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FINANCIAL HIGHLIGHTS

	2001	*2000*
Turnover	£25.7m	£26.4m
Operating profit/(loss)	£0.7m	£(0.05m)
Profit/(loss) before tax	£0.3m	£(0.7m)
Earnings/(loss) per share	0.65p	(3.24p)

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CHAIRMAN AND CHIEF EXECUTIVE'S REVIEW

I am pleased to report that Mulberry has returned to profit for the year and that the improved trading performance announced in my interim report in January, has continued in the second half.

Sales for the year were £25.7 million, compared with £26.4 million in 2000. Underlying sales increased by £1.8 million when the 1999 sales of home products, which were licensed in August 1999, are eliminated. Gross profit for the year increased by £0.4 million with the gross profit margin increasing from 50.9% to 53.7%. The result for the year is an operating profit of £0.67 million compared to a loss of £0.05 million in 2000. Profit before taxation was £0.3 million compared to a loss of £0.7 million for the previous year. Net borrowings reduced by £6.9 million to £0.8 million. As reported in my interim statement, we completed the share subscription in September 2000, which has greatly strengthened our balance sheet.

CURRENT TRADING AND OUTLOOK

The latest accessories order book for autumn/winter 2001 continues to show the pattern of growth achieved over the last two seasons. The first full collection from the new women's Ready to Wear (RTW) design team will reach the shops this autumn, with the order book showing strong growth of 30% compared with the prior year.

For the first seven weeks of the new financial year, sales, on a like for like basis, in our full price shops in the UK have been running 4% higher than in 2000 despite the reduction in tourists resulting from the Foot and Mouth epidemic. Demand from our UK customers remains very strong.

STRATEGY

We have re-established robust growth through investment in design, sales and marketing of accessories which is our core product area. We are confident that this growth will continue.

Meanwhile, we are continuing to focus our sales and marketing effort on the UK while putting increased resources into Scandinavia and Northern Europe to build on our existing business in those markets.

Our investment in RTW management and design continues and we will launch the first full menswear collection, from the new design team, for spring/summer 2002 at Pitti Uomo, the major menswear exhibition in Florence.

We have undertaken a full review of the brand image and presentation with the leading design consultancy Four IV and have, with them, completed the design and styling of the next generation of Mulberry retail stores. The first to be seen by the general public will be our flagship store in Bond Street which we have just closed for a comprehensive refit and plan to re-open in late autumn 2001. The cost will be in the region of £2 million. Despite this we expect to deliver an improved trading performance for the full year.

The investment in the new RTW collections and the refit of Bond Street mark significant steps forward in our strategy to unlock the value in the Mulberry brand. Following the completion of Bond Street, the new image will be implemented in all of our outlets over the next two years.

UNITED STATES

The initial review of the USA has been completed with our US partners. Locations for the first flagship store in New York are being reviewed. The New York store will follow the re-opening of Bond Street and is planned for autumn 2002 subject to an appropriate site being found.

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HOME

The home license with Kravet has continued successfully and we are experiencing strong growth in the spring/summer 2001 season.

STAFF

I would like to thank both the Directors and staff who have worked tirelessly and with good humour through a period of substantial change. Their belief in the brand and the company's ability to succeed has been essential in developing and growing the business.

DIVIDEND

The Board is not recommending the payment of a dividend on the ordinary shares.

Roger Saul
Chairman and Chief Executive

12 June 2001

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DIRECTORS, SECRETARY AND ADVISERS

Directors:	Roger John Saul (Chairman and Chief Executive) Godfrey Pawle Davis FCA (Deputy Chairman) John Stuart Rogers ACFI Guy Gibson Rutherford FCCA (Group Finance Director) Robert (Robin) Edward Graeme Gibson (Non-Executive Director and Chairman of the Remuneration Committee) Tom Vaughan (Non-Executive Director) Bernard Lam Kong Heng (Non-Executive Director) all of:
Registered Office:	Kilver Court, Shepton Mallet, Somerset BA4 5NF
Secretary:	Godfrey Pawle Davis FCA
Nominated Adviser and Nominated Broker:	Teather & Greenwood Limited Beaufort House 15 St. Botolph Street London EC3A 7QR
Registered Auditors:	Arthur Andersen 1 The Square Temple Quay Bristol BS1 6DG
Solicitors:	Osborne Clarke 50 Queen Charlotte Street Bristol BS1 4HE
Principal Bankers:	HSBC Bank plc PO Box 120 49 Corn Street Bristol BS99 7PP
Registrars:	Computershare Investor Services PLC PO Box 82 The Pavilions Bridgwater Road Bristol BS99 7NH

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FINANCIAL REVIEW

PROFIT AND LOSS ACCOUNT

Turnover reduced by 2.5% to £25.7m which reflected the transfer of sales to the Home fabrics licensee Kravet under the agreement completed in August 1999. When these sales are excluded from the prior year the underlying growth is 8%.

Gross profit increased from 50.9% to 53.7% due to the benefits of improved sourcing, particularly of accessories products, and the increased proportion of sales through our own retail outlets.

Overheads were 2.6% lower than the prior year despite the strategic investment in design, and sales and marketing costs for both RTW and Accessories and the Four IV brand review.

TAXATION

The Group has substantial tax losses brought forward and there is no significant tax charge in the year.

ACCOUNTING POLICIES AND BALANCE SHEET VALUE

Stocks, debtors and trade creditors have increased in the year reflecting the increased levels of activity.

The investment by Challice Ltd in 15,000,000 ordinary shares and 8,000,000 7% convertible "B" preference shares approved by shareholders on 11 September 2000, resulted in a cash injection into the Group of £6.9m net of costs.

Capital expenditure for the year totalled £0.35m (2000: £0.2m) and the depreciation charge for the year was £0.76m (2000: £0.85m).

The balance sheet is underpinned by the substantial value of the brand name, copyrights and trademarks which are not valued and it is Company policy to expense all costs related to these as they are incurred.

A large proportion of the Group's production is pre-sold to a wide spread of customers. The Group's bad debt experience is satisfactory and a large proportion of the UK and overseas debts are insured.

There have been no changes of accounting policy during the year.

CASH FLOW

The Group's net borrowings reduced by £6.9m as a result of the issue of shares during the year. A significant amount of cash has been absorbed as working capital in the year, principally in response to the increased activity level in the business.

TREASURY AND FOREIGN EXCHANGE

The Group has continued its policy of balancing its currency exchange exposures which arise through normal trading and has relocated significant production to sources in Europe.

EURO

The Group's pricing strategy of equalising European recommended retail prices continues. Retailers in Europe have mainly purchased in their local currencies reflecting the preferences of the consumer since the introduction of the euro. However, with the withdrawal of the euro legacy currencies early in 2002 our European recommended retail and wholesale prices will be set in euros from Spring/Summer 2002.

The major impact of the UK not joining the euro continues to be negative as a result of the weakness of the euro, which has continued to put pressure on sales and prices due to the relative strength of sterling.

