased to 65% from 59% for the prior year. This significant increase in gross margin is a consequence of a higher proportion of sales being made at full retail price throughout the year combined with much reduced summer and winter clearance sales compared to the prior year because there was relatively little end of season stock for clearance. The underlying gross margin has also seen an increase of approximately 1% due to volume related efficiency.

NET OPERATING EXPENSES

Net operating expenses for the year increased by £18.9 million to £56.5 million (2010: £37.6 million). The main elements of this increase were: £4.9 million variable rents and agents' commissions directly linked to the sales growth; £2.3 million non-recurring property costs arising largely from rent and related costs incurred during the fit out of the flagship store that opened during December on New Bond Street and the new corporate headquarters opened during March 2011; £3.2 million additional spend on advertising and promotion and; £4.7 million increased employee costs.

EXCEPTIONAL ITEMS

Under the terms of the purchase agreement for the US business which was announced on 14 May 2009, £1.0 million of deferred consideration will become payable to Challice Limited should the turnover in the North American market exceed a threshold of \$6.0 million for the year ending 31 March 2012. Given the rapid growth currently being experienced in this market, it is deemed prudent to make a provision for this exceptional cost now. The £1.0 million consideration may be satisfied in either cash or shares at the option of the Group following the end of the 2011/12 financial year. In addition, £0.9 million of exceptional income has been recognised in relation to the surrender of the lease on the old New Bond Street store. As a result, the net exceptional costs for the year were £0.1 million. The residual net book value of the fixed assets at the old New Bond Street store of £1.0 million was expensed during the previous financial year ended 31 March 2010 and disclosed as an exceptional item.

SHARE OF RESULTS OF ASSOCIATES

Our associate in Norway had a successful year with our share of their results increasing to £0.3 million (2010: £0.2 million).

FINANCE INCOME AND EXPENSE

The decrease in net finance income to £30,000 (2010: £48,000) has resulted from the continued low rates of interest available in the market.

TAXATION

The Group has an effective tax rate of 26.9% for the year (2010: 41.7%) resulting in a tax charge of £6.3 million (2010: £2.1 million). The decrease in the effective rate compared to the prior year is due to the absence of unrelieved overseas losses and exceptional property impairment which attracted no tax relief in the prior year. In the current year, the US deferred consideration is a non-deductible expense but this has been offset by tax deductions for share options exercised in the year and other timing differences.

BALANCE SHEET

Investment in property, plant and equipment for the year totalled £12.8 million (2010: £2.0 million) and included the new London offices (£7.0 million), the UK factory (£0.9 million) and the relocation of the New Bond Street and Manchester stores (£3.0 million). The expenditure of £0.5 million on intangible assets reflects the ongoing investment in the Group's ERP system and the development of our online capabilities.

Inventory levels have increased by £13.3 million to £22.4 million (2010: £9.1 million) which reflects the increased scale of the business and the fact that the timetable for the launch of the Autumn/Winter 2011 season has been brought forward by one month compared to the prior year, resulting in Autumn/Winter 2011 inventory being in the warehouse at the year end for the first time.

CASH FLOW

The cash generated from operations for the year amounted to an inflow of £26.6 million (2010: inflow of £12.9 million). The net cash balance has increased to £21.4 million at 31 March 2011 (2010: £12.2 million) due to the operational performance of the Group.

SHAREHOLDER RETURN

The basic earnings per share for the year increased by 473% to 29.8p (2010: 5.2p). This reflects the increase in pre-tax profit and the lower effective tax rate.

Consolidated income statement

Year ended 31 March 2011

	Note	2011 £'000	2010 £'000
Revenue		121,645	72,052
Cost of sales		(42,144)	(29,565)
Gross profit		<u>79,501</u>	<u>42,487</u>
Administrative expenses		(58,147)	(38,077)
Other operating income		1,656	446
Operating profit		<u>23,010</u>	<u>4,856</u>
Operating profit before exceptional items	3	23,110	5,843
Share of results of associates		305	192
Finance income		74	74
Finance expense		(44)	(26)
Profit before tax		<u>23,345</u>	<u>5,096</u>
Tax		(6,282)	(2,124)
Profit for the year		<u>17,063</u>	<u>2,972</u>
Attributable to:			
Equity holders of the parent		<u>17,063</u>	<u>2,972</u>
		pence	pence
Basic earnings per share	4	29.8	5.2
Diluted earnings per share	4	29.1	5.2

All activities arise from continuing operations.

