

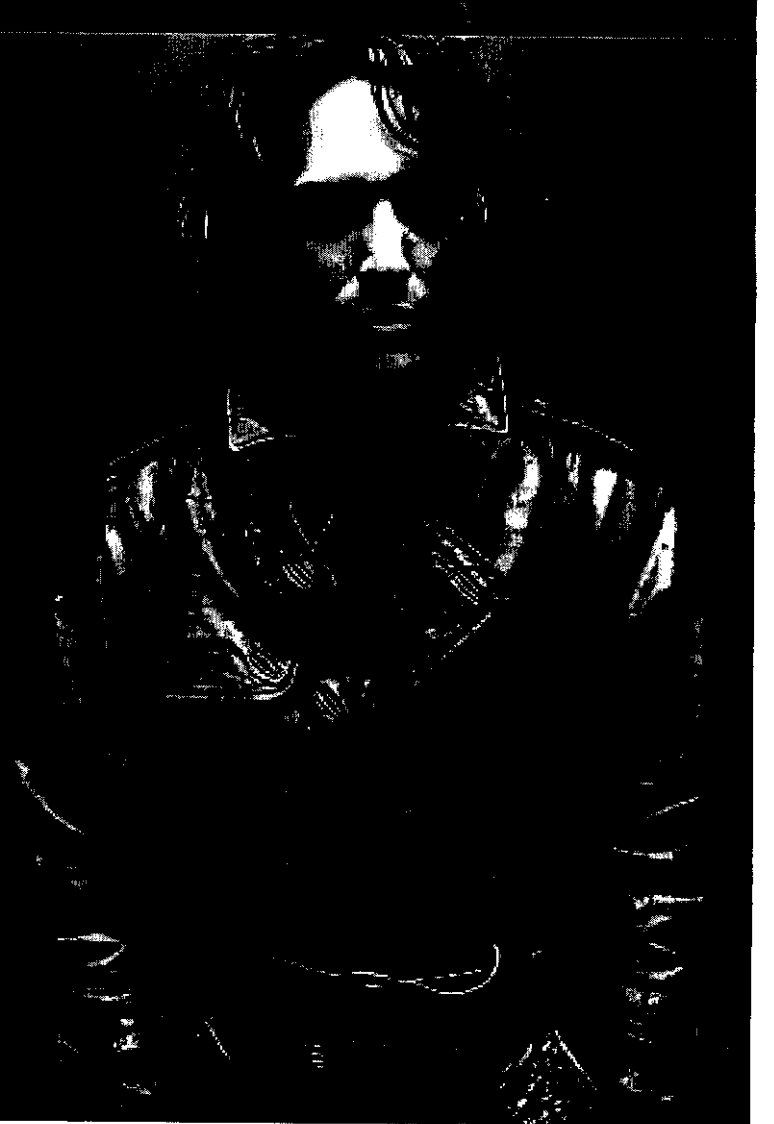
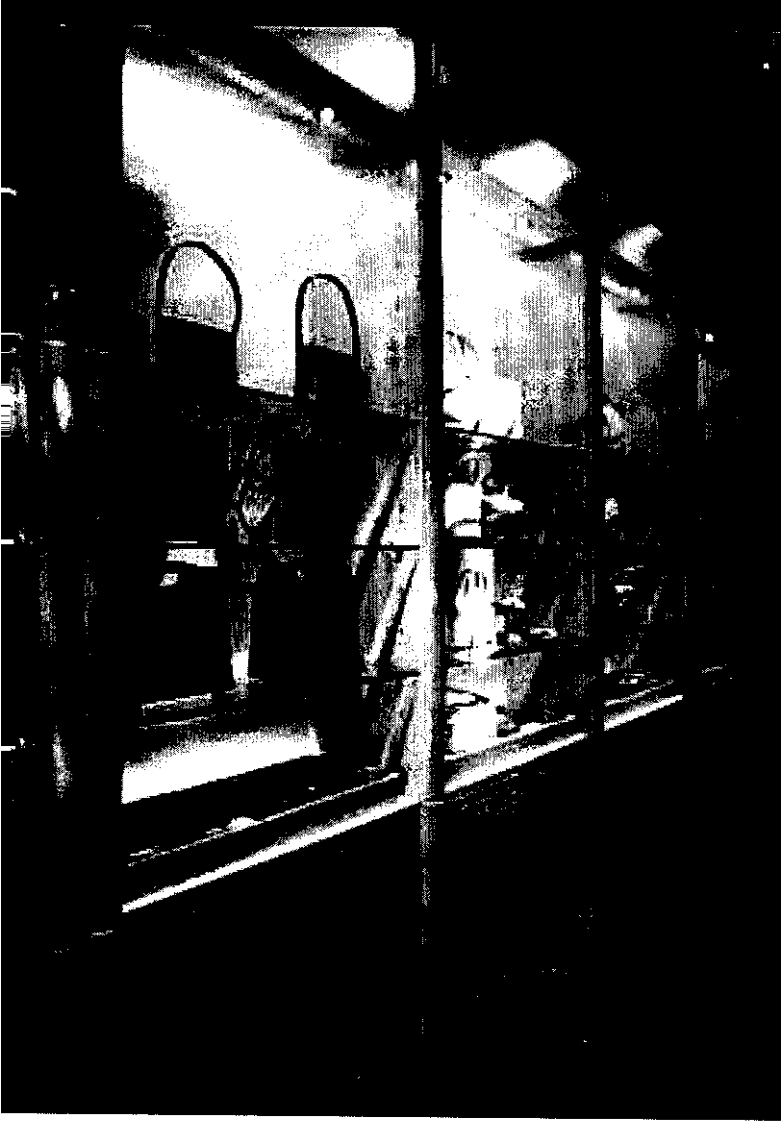