Guy Rutherford
Group Finance Director

12 June 2001

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CORPORATE GOVERNANCE

In June 1998 the Hampel Committee and the London Stock Exchange published the Combined Code on corporate governance.

The Directors support the principles contained in the Combined Code and apply these where they consider it is appropriate to Mulberry Group plc. In September 1999, the Turnbull committee published Internal Control Guidance for Directors on the Combined Code. The Board supports the recommendations made but does not consider them to be wholly applicable to a group of Mulberry's size at this stage.

THE BOARD OF DIRECTORS

The Board currently comprises four Executive Directors and three Non-Executive Directors. Details of the Directors are set out on pages 12 and 13. As recommended by the Combined Code in cases where the roles of Chairman and Chief Executive are not separated, the Directors consider it important that the Board should include Non-Executive Directors who bring strong independent judgement and considerable knowledge and experience to the Board's deliberations.

The Board meets formally on a bi-monthly basis and is responsible inter alia for overall Group strategy, investments and capital projects and for ensuring that an appropriate framework of internal control is in place throughout the Group.

The Executive Directors are each employed under a contract of employment which can be terminated on not more than one year's notice. The Non-Executive Directors provide their services under three year agreements.

REMUNERATION COMMITTEE

The Remuneration Committee is chaired by a Non-Executive Director, Robin Gibson, the other members being Godfrey Davis, the Deputy Chairman, Bernard Heng and Tom Vaughan. The Committee is responsible for determining the remuneration and terms and conditions of employment of Directors and senior employees of the Group. The report of the Board on the Remuneration of the Directors is set out on pages 10 and 11.

AUDIT COMMITTEE

The Audit Committee is chaired by an Executive Director, John Rogers. It is the opinion of the Board that all Directors should attend Audit Committee meetings where possible as part of the programme to maintain the Group's systems of internal control. The Committee may examine any matters relating to the financial affairs of the Group. This includes review of the annual accounts prior to their approval by the Board, together with accounting policies and compliance with accounting standards, and of internal control procedures and monthly financial reporting, and other related functions as the Committee may require. The Non-Executive Directors have access to the Group's auditors and legal advisers at any time without Executive Directors being present.

INTERNAL FINANCIAL CONTROL

The Board has overall responsibility for the Group's systems of internal financial control and for monitoring their effectiveness.

The Directors place considerable importance on maintaining full control and direction over appropriate strategic, financial, organisational and compliance issues, and have put in place an organisational structure with formally defined lines of responsibility and delegation of authority. There are established procedures for planning and capital expenditure, for information and reporting systems and for monitoring the Group's business and its performance. Adherence to specified procedures is required at all times and the Board actively promotes a culture of quality and integrity. Compliance is monitored by the Directors.

The systems of internal financial control are designed to provide reasonable, but not absolute, assurance against material misstatement or loss. They include comprehensive budgeting systems with an annual budget approved by the Board, monthly consideration of actual operational results compared with budgets, forecasts and regular reviews by the Board of year end forecasts. The Board reports to shareholders half-yearly.

The Group's control systems address key business and financial risks. Matters arising are reviewed on a regular basis. Performance indicators are reviewed at least monthly to assess progress towards objectives. Variances from approved plans are followed up vigorously.

The auditors are engaged to express an opinion on the accounts. They review and test the system of internal financial control and the data contained in the accounts to the extent necessary to express their audit opinion. They discuss with Directors the reporting of operational results and the financial condition of the Group.

The Board has reviewed the effectiveness of the system of internal financial control in operation during the financial year through the monitoring process above. It must be recognised that such a system can provide only reasonable and not absolute assurance and in this context the review revealed nothing which, in the opinion of the Board, indicated that the system was inappropriate or unsatisfactory.

GOING CONCERN

Based upon its review of the Group's budget for the year ending 31 March 2002, and taking into account outline business plans for the next three years and borrowing facilities currently available, the Board considers that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the accounts set out on pages 16 to 39 have been prepared on the going concern basis.

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REPORT OF THE BOARD ON THE REMUNERATION OF THE DIRECTORS

Prior to the listing of the Company on the Alternative Investment Market of the London Stock Exchange on 23 May 1996, independent consultants were instructed to undertake a review of the remuneration of the Directors. The remuneration packages of the Directors were adjusted to bring them into line with best practice in accordance with the consultants' recommendations.

The Remuneration Committee comprises:

Robin Gibson (Chairman and Non-Executive Director)
Godfrey Davis (Deputy Chairman)
Bernard Heng (Non-Executive Director)
Tom Vaughan (Non-Executive Director)

The Committee decides the remuneration policy that applies to Executive Directors and the Group's other senior management. In setting the policy it considers a number of factors including:

- the basic salaries and benefits available to Executive Directors of comparable companies;
- the need to attract and retain Directors of an appropriate calibre; and
- the need to ensure Executive Directors' commitment to the continued success of the Company by means of incentive schemes.

The Committee meets at least once a year in order to consider and set the annual salaries for Executive Directors, having regard to personal performance and independently compiled salary survey information. Executive Directors' salaries are reviewed on 31 March each year. The review of the remuneration of all other Group employees, including Directors of subsidiary companies, is also on 31 March.

Full details of Directors' remuneration and share options are given in note 7.

REMUNERATION OF NON-EXECUTIVE DIRECTORS

The Non-Executive Directors each receive a fee for their services, which is agreed by the Board following independent advice concerning comparable organisations and appointments.

The Non-Executive Directors are appointed for a three year term and do not receive any pension or other benefits from the Company, nor do they participate in any of the bonus, incentive or share option schemes.

REMUNERATION POLICY FOR EXECUTIVE DIRECTORS

The Company's remuneration policy for Executive Directors is to:

- have regard to the Directors' experience and the nature and complexity of their work in order to pay a competitive salary that attracts and retains Directors of the highest quality;
- link individual remuneration packages to the Group's long-term performance through the award of share options and incentive schemes;
- provide post-retirement benefits through the Group's pension schemes; and

- provide employment-related benefits including the provision of a company car, life assurance, insurance relating to the Director's duties and medical insurance.

SALARIES AND INCENTIVE BONUSES

Each Executive Director receives a base salary and an annual incentive bonus which shall not in any year exceed 50% of the basic salary for the Director. The base salary reflects job responsibility, market value and the sustained level of individual performance.

The incentive bonus is paid as a percentage of the increase in Group profit before tax compared with the previous year. This is intended to be a simple and reliable measure consistent with the maximisation of shareholder value. Guy Rutherford received a bonus of £4,375 under the terms of a bonus scheme in force prior to his appointment as Group Finance Director. No other bonuses were paid to Group Directors in the year.

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DIRECTORS' REPORT

For the year ended 31 March 2001

The Directors present their report on the affairs of the Group, together with the accounts and auditors' report, for the year ended 31 March 2001.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activities of the Group continue to be the design and manufacture of fashion accessories, clothing and interior design products and their subsequent wholesale and retail sale in home and export markets. The Group has branches overseas.

A review of the business during the year and likely future developments is given in the Chairman and Chief Executive's review on pages 3 to 4.