Consolidated statement of comprehensive income

Year ended 31 March 2011

	2011 £'000	2010 £'000
Profit for the year	17,063	2,972
Exchange differences on translation of foreign operations	1	(108)
Total comprehensive income for the year	<u>17,064</u>	<u>2,864</u>
Attributable to:		
Equity holders of the parent	<u>17,064</u>	<u>2,864</u>

Consolidated balance sheet
At 31 March 2011

	2011 £'000	2010 £'000
Non-current assets		
Intangible assets	2,134	2,499
Property, plant and equipment	18,207	7,876
Interests in associates	210	347
Deferred tax assets	69	38
	<hr/> 20,620	<hr/> 10,760
Current assets		
Inventories	22,408	9,090
Trade and other receivables	12,186	8,263
Cash and cash equivalents	21,373	12,171
	<hr/> 55,967	<hr/> 29,524
Total assets	<hr/> 76,587	<hr/> 40,284
Current liabilities		
Trade and other payables	(30,476)	(12,197)
Current tax liabilities	(4,079)	(1,622)
	<hr/> (34,555)	<hr/> (13,819)
Total liabilities	<hr/> (34,555)	<hr/> (13,819)
Net assets	<hr/> 42,032	<hr/> 26,465
Equity		
Share capital	2,943	2,943
Share premium account	7,007	7,007
Own share reserve	(621)	(107)
Capital redemption reserve	154	154
Special reserves	1,467	1,467
Foreign exchange reserve	386	385
Retained earnings	30,696	14,616
Total equity	<hr/> 42,032	<hr/> 26,465

Consolidated statement of changes in equity
Year ended 31 March 2011

Equity attributable to equity holders of the parent

	Share capital	Share premium account	Own share reserve	Capital reserves	Special reserves	Foreign exchange reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
As at 1 April 2009	2,871	7,007	(49)	154	1,467	493	12,441	24,384
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)
As at 31 March 2010	2,943	7,007	(107)	154	1,467	385	14,616	26,465
Total comprehensive income for the year	-	-	-	-	-	1	17,063	17,064
Charge for employee share-based payments	-	-	-	-	-	-	701	701
Exercise of share options	-	-	-	-	-	-	(418)	(418)
Own shares	-	-	(514)	-	-	-	-	(514)
Ordinary dividends paid	-	-	-	-	-	-	(1,266)	(1,266)
As at 31 March 2011	2,943	7,007	(621)	154	1,467	386	30,696	42,032

Consolidated cash flow statement
Year ended 31 March 2011

	2011 £'000	2010 £'000
Operating profit for the year	23,010	4,856
Adjustments for:		
Depreciation of property, plant and equipment	2,261	2,879
Amortisation of intangible assets	837	289
Loss on sale of property, plant and equipment	152	74
Effects of foreign exchange	24	(14)
Share-based payments charge	701	351
Operating cash flows before movements in working capital	<u>26,985</u>	<u>8,435</u>
(Increase)/decrease in inventories	(13,318)	5,740
Increase in receivables	(3,848)	(2,065)
Increase in payables	16,805	829
Cash generated from operations	<u>26,624</u>	<u>12,939</u>
Corporation taxes paid	(3,856)	(1,693)
Interest paid	(44)	(26)
Net cash inflow from operating activities	<u>22,724</u>	<u>11,220</u>
Investing activities:		
Interest received	47	74
Dividend received from associate	308	-
Purchases of property, plant and equipment	(11,176)	(1,365)
Proceeds from sale of property, plant and equipment	-	6
Acquisition of intangible fixed assets	(503)	(340)
Net cash used in investing activities	<u>(11,324)</u>	<u>(1,625)</u>
Financing activities:		
Dividends paid	(1,266)	(1,148)
Proceeds on issue of shares	-	72
Cash settlement of share awards	(418)	-
Investment in own shares	(514)	(58)
Net cash used in financing activities	<u>(2,198)</u>	<u>(1,134)</u>
Net increase in cash and cash equivalents	9,202	8,461
Cash and cash equivalents at beginning of year	12,171	3,710
Cash and cash equivalents at end of year	<u><u>21,373</u></u>	<u><u>12,171</u></u>

Notes

1. Basis of preparation

The financial information in this announcement, which was approved by the Board of Directors on 15 June 2011, does not constitute the Company's statutory accounts for the years ended 31 March 2011 or 2010, but is derived from those accounts.