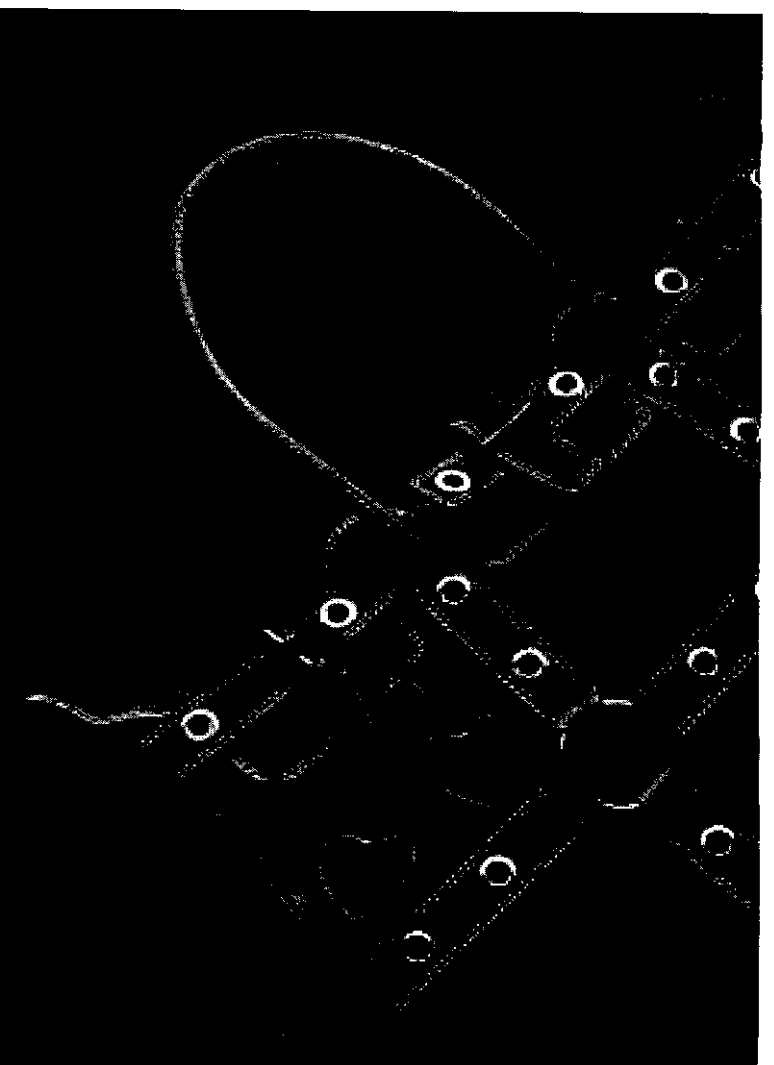
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MULBERRY