RESULTS AND DIVIDENDS

The consolidated profit and loss account for the year is set out on page 16. The Directors do not recommend the payment of a dividend on the ordinary shares.

DIRECTORS AND THEIR INTERESTS

The Directors who served during the year are shown below.

Roger Saul, 50, is Chairman and Chief Executive. In 1971, he founded Mulberry and over more than 25 years he has built the Group from a small accessory designer to an international brand, achieving many awards for export and design including British Classic Designer of the Year and three Queen's Awards for Export Achievement. At Mulberry he has overall responsibility for the marketing and design functions.

Godfrey Davis, FCA, 52, is the Group Deputy Chairman. He joined Mulberry as Group Finance Director in 1987 after 15 years at Arthur Andersen where he was an international partner. At Mulberry he is responsible for corporate finance, planning and strategy.

John Rogers, ACFI, 56, is the Director responsible for the Accessories division. He worked with Mulberry from 1986 as a consultant, joining the Company full-time in 1990. Previously, he worked with international consultants specialising in the textile industry before forming his own consulting practice. At Mulberry he is responsible for the planning, production and distribution functions of the Accessories and Ready to Wear divisions.

Guy Rutherford, FCCA, 36, is the Group Finance Director. He joined Mulberry in January 1999 and was appointed Group Finance Director on 30 September 1999. Previously he held senior financial and commercial roles with a number of organisations, latterly Hays Commercial Services. At Mulberry he is responsible for the IT systems, accounting, finance and treasury functions.

Robin Gibson, 59, is a Non-Executive Director and Chairman of the Remuneration Committee. He was appointed on 1 May 1996. Formerly, he was chief executive of the Bradstock Group plc, a company quoted on the London Stock Exchange and involved in insurance and reinsurance broking.

Tom Vaughan, 53, is a Non-Executive Director. He was appointed on 18 September 2000. He is also a Director of Mountcashel Plc and a Director of LAMDA (The London Academy of Music and Dramatic Art). Prior activities include the co-founding of Juliana's Holdings Plc, of which he served as Executive Chairman throughout.

Bernard Lam Kong Heng 55, is a Non-Executive Director. He was appointed on 18 September 2000. He is presently the chief executive of Como Holdings (UK) Ltd., a Singapore based company which has extensive retail, hotel and real estate operations in the UK and internationally.

Marion Saul and Judy Harrison Bode both resigned from the board on 11 September 2000.

Directors' interests in the shares of the Company

	5p ordinary shares 2001	*5p ordinary shares 2000*
Roger Saul – beneficial	8,165,776	8,086,776
– non-beneficial	2,347,314	4,986,502
Godfrey Davis	1,621,324	1,621,324
Robin Gibson	13,245	13,245
John Rogers	92,180	–

Details of Directors' share options are disclosed in note 7 to the accounts.

SUBSTANTIAL SHAREHOLDINGS

At 31 March 2001 the Company had been notified of the following interest in 3% or more of the share capital of the Company, other than those of the Directors above:

Ordinary Shares		
Zoar Invest	1,600,679 shares	4.43%
Challice Limited	15,000,000 shares	41.50%
7% B convertible Preference Shares		
Challice Limited	8,000,000 shares	100%

SUPPLIER PAYMENT POLICY

The Company's current policy concerning the payment of its suppliers is:

a) settle the terms of payment with those suppliers when agreeing the terms of each transaction;
b) ensure that those suppliers are made aware of the terms of payment; and
c) abide by the terms of payment.

At the year end, trade creditors expressed as a number of days purchases outstanding was nil for the Company. For Mulberry Company (Design) Limited, the main trading subsidiary, it was 57 days (2000 – 67 days).

DISABLED EMPLOYEES

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

EMPLOYEE CONSULTATION

The Group places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance

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of the Group, which is achieved through formal and informal meetings. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

On 20 May 1996, the Company introduced The Mulberry Group plc 1996 Company Share Option Scheme, under which all employees are eligible to participate at the discretion of the Board.

CHARITABLE AND POLITICAL DONATIONS

The Group made charitable donations of £685 (2000 – £680) during the year. The Group made no political donations during the year.

RESPONSIBILITIES OF THE DIRECTORS

Company law requires the Directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and Group and of the profit or loss of the Group for that period. In preparing those accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and Group and enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

The Directors will place a resolution before the Annual General Meeting to reappoint Arthur Andersen as auditors for the ensuing year.

Kilver Court
Shepton Mallet
Somerset
BA4 5NF

By order of the Board

G R Davis
Secretary

12 June 2001

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AUDITORS' REPORT

To the Shareholders of Mulberry Group plc:

We have audited the accounts on pages 16 to 39 which have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and the accounting policies set out on pages 21 to 23.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 14 the Company's Directors are responsible for the preparation of the accounts, in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

BASIS OF OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

OPINION

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group at 31 March 2001 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen

Arthur Andersen
Chartered Accountants and Registered Auditors

1 The Square
Temple Quay
Bristol
BS1 6DG

12 June 2001

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Consolidated profit and loss account

For the year ended 31 March 2001

	Note	2001 £'000	2000 £'000
Turnover	2	25,723	26,390
Cost of sales		(11,904)	(12,945)
Gross profit		13,819	13,445
Other operating expenses (net)	3	(13,149)	(13,492)
Operating profit/(loss)		670	(47)
Group share of profit of associated undertakings	11	27	16
Finance charges	4	(394)	(635)
Profit/(loss) on ordinary activities before taxation	5	303	(666)
Tax on profit/(loss) on ordinary activities	8	(2)	(14)
Profit/(loss) on ordinary activities after taxation, being loss for the financial year		301	(680)
7% preference dividend proposed on non-equity shares		(107)	–
1% preference dividend proposed on non-equity shares		(4)	–
Profit/(loss) for the year transferred to/(from) reserves	20	190	(680)
Earnings/(loss) per ordinary share – basic	9	0.65p	(3.24p)
– diluted	9	0.65p	(3.24p)

A statement of movement on reserves is given in note 20.

All operations of the Group continued throughout both years and no operations were acquired or discontinued.

The accompanying notes form an integral part of this consolidated profit and loss account.

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Consolidated balance sheet

31 March 2001

	Note	*2001* *£'000*	*2000* *£'000*
Fixed assets			
Tangible assets	10	5,013	5,464
Investments	11	78	58
		5,091	5,522
Current assets			
Stocks	12	7,378	6,278
Debtors	13	3,923	3,628
Cash at bank		332	212
		11,633	10,118
Creditors: Amounts falling due within one year	14	(4,771)	(11,679)
Net current assets/(liabilities)		6,862	(1,561)
Total assets less current liabilities		11,953	3,961
Creditors: Amounts falling due after more than one year	15	(1,036)	(88)
Net assets		10,917	3,873
Capital and reserves			
Called-up share capital	18	2,457	1,299
Share premium account	20	8,941	3,245
Revaluation reserve	20	235	266
Capital redemption reserve	20	154	154
Profit and loss account	20	(870)	(1,091)
Shareholders' funds	19	10,917	3,873
Shareholders' funds may be analysed as:			
Equity interests		8,158	3,623
Non-equity interests		2,759	250
		10,917	3,873

The accompanying notes form an integral part of this consolidated balance sheet.