Statutory accounts for the year ended 31 March 2010 have been delivered to the Registrar of Companies and those for the year ended 31 March 2011 have been approved and will be delivered to the Registrar of Companies following the Company's Annual 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. Accounting policies

The Group's financial statements for the year ended 31 March 2011 have been prepared in accordance with the measurement criteria of the 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 but have had no impact on the presentation or disclosure within the financial statements:

- IFRS 2 – Share based payments
- IFRS 3 – Business combinations
- IAS 31 – Interests in joint ventures
- IAS 32 – Financial instruments: presentation
- IFRS 5, IFRS 8, IAS 1, IAS 17, IAS 27, IAS 36, IAS 38, IAS 39 amendments from annual improvement process
- IAS 39 – Financial instruments: recognition & measurement
- IFRIC 9 – Reassessment of embedded derivatives
- IFRIC 16 – Hedges of a net investment in a foreign operation
- IFRIC 17 – Distribution non-cash assets

The Directors do not consider that any of the Standards, Amendments or Interpretations issued by the IASB, but not yet applicable, will have significant impact on the financial statements.

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 income and expenses

On 5 October 2009, a transaction to assume operational control of the two New York stores and the distribution rights to the North American market previously held by our joint venture partner, Mulberry USA LLC, was completed. As part of the agreement, deferred consideration of up to £1 million, will become payable to Challice Limited (the previous 50% shareholder of Mulberry USA LLC and the majority shareholder of Mulberry Group plc) on a stepped basis if sales generated from the North American operations during the third year post completion exceed certain agreed thresholds. The consideration will be payable in cash or, at Mulberry Group plc's option, new Mulberry shares, the number of shares being calculated at the then prevailing share price. Following the growth in the North American operations, as at 31 March 2011 the Directors have concluded that it is probable that the deferred consideration will become payable. As such a provision for £1 million has been made.

As part of the Group's future growth strategy, the decision was made during the year ended 31 March 2010 to relocate the flagship New Bond Street store to an alternative site on New Bond Street. Consequently, the residual net book value of the leasehold improvements and fixtures and fittings at the existing store on the anticipated date of closure of £987,000 was deemed to be impaired. Given the one-off nature and size of the impairment, the costs were disclosed separately on the face of the consolidated income statement. Subsequently, an agreement was made with the landlord to purchase back the lease of the old New Bond Street store in return for a payment to the Group of £0.9 million. This was received during January 2011 and treated as exceptional income.

4. Earnings per share ('EPS')

	2011 p	2010 p
Basic earnings per share	29.8	5.2
Diluted earnings per share	29.1	5.2
Adjusted basic earnings per share	30.4	6.9
Adjusted diluted earnings per share	29.7	6.9
	2011 £'000	2010 £'000
Profit for the year for basic and diluted earnings per share	17,063	2,972
Adjustment to exclude exceptional items (see note 3)	352	987
Adjusted profit for the year for adjusted basic and diluted earnings per share	<u>17,415</u>	<u>3,959</u>
	2011 million	2010 million
Weighted average number of ordinary shares for the purposes of basic EPS	57.3	57.4
Effect of dilutive potential ordinary shares: share options	1.4	0.1
Weighted average number of ordinary shares for the purpose of diluted EPS	<u>58.7</u>	<u>57.5</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 14 April 2011, 300,000 5p ordinary shares were issued at par to satisfy the exercise of share options by management. This share issue has not been adjusted for in the above EPS calculations.

5. Dividends

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

	2011 £'000	2010 £'000
2.2p (2010: 2.0p) per share on 5p ordinary shares	<u>1,266</u>	<u>1,148</u>

The Directors are recommending the payment of a final dividend of 4.0p per ordinary share. This proposed final dividend is subject to approval by shareholders at the Annual General Meeting on 17 August 2011 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.