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2002



FINANCIAL HIGHLIGHTS

	2002	2001
Turnover	£27.8m	£25.7m
Operating (loss)/profit	£(0.8m)	£0.7m
(Loss)/profit before tax	£(1.7m)	£0.3m
(Loss)/earnings per share	(5.40p)	0.65p

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CHAIRMAN AND CHIEF EXECUTIVE'S REVIEW

Notwithstanding what has been a difficult and traumatic year, the underlying trading performance of the Group has continued to make progress.

Sales for the year increased by 8% to £27.8 million (2001: £25.7 million) despite the closure for refurbishment of our flagship store in Bond Street for 18 weeks and the major effects on trade of the events of 11 September. The increase in sales has been achieved primarily through strong growth in wholesale sales of accessories and menswear and increased factory shop sales.

Gross profit for the year increased by £0.1 million with the gross margin reducing from 53.7% to 50.1%. Overall, margins on accessories have been maintained but our ready to wear margins have been disappointing.

In my interim review last December, I indicated that the results for the full year would include the trading losses and one-off costs of the closure of the stores in Tokyo and Brussels, the final costs of the brand review and the write-off and loss of revenue associated with the Bond Street refurbishment. The consolidated profit and loss account includes the Tokyo and Brussels losses of £1 million as discontinued operations whilst the brand review and Bond Street write-off totalling £0.4 million are included in continuing operations. The Bond Street shop made sales of £0.9 million in the same 18 week period in the prior year.

Including these one-off costs, the Group made a loss before tax for the year of £1.7 million (2001: profit £0.3 million).

Stock levels increased due to the decline in sales in our London stores post 11 September and the extended closure of our Bond Street store. We have implemented tighter buying plans for our own retail shops for Autumn and stocks have reduced since the year end.

THE MULBERRY BRAND

We have repositioned the Mulberry brand with considerable success in what has been a very testing year. Our marketing and public relations activities have achieved exceptional coverage in the media.

We have opened two major stores showing the new brand image presentation in Bond Street and Brompton Road, London in October 2001 and February 2002 respectively and we have commenced the roll-out of this programme into Europe with the first new store in Copenhagen opening in April 2002.

This Autumn we have agreed the opening of three new franchised stores in Russia, a new franchise store in The Hague in Holland and continuing the refurbishment programme throughout our franchise network in Scandinavia.

It has been very encouraging to see growing demand for our new collections with key wholesale accounts throughout the UK and Europe, particularly for our menswear and accessory collections.

MANAGEMENT

Over the last year we have restructured and appointed new management in both the ready to wear and merchandising functions with the aim of improving control of not only margin, but also product delivery and range size.

I am pleased to announce the appointment of Nicholas Knightly who joined Mulberry on 1 July as Womenswear Designer and will take over from me the role of Design Director. This completes the reorganisation of the Design team.

CHAIRMAN AND CHIEF EXECUTIVE'S REVIEW

(continued)

HOME COLLECTION

Our licence relationship with Kravet Lee Jofa who produce and sell our Home furnishing collection continues to thrive and sales have increased strongly during the year, particularly in the USA. We have just completed two new licence agreements; the Mulberry bathroom collection with Eurobath Limited and the Mulberry bath towel collection with Christy UK Limited. It is anticipated that the first products will be launched in 2003.

We have closed our home shop in the Kings Road, Chelsea because our partners Kravet Lee Jofa will open a new showroom in the Kings Road in August.

OUTLOOK

We have begun the roll-out of the 'New' Mulberry look throughout Europe and are confident that this will bring positive results in the medium term. In the USA our partners have decided to hold back on commencing the agreed store programme roll-out until the economic outlook is clearer.

In the UK we are finding that while conditions remain difficult, both retail and wholesale sales around the country are strong whilst London continues to be hit by the lack of tourists, which is particularly evident in the department stores. UK like for like retail sales for the first 14 weeks of this year are up by 1%, but margins have been affected as we have cleared excess stock.

CHARITY

As a matter of policy we have actively involved the company recently in a campaign to focus public awareness on the grave situation with HIV/AIDS which has reached epic proportions in Africa and a number of other countries. The symbol for the campaign is the Mulberry Bottletop bag, which is made from used bottle tops in Africa and converted into a "must have" bag by us at Mulberry.

The press have responded enthusiastically and we believe it is a unique way of raising funding for the essential task of education to halt the spread of the disease in a way that is also beneficial both to the way we are perceived and our business relationships.

DIVIDENDS

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

STAFF

I would like to say a particularly heartfelt thank you to all our staff who have had to cope with exceptional circumstances this year whilst at the same time driving the brand forward with optimism and commitment.