Approved by the Board of Directors on 12 June 2001.

R J Saul

G G Rutherford

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Company balance sheet

31 March 2001

	Note	2001 £'000	2000 £'000
Fixed assets			
Tangible assets	10	2,193	2,299
Investments	11	1,498	1,498
		3,691	3,797
Current assets			
Debtors	13	10,567	7,127
Creditors: Amounts falling due within one year	14	(450)	(4,912)
Net current assets		10,117	2,215
Total assets less current liabilities		13,808	6,012
Creditors: Amounts falling due after more than one year	15	(1,000)	–
Provisions for liabilities and charges	17	(82)	(81)
Net assets		12,726	5,931
Capital and reserves			
Called-up share capital	18	2,457	1,299
Share premium account	20	8,941	3,245
Revaluation reserve	20	235	266
Capital redemption reserve	20	154	154
Profit and loss account	20	939	967
Shareholders' funds	19	12,726	5,931
Shareholders' funds may be analysed as:			
Equity interests		9,967	5,681
Non-equity interests		2,759	250
		12,726	5,931

The accompanying notes form an integral part of this balance sheet.

Approved by the Board of Directors on 12 June 2001.

R J Saul

G G Rutherford

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Consolidated cash flow statement

For the year ended 31 March 2001

	Note	2001 £'000	2000 £'000
Net cash inflow from operating activities	21a	784	1,742
Returns on investments and servicing of finance	21b	(394)	(644)
Taxation		(2)	(19)
Capital expenditure	21b	(328)	(117)
Cash inflow before financing		60	962
Financing	21b	4,111	(554)
Increase in cash in the year	21c	4,171	408

Reconciliation of net cash flow to movement in net debt

		2001 £'000	2000 £'000
Increase in cash in the year		4,171	408
Cash outflow from decrease in debt and lease financing	21c	2,743	804
		6,914	1,212
Inception of finance leases	21c	(24)	(30)
Movement in net debt		6,890	1,182
Net debt, beginning of year	21c	(7,665)	(8,847)
Net debt, end of year	21c	(775)	(7,665)

The accompanying notes form an integral part of this consolidated cash flow statement.

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Consolidated statement of total recognised gains and losses

For the year ended 31 March 2001

	2001	*2000*
	£'000	*£'000*
Profit/(loss) for the financial year	301	(680)
Currency translation differences on foreign currency net investments	–	(81)
Total recognised gains and losses in the year	301	(761)

Consolidated note of historical cost profits and losses

For the year ended 31 March 2001

	2001	*2000*
	£'000	*£'000*
Reported profit/(loss) on ordinary activities before taxation	303	(666)
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	31	31
Historical cost profit/(loss) on ordinary activities before taxation	334	(635)
Historical cost profit/(loss) for the year after taxation and preference dividends	221	(649)

Notes to accounts

31 March 2001

1 Accounting policies

The principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, are set out below:

a) Basis of accounting

The accounts have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and in accordance with applicable Accounting Standards.

b) Basis of consolidation

The Group accounts consolidate the accounts of Mulberry Group plc and its subsidiary undertakings. The results of subsidiaries acquired or disposed of in any year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Any goodwill arising on consolidation (representing the excess of the consideration given over the fair value of the separable net assets acquired) on acquisitions in the year ended 31 March 1998 and earlier periods was written off against reserves on acquisition in accordance with the accounting standard then in force. As permitted by the current accounting standard the goodwill previously written off to reserves has not been reinstated in the balance sheet.

No profit and loss account is presented for Mulberry Group plc, as permitted by s230 of the Companies Act 1985. The movement in the Company's reserves is shown in note 20.

c) Tangible fixed assets

The Group has taken advantage of the transitional provisions of FRS 15 'Tangible Fixed Assets' and retained the book amounts of freehold and leasehold properties which were revalued prior to implementation of that standard. The properties were last revalued at November 1989 and the valuations have not subsequently been updated.

Tangible fixed assets are shown at cost or valuation, net of depreciation and any provision for impairment.

Depreciation is provided at rates calculated to write off the cost or valuation of fixed assets to their estimated residual value, over expected useful lives, using the following annual rates, on a straight line basis:

Freehold buildings	4%
Short leaseholds	over the term of the lease
Plant and equipment	20%
Fixtures, fittings and equipment	10% to 33%
Motor vehicles	25%

The revaluation reserve is amortised to the profit and loss account at similar rates to the depreciation of the related properties.

d) Fixed asset investments

Shares in subsidiary companies are included in the Company's balance sheet at original cost to the Company less any provision for impairment. Only dividends received or receivable are included in the Company's profit and loss account for the year.

Associated undertakings are accounted for using the equity method. The consolidated profit and loss account includes the Group's share of these undertakings' profits less losses, while the Group's share of the net assets is shown in the consolidated balance sheet.

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1 Accounting policies (continued)

e) Stocks

Stocks are stated at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition is based on purchase cost including transport, plus a reasonable proportion of manufacturing overheads based on normal levels of activity. Provision is made for obsolete, slow moving or defective items where appropriate.

f) Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred taxation is calculated on the liability method and is provided on timing differences which will probably reverse, at the rate of tax likely to be in force at the time of reversal. Deferred taxation is not provided on timing differences which are unlikely to reverse.

The taxation liabilities of certain Group undertakings are reduced wholly or in part by the surrender of losses by fellow Group undertakings for which payment is made.

g) Derivative financial instruments

The Group uses derivative financial instruments to reduce exposure to foreign exchange risk. The Group does not hold or issue derivative financial instruments for speculative purposes.

For a forward foreign exchange contract to be treated as a hedge, the instrument must be related to actual foreign currency assets or liabilities or to a probable commitment. It must involve the same currency or similar currencies as the hedged item and must also reduce the risk of foreign currency exchange movements on the Group's operations. Gains and losses arising on these contracts are deferred and recognised in the profit and loss account, or are shown as adjustments to the carrying amount of fixed assets, only when the hedged transaction has itself been reflected in the Group's accounts.

If an instrument ceases to be accounted for as a hedge, for example because the underlying hedged position is eliminated, the instrument is marked to market and any resulting profit or loss recognised at that time.

h) Pension costs

The Group operates non contributory money purchase schemes for Directors and employees. The employee schemes are available to all employees after a qualifying period of service. The amount charged to the profit and loss account in respect of pension costs is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

i) Foreign currency

Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates as of the date of the transaction or, where appropriate, at the rate of exchange in a related forward exchange contract. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the balance sheet date or, where appropriate, at the rate of exchange in a related forward exchange contract. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

1 Accounting policies (continued)

The profit and loss accounts and the assets and liabilities of foreign subsidiaries are translated at rates ruling at the balance sheet date. Exchange differences which arise from the retranslation of the opening net assets of foreign subsidiaries are taken directly to reserves.

j) Turnover

Turnover comprises the value of sales (excluding VAT and similar taxes, trade discounts and intra Group transactions) of goods and services in the normal course of business.

k) Leases

Assets held under hire purchase agreements are reported at cost, with an equivalent liability categorised as appropriate under creditors due within or after more than one year. Each asset is depreciated over its useful economic life. Finance charges are allocated to accounting periods over the period of the agreement to produce a constant rate of return on the outstanding balance.

Operating lease rentals are charged to the profit and loss account on a straight line basis over the term of the lease.

2 Turnover

Segmental disclosures have been omitted, as in the opinion of the Directors they would be seriously prejudicial to the Group.

All operations of the Group continued throughout both years and no operations were acquired or discontinued.

3 Other operating expenses (net)

	2001	*2000*
	£'000	*£'000*
Distribution costs	608	614
Selling and marketing costs	9,367	9,623
Administrative expenses	3,585	3,592
	13,560	13,829
Other operating income	(411)	(337)
	13,149	13,492

4 Finance charges

	2001	*2000*
	£'000	*£'000*
On bank loans and overdrafts	394	635

Included in the above is the interest element of charges payable under hire purchase contracts amounting to £17,000 (2000 – £49,000).

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5 Profit/(loss) on ordinary activities before taxation

The profit/(loss) on ordinary activities before taxation is stated after charging the following:

	2001	*2000*
	£'000	*£'000*
Depreciation of tangible fixed assets		
– owned	485	547
– held under hire purchase contracts	271	298
Operating lease rentals:		
– land and buildings	1,266	1,151
– plant and machinery	218	247
– other	98	114
Auditors' remuneration		
– audit fees	36	36

6 Staff costs

Particulars of employees (including executive Directors) are shown below:

	2001	*2000*
	£'000	*£'000*
Employee costs during the year amounted to:		
Wages and salaries	5,714	5,789
Social security costs	555	572
Other pension costs	224	218
	6,493	6,579

The average monthly number of persons employed by the Group during the year was as follows:

	2001	*2000*
	Number	*Number*
Production	177	171
Sales and distribution	126	131
Administration	39	33
	342	335

7 Directors' remuneration and transactions

Directors' remuneration

	2001 £'000	2000 £'000
Emoluments	619	589
Money purchase pension contributions	96	105
Gain on exercise of options	45	–
	760	694

Name of Director	Fees/Basic salary £'000	Taxable benefits £'000	Money purchase pension contributions £'000	2001 Total £'000	2000 Total £'000
Executive					
Roger Saul	214	15	30	259	219
Godfrey Davis	129	10	28	167	153
John Rogers	84	12	24	120	179
Marion Saul – resigned 11 September 2000	27	7	4	38	87
Guy Rutherford	79	9	10	98	39
Non-executive					
Robin Gibson	14	–	–	14	14
Judy Harrison Bode – resigned 11 September 2000	3	–	–	3	3
Bernard Heng	8	–	–	8	–
Tom Vaughan	8	–	–	8	–
Total	566	53	96	715	694

Annual bonuses are determined by the Remuneration Committee based on the increase in Group profit before tax. Bonuses are capped at 50% of basic salary. A bonus of £4,375 was paid to Guy Rutherford during the year. No other bonuses were paid to Directors in the year.

Four (2000 – five) directors are members of money purchase pension schemes.

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7 Directors' remuneration and transactions (continued)

Directors' share options

Emoluments disclosed above do not include any amounts for the value of options to subscribe for ordinary shares in the Company granted to or held by the Directors. Details of the options are as follows:

	Exercise price £	*31 March 2000*	*Exercised during period*	*31 March 2001*	*Exercise price £*
John Rogers	0.22	171,180	(171,180)	–	–
	1.53	100,000	–	100,000	1.53
Roger Saul	1.53	100,000	–	100,000	1.53
Godfrey Davis	1.53	100,000	–	100,000	1.53
Guy Rutherford	0.45	50,000	–	50,000	0.45

Options held by Roger Saul, Godfrey Davis and John Rogers are exercisable between 23 May 1999 and 23 May 2003.

Options held by Guy Rutherford are exercisable between 11 November 2004 and 11 November 2009.

The market price of the ordinary shares at 31 March 2001 was 40.5p and the range during the year was 24.5p to 49p.

8 Tax on loss on ordinary activities

	2001 £'000	*2000 £'000*
United Kingdom corporation tax	2	14
	2	14

9 Earnings/(Loss) per ordinary share

Basic and diluted earnings per ordinary share has been calculated by dividing the profit/(loss) on ordinary activities after taxation and dividends on non-equity shares for each financial year by 29,380,490 (2000 – 20,975,943) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

10 Tangible fixed assets

a) Group

	Freehold land and buildings £'000	*Short leaseholds £'000*	*Plant and equipment £'000*	*Fixtures, fittings and equipment £'000*	*Motor vehicles £'000*	*Total £'000*
Cost or valuation						
Beginning of year	2,520	1,764	1,889	4,608	205	10,986
Exchange adjustments	–	10	–	(30)	–	(20)
Additions	–	25	107	220	–	352
Disposals	–	(1)	–	(144)	–	(145)
End of year	2,520	1,798	1,996	4,654	205	11,173
Depreciation						
Beginning of year	643	202	1,557	2,949	171	5,522
Exchange adjustments	–	–	–	12	–	12
Charge	78	45	171	440	22	756
Disposals	–	–	–	(130)	–	(130)
End of year	721	247	1,728	3,271	193	6,160
Net book value						
Beginning of year	1,877	1,562	332	1,659	34	5,464
End of year	1,799	1,551	268	1,383	12	5,013

Included in plant and equipment, motor vehicles and fixtures and fittings at 31 March 2001 are items acquired under hire purchase contracts and finance lease agreements with a net book value of £502,000 (2000 – £721,000).

Freehold land of £1,006,000 (2000 – £1,006,000) has not been depreciated.

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10 Tangible fixed assets (continued)

b) Company

	Freehold land and buildings £'000	*Short leaseholds £'000*	*Fixtures, fittings and equipment £'000*	*Total £'000*
Cost or valuation				
Beginning of year	2,520	84	500	3,104
Additions	–	2	1	3
End of year	2,520	86	501	3,107
Depreciation				
Beginning of year	643	59	103	805
Charge	78	6	25	109
End of year	721	65	128	914
Net book value				
Beginning of year	1,877	25	397	2,299
End of year	1,799	21	373	2,193

Freehold land of £1,006,000 (2000 – £1,006,000) has not been depreciated.

c) Tangible fixed assets at valuation

Certain freehold and leasehold land and buildings are included at valuation with subsequent additions at cost. The freehold land and buildings were revalued at £2,189,000 in November 1989 by Cooper and Tanner Limited, Surveyors and Valuers. The revaluation was based on the open market value of the freehold interest with vacant possession.

The original cost and aggregate depreciation of those assets included above at valuation is set out below:

Group and Company	*Freehold land and buildings*		*Short leaseholds*	
	2001 £'000	*2000 £'000*	*2001 £'000*	*2000 £'000*
Original cost	1,582	1,582	66	66
Depreciation based on cost	(276)	(260)	(60)	(56)
Net book value	1,306	1,322	6	10

15 Creditors: Amounts falling due after more than one year

	Group		Company	
	2001	*2000*	*2001*	*2000*
	£'000	*£'000*	*£'000*	*£'000*
Obligations under hire purchase contracts and finance lease agreements, all payable within five years	36	88	–	–
Bank loans (secured)	1,000	–	1,000	–
	1,036	88	1,000	–

The bank loans and overdrafts are secured by fixed and floating charges over the assets of the Group. The Company and its subsidiary undertakings have given cross-guarantees in respect of the borrowings.

The maturity profile of the Group's financial liabilities at 31 March 2001 was as follows:

	Group		Company	
	2001	*2000*	*2001*	*2000*
	£'000	*£'000*	*£'000*	*£'000*
Bank loans				
In one year or less	–	7,551	176	4,890
In more than two years but not more than five years	1,000	–	1,000	–
	1,000	7,551	1,176	4,890
Finance leases				
In more than one year but not more than two years	36	64	–	–
In more than two years but not more than five years	–	24	–	–
	36	88	–	–
In one year or less	71	238	–	–
	107	326	–	–
Total borrowings including finance leases				
In more than one year but not more than two years	36	64	–	–
In more than one year but not more than five years	1,000	24	1,000	–
	1,036	88	1,000	–
In one year or less	71	7,789	176	4,890
	1,107	7,877	1,176	4,890

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16 Derivatives and other financial instruments

The Group utilises derivative financial instruments to manage risk relating to foreign currency exposures to give greater certainty of future income and costs.

The Group maintains bank accounts in all major currencies and operates its own internal hedging. The advent of the euro has simplified this. Forward currency contracts for periods of approximately 6 to 12 months are used to hedge any exposures which are not covered internally.

Transactions are only undertaken with counterparties which meet pre determined credit risk criteria. The Group does not hedge balance sheet or profit and loss account translation exposures.

The numerical disclosures in this note deal with financial assets and financial liabilities as defined in Financial Reporting Standard 13 "Derivatives and Other Financial Instruments: Disclosures FRS 13". Certain financial assets such as investments in subsidiaries and associated companies are excluded from the scope of these disclosures.

As permitted by FRS 13, short term debtors and creditors have been excluded from the disclosures, other than the currency disclosures.

Interest rate profile

The Group has no financial assets other than cash deposits of £332,000 (2000 – £212,000) which are part of the financing arrangements of the Group.

The interest rate profile of the Group's financial liabilities at 31 March 2001 was as follows:

	Fixed rate		*Floating rate*	
	2001	*2000*	*2001*	*2000*
	£'000	*£'000*	*£'000*	*£'000*
Sterling borrowings	–	–	1,000	–
Sterling non-equity shares	250	250	–	–
Sterling non-equity shares	400	–	–	–

	Weighted average interest rate	*Weighted average period for which rate is fixed Years*
Non-equity shares	1%	–
Non-equity shares	7%	7

The interest rate on floating rate sterling financial liabilities is linked to HSBC Bank base rate.

16 Derivatives and other financial instruments (continued)

Currency exposures

The table below shows the Group's currency exposures; in other words, those transactional exposures that give rise to the net currency gains and losses recognised in the profit and loss account. Such exposures comprise the monetary assets and monetary liabilities of the Group that are not denominated in the operating (or "functional") currency of the operating unit involved, other than certain non-sterling borrowings treated as hedges of net investments in overseas operations. As at 31 March 2001 these exposures were as follows:

	Functional currency of Group operation	
	2001 Sterling £'000	*2000 Sterling £'000*
Net foreign currency monetary assets (liabilities)		
– European currencies	476	424
– Scandinavian currencies	958	740
– US dollar	(61)	(492)
– Japanese yen	132	163
– Swiss franc	(54)	(28)
	1,451	807

Borrowing facilities

The Group's bank borrowing facilities comprise term loans which were partly drawn at 31 March 2001 and a multi-currency overdraft facility which is renewed annually in August.

The Group had undrawn committed facilities at 31 March 2001 in respect of which all conditions precedent had been met as follows:

	2001 £'000	*2000 £'000*
Expiring in one year or less	5,500	–
Expiring in more than two years but not more than five years	1,000	–

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16 Derivatives and other financial instruments (continued)

Fair values

Set out below is a comparison by category of book values and fair values of the Group's financial assets and liabilities at 31 March 2001.

	2001		*2000*	
	Book value £'000	*Fair value £'000*	*Book value £'000*	*Fair value £'000*
Primary financial instruments held or issued to finance the Group's operations				
Financial liabilities due within one year	(71)	(71)	(7,789)	(7,789)
Financial liabilities due after more than one year	(1,036)	(1,036)	(88)	(88)
Non-equity shares	(650)	(650)	(250)	(250)
Cash at bank and in hand	332	332	212	212
Derivative financial instruments held to manage the currency profile				
Forward foreign currency contracts	–	–	–	220

The book value of borrowings approximates to fair value as the debt is floating rate and payments are reset to market rate on a monthly basis.

Forward foreign currency contracts have been marked to market to determine the fair value figure.

Gains and losses on hedges

The Group enters into forward foreign currency contracts to eliminate the currency exposures that arise on sales and purchases denominated in foreign currencies immediately those sales and purchases are transacted. Changes in the fair value of instruments used as hedges are not recognised in the financial statements until the hedged position matures.

At 31 March 2001 there were £nil net losses on forward foreign currency contracts (2000 – unrecognised loss £2,000).

17 Provisions for liabilities and charges

	Group		*Company*	
	2001 £'000	*2000 £'000*	*2001 £'000*	*2000 £'000*
Deferred taxation				
Excess of tax allowances over book depreciation of fixed assets	–	–	82	81
	–	–	82	81

No provision has been made for tax which might be payable in the event of the sale of revalued property as no such event is envisaged in the foreseeable future which would give rise to a material liability.

The deferred tax asset in respect of brought forward tax losses has not been recognised.

17 Provisions for liabilities and charges (continued)

The movement during the year was as follows:

	Group		*Company*	
	2001	*2000*	*2001*	*2000*
	£'000	*£'000*	*£'000*	*£'000*
Beginning of year	–	–	81	81
Charge to profit and loss account	–	–	1	–
End of year	–	–	82	81

18 Called-up share capital

	2001	*2000*
	£'000	*£'000*
Authorised		
37,600,000 (2000 – 27,000,000) ordinary shares of 5p each	1,880	1,350
250,000 1% redeemable A preference shares of £1 each	250	250
8,000,000 7% convertible redeemable B preference shares of 5p each	400	–
	2,530	1,600
Allotted, called-up and fully paid		
36,147,123 (2000 – 20,975,943) ordinary shares of 5p each	1,807	1,049
250,000 1% redeemable A preference shares of £1 each	250	250
8,000,000 7% convertible redeemable B preference shares of 5p each	400	–
	2,457	1,299

During the year 171,180 ordinary shares with a nominal value of £8,559 were allotted under the terms of the Group's share option scheme. 15,000,000 ordinary shares with a nominal value of £750,000 were also allotted during the year for a total consideration of £4,800,000.

Options held by and granted to Directors are set out in note 7.

The Company has granted options in respect of 613,722 ordinary shares of 5p each (2000 – 869,910 ordinary shares of 5p each). The options are exercisable up to 11 November 2009 at prices ranging from 45p to 153p per share.

The 1% redeemable preference shareholders have a right to receive a fixed cumulative dividend of 1% per annum on their nominal value in priority to all other dividends or distributions made by the Company.

The 7% convertible redeemable B preference shares were allotted for a total consideration of £2,800,000.

The 7% convertible redeemable B preference shares have a right to receive a fixed cumulative dividend of 7% per annum on their subscription price in priority to all other dividends or distributions made by the Company save for the 1% redeemable preference dividend.

The B Preference Shares will be convertible into Ordinary Shares on the basis of 1 Ordinary Share for each 1 B Preference Share (equivalent to a conversion price of 35 pence) after the later of the second anniversary of their subscription and the opening of five outlets in the United States, one of which is to be a flagship store in Manhattan, by the Joint Venture. If the Joint Venture does not open the required number of outlets in the United States, the B Preference Shares cannot be converted into Ordinary Shares. If they have not then been converted, the B Preference Shares will be redeemed by the Company at 35 pence per share on the eighth anniversary of their subscription.

A preference shareholders have priority over B preference shareholders on a return of assets by the Company, either through liquidation, capital reduction or otherwise (with the exception of redemption of or purchase by the company of its own shares). Redemption of the A preference shares in cash at par shall be made on termination of the master licence agreement with the preference shareholder.

Preference shareholders have no voting rights.

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19 Reconciliation of movements in shareholders' funds

	Group		*Company*	
	2001 *£'000*	*2000* *£'000*	*2001* *£'000*	*2000* *£'000*
Profit/(loss) for the financial year	301	(680)	52	(212)
Dividends on non-equity shares	(111)	–	(111)	–
Net addition/(reduction) to shareholders' funds	190	(680)	(59)	(212)
Opening shareholders' funds	3,873	4,384	5,931	5,893
Currency translation differences on foreign currency net investments	–	(81)	–	–
Issue of new shares	6,854	250	6,854	250
Closing shareholders' funds	10,917	3,873	12,726	5,931

20 Reserves

a) Group

	Share premium account *£'000*	*Revaluation reserve* *£'000*	*Capital redemption reserve* *£'000*	*Profit and loss account* *£'000*	*Total* *£'000*
Beginning of year	3,245	266	154	(1,091)	2,574
Premium on issue of new shares	6,479	–	–	–	6,479
Costs of issue of new shares	(783)	–	–	–	(783)
Profit for the year	–	–	–	301	301
Dividends on non-equity shares	–	–	–	(111)	(111)
Amortisation of revaluation surplus	–	(31)	–	31	–
End of year	8,941	235	154	(870)	8,460

b) Company

	Share premium account *£'000*	*Revaluation reserve* *£'000*	*Capital redemption reserve* *£'000*	*Profit and loss account* *£'000*	*Total* *£'000*
Beginning of year	3,245	266	154	967	4,632
Premium on issue of new shares	6,479	–	–	–	6,479
Costs of issue of new shares	(783)	–	–	–	(783)
Profit for the year	–	–	–	52	52
Dividends on non-equity shares	–	–	–	(111)	(111)
Amortisation of revaluation surplus	–	(31)	–	31	–
End of year	8,941	235	154	939	10,269

The cumulative amount of goodwill resulting from acquisitions in earlier financial years which has been written off is £165,000 (2000 – £165,000).

The profit and loss account is regarded as distributable.

21 Cash flow information

a) Reconciliation of operating loss to net cash inflow from operating activities

	2001 *£'000*	*2000* *£'000*
Operating profit/(loss)	670	(47)
Depreciation charge	756	845
Loss/(profit) on sale of tangible fixed assets	15	(14)
(Increase)/decrease in stocks	(1,100)	118
(Increase)/decrease in debtors	(295)	1,233
Increase/(decrease) in creditors	698	(261)
Effect of foreign exchange rate changes	40	(132)
Net cash inflow from operating activities	784	1,742

b) Analysis of cash flows for headings netted in the consolidated cash flow statement

	2001 *£'000*	*2000* *£'000*
Returns on investments and servicing of finance		
Interest paid	(377)	(595)
Interest element of hire purchase contracts	(17)	(49)
Net cash outflow for returns on investments and servicing of finance	(394)	(644)
Capital expenditure		
Purchase of tangible fixed assets	(328)	(191)
Proceeds from sale of tangible fixed assets	–	74
Net cash outflow for capital expenditure and financial investment	(328)	(117)
Financing		
Repayment of loans	(3,500)	(500)
New loans	1,000	–
Capital element of hire purchase contracts	(243)	(304)
Issue of preference shares	2,800	250
Issue of ordinary share capital	4,837	–
Expenses paid in connection with issue of shares	(783)	–
Net cash inflow/(outflow) from financing	4,111	(554)

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21 Cash flow information (continued)

c) Analysis of net debt

	At 1 April 1999 £'000	*Cash flow £'000*	*Other non-cash changes £'000*	*At 1 April 2000 £'000*	*Cash flow £'000*	*Other non-cash changes £'000*	*At 31 March 2001 £'000*
Cash at bank	–	212	–	212	120	–	332
Overdraft	(4,247)	196	–	(4,051)	4,051	–	–
	(4,247)	408	–	(3,839)	4,171	–	332
Debt due after 1 year:							
– secured bank loans	(1,750)	1,750	–	–	(1,000)	–	(1,000)
Debt due within 1 year							
– secured bank loans	(2,250)	(1,250)	–	(3,500)	3,500	–	–
Finance leases	(600)	304	(30)	(326)	243	(24)	(107)
		804			2,743		
Total net debt	(8,847)	1,212	(30)	(7,665)	6,914	(24)	(775)

22 Financial commitments

a) Capital commitments

The Group had capital commitments contracted for but not provided for of £2,035,000 (2000 – £nil).

b) Lease commitments

The Group leases certain land and buildings on short and long term leases. The rents payable under these leases are subject to renegotiation at various intervals specified in the leases. The Group pays all insurance, maintenance and repairs of these properties.

Annual commitments under non-cancellable operating leases are as follows:

	2001		*2000*	
	Buildings £'000	*Other £'000*	*Buildings £'000*	*Other £'000*
Group				
Operating leases which expire				
– within 1 year	54	134	48	41
– in 1-5 years	44	181	178	319
– after more than 5 years	1,358	–	923	–
	1,456	315	1,149	360
Company				
Operating leases which expire after 5 years	120	–	120	–

22 Financial commitments (continued)

c) Pension costs

The Group operates non contributory money purchase schemes for Directors and employees and as such no unfunded liability can arise. The contributions by the Group to the schemes amounted to £224,000 (2000 – £218,000).

d) Forward exchange contracts

The Group has in place forward foreign exchange commitments of £nil at 31 March 2001 (2000 – £222,000).

23 Related party transactions

During the year the Group made sales of £264,000 (2000 – £239,000) to Mulberry Oslo AS and £160,000 (2000 – £153,000) to Mulberry Brussels BVBA, both associated undertakings.

The Company leases its headquarters, Kilver Court, from the Mulberry Directors' Executive Pension Scheme. The lease is for a period of 25 years from 30 May 1995. The rent was £85,000 for the first year of the lease, increasing annually to £120,000 in the fifth year of the lease, and subject to review every five years.

During the year the Company entered into transactions with an entity controlled by Roger Saul and Marion Saul, as follows:

Kilver Court Trading Limited (trading as Charlton House Hotel)

	2001	*2000*
	£'000	*£'000*
Sales (excluding VAT)	24	16
Purchases	19	17
Amounts owed by Charlton House Hotel at year end	10	7
Amounts owed to Charlton House Hotel at year end	2	5

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Five year summary

	Year ended 31 March 1997 £'000	*Year ended 31 March* 1998 £'000	*Year ended 31 March* 1999 £'000	*Year ended 31 March* 2000 £'000	*Year ended 31 March* 2001 £'000
Turnover	31,673	30,926	27,393	26,390	25,723
Cost of sales	(15,710)	(16,175)	(14,974)	(12,945)	(11,904)
Gross profit	15,963	14,751	12,419	13,445	13,819
Other operating expenses (net)	(13,504)	(14,956)	(13,291)	(13,492)	(13,149)
Operating profit/(loss)	2,459	(205)	(872)	(47)	670
Finance charges (net)	(781)	(794)	(860)	(635)	(394)
Group share of profit/(loss) of related companies	6	–	(47)	16	27
Profit/(loss) on ordinary activities before taxation	1,684	(999)	(1,779)	(666)	303
Tax on profit/(loss) on ordinary activities	(505)	272	(8)	(14)	(2)
Profit/(loss) on ordinary activities after taxation	1,179	(727)	(1,787)	(680)	301
Earnings/(loss) per share	5.8p	(3.5p)	(8.57p)	(3.24p)	0.65p

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Notice of Annual General Meeting

Notice is given that the Annual General Meeting of Mulberry Group plc will be held at Kilver Court, Shepton Mallet, Somerset on 2 August 2001 at 11 am for the following purposes:

Ordinary Business:

Adoption of accounts

1. To receive and adopt the report of the Directors and the accounts for the year ended 31 March 2001 together with the auditors' report.

Re-election of retiring Directors

2. To re-elect Bernard Lam Kong Heng who retires as a Director by rotation in accordance with the Company's Articles of Association.

Re-appointment of auditors

3. To re-appoint Arthur Andersen as auditors of the Company and to authorise the Directors to fix their remuneration.

Special Business:

To consider and, if thought fit, pass the following Resolutions:

Directors' power to allot securities and waiver of statutory pre-emptions

4. That:
   (a) the Directors be and they are generally and unconditionally authorised pursuant to Section 80 of the Companies Act 1985 ("**the Act**") to allot relevant securities (as defined in that section) up to an aggregate nominal amount of £72,643 to such persons at such times and on such terms as they think proper during the period expiring at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or such earlier date (if any) on which this authority is revoked, save that the Company may prior to the expiry of such period make any offer or agreement which would or might require relevant securities to be allotted after the expiry of this period and the Directors may allot relevant securities in pursuance of any such offer or agreement notwithstanding the expiry of the authority given by this paragraph, so that all previous authorities of the Directors pursuant to Section 80 of the Act be and they are revoked; and
   (b) the Directors be and they are empowered pursuant to Section 95(1) of the Act to allot equity securities (as defined in Section 94(2) of the Act) of the Company for cash pursuant to the authority of the Directors under Section 80 of the Act conferred by the preceding paragraph of this resolution as if Section 89(1) of the Act did not apply to such allotment and at any time prior to the expiry of the power conferred by this resolution to make any offer or agreement which would or might require equity securities to be allotted after the expiry of such power notwithstanding the expiry of such power, provided that such power shall, subject as aforesaid, cease to have effect at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or such earlier date (if any) on which the said authority is revoked, and provided that the power conferred by this resolution shall be limited to the allotment of Ordinary Shares up to a maximum nominal amount of £72,643, representing less than 5% of the issued share capital of the Company.

BY ORDER OF THE BOARD

G P Davis
Secretary

Registered office:
Kilver Court
Shepton Mallet
Somerset
BA4 5NF

Mulberry
ENGLAND

Notice of Annual General Meeting (continued)

Date: 12 June 2001

Notes:

1. All members who hold ordinary shares are entitled to attend and vote at the meeting. Members who are entitled to attend and vote may appoint one or more proxies to attend and, on a poll, vote instead of him, and a proxy need not also be a member. A Form of Proxy is enclosed. If you do not intend being present at the meeting please sign and return it so as to reach the Company's registrar at least 48 hours before the meeting. The return by a member of a duly completed Form of Proxy will not preclude any such member from attending in person and voting at the meeting.
2. The register of Directors' interests in the shares of the Company and copies of the Directors' service contracts, other than those expiring or determinable without payment of compensation within one year, are available for inspection at the registered office of the Company during the usual business hours on any weekday (Saturday and public holidays excluded) from the date of this notice until the Annual General Meeting and will be available for inspection at the place of the Annual General Meeting for at least 15 minutes prior to and during the meeting.

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Mulberry
ENGLAND

Form of Proxy

I/We ....

(Block Capitals Please)

of (Address) ....

....

Being a member/members of Mulberry Group plc, hereby appoint the Chairman of the meeting

or ....

as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held at Kilver Court, Shepton Mallet, Somerset on 2 August 2001 at 11.00 am and at any adjournment thereof.

Signature ....

Date ....

ORDINARY RESOLUTIONS

	FOR	*AGAINST*
Resolution 1		
Resolution 2		
Resolution 3		

SPECIAL RESOLUTIONS

	FOR	*AGAINST*
Resolution 4		

Notes

1. Please indicate with a tick in the space above how you wish your vote to be cast. If you sign and return the form without any specific directions the proxy will abstain or vote at his discretion.
2. To be effective the proxy must be received, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified or office copy of such power or authority at Computershare Investor Services PLC, PO Box 82, The Pavilions, Bridgwater Road, Bristol BS99 7NH not later than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid.
3. In the case of Joint Holders, the vote of the senior who tenders a vote in person or by proxy shall be accepted, seniority being determined by the order in which the names stand in the Register of Members.
4. A shareholder may appoint any other person of his choice who need not be a member of the Company, to be his proxy, such person's name where applicable should be inserted here.
5. Any amendments to this form of proxy should be initialled.
6. Completion of this form of proxy does not prevent you from attending the meeting and voting in person.

Second Fold

BUSINESS REPLY SERVICE
Licence No SWB1002

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COMPUTERSHARE INVESTOR SERVICES PLC
PO Box 1075
Bristol BS99 3ZZ

First Fold

Third Fold (tuck in)