Roger Saul

Chairman and Chief Executive

24 July 2002

DIRECTORS, SECRETARY AND ADVISERS

Directors:	Roger John Saul (Chairman and Chief Executive) Godfrey Pawle Davis FCA (Deputy Chairman) John Stuart Rogers ACFI (Sourcing Director and Chairman of the Audit Committee) Guy Gibson Rutherford FCCA (Group Finance Director) Robert (Robin) Edward Graeme Gibson (Non-Executive Director and Chairman of the Remuneration Committee) Edward Vandyk (Non-Executive Director) Andrew Christopher Roberts (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 2 Temple Back East Temple Quay Bristol BS1 6EG
Principal Bankers:	HSBC Bank plc PO Box 120 49 Corn Street Bristol BS99 7PP
Registrars:	Computershare Investor Services PLC PO Box 82 The Pavilions Bridgwater Road Bristol BS99 7NH

FINANCIAL REVIEW

PROFIT AND LOSS ACCOUNT

Continuing operations

The turnover of continuing operations increased by 8% to £26.9m despite the impact of the tragic events of 11 September and the eighteen week closure of our flagship store in Bond Street for refurbishment. When the sales for Bond Street for this period are excluded from the prior year the underlying growth is 12%. This improvement reflected strong growth in the wholesale order books, the opening of a new concession in Selfridges and an outlet in Bicester village.

Gross profit decreased from 53.9% to 50.3%. This resulted principally from a lower proportion of full price retail sales due to the Bond Street closure, the downturn in central London retailing after the events in New York, reduced margins for RTW and increased sales in off-price outlets including the new store in Bicester which are at lower margins.

Overheads rose by 13% reflecting the targeted investment in design, and sales and marketing costs for both RTW and Accessories combined with the running costs of two new shops. In addition the costs for the completion of the brand review, which commenced in the prior year, and the launch of the Bond Street store are included.

The loss on disposal of fixed assets of £0.26m principally relates to the write-off of assets disposed of as part of the refurbishment of the Bond Street flagship store.

Discontinued operations

The discontinued operations highlighted on the face of the profit and loss account are the store in Tokyo, Japan, which closed on 20 June 2002, and the shop in Brussels, operated through the joint venture of Mulberry Brussels BVBA, which closed on 9 February 2002. The trading performance of these operations in the year and relevant closure costs are included. The loss on sale of fixed assets within this heading is the impairment losses on the remaining fixed assets balance of the Tokyo store.

TAXATION

As the Group has substantial tax losses brought forward, there is only a small overseas tax charge in the year relating to the discontinued Japanese operation.

ACCOUNTING POLICIES AND BALANCE SHEET VALUE

The Group's balance sheet reflects increased stocks and reduced creditors.

Capital expenditure for the year totalled £3.4m (2001: £0.35m) and the depreciation charge for the year was £0.82m (2001:£0.75m). The refit of Bond Street accounted for £2.8m of the expenditure.

The balance sheet is underpinned by the substantial value of the brand name, copyrights and trademarks which are not valued and it is Group 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 debtors are insured.

There have been no changes of accounting policy during the year, other than the policy on deferred taxation to implement Financial Reporting Standard 19. No prior year adjustment was required as a result of this change.

CASHFLOW

The Group's net borrowings increased by £6m as a result of the capital expenditure and absorption of cash as working capital due to increased activity in the year combined with the operating loss.

TREASURY AND FOREIGN EXCHANGE

The Group has continued its policy of balancing its currency exchange exposures which arise through normal trading and has relocated production to sources outside the UK where appropriate.

EURO

From the Spring / Summer 2002 season our European recommended retail and wholesale prices have been set in euros. The Group's previous pricing strategy of equalising European recommended retail prices meant that there was no significant impact from the withdrawal of the euro legacy currencies early in 2002.

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

Guy Rutherford

Group Finance Director

24 July 2002

CORPORATE GOVERNANCE

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

The Company is listed on the Alternative Investment Market and accordingly is not covered by the Combined Code. However, 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.

Roger Saul is employed under a contract of employment which can be terminated on not more than 30 months notice.

The other 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 during the year were Godfrey Davis, the Deputy Chairman, Bernard Heng and Tom Vaughan. Bernard Heng and Tom Vaughan resigned on 6 June 2002 and new members of the Remuneration Committee will be appointed in due course. The Committee is responsible for determining the remuneration and terms and conditions of employment of Executive 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 financial statements 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 financial statements. They review and test the system of internal financial control and the data contained in the financial statements to the extent necessary to express their audit opinion.

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 working capital requirements for the next twelve months and borrowing facilities expected to be available, the Board considers that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the financial statements set out on pages 16 to 41 have been prepared on the going concern basis.

REPORT OF THE BOARD ON THE REMUNERATION OF THE DIRECTORS

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)

Bernard Heng and Tom Vaughan resigned as Non-Executive Directors on 6 June 2002. Alternative members of the Remuneration Committee will be appointed in due course.

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 Group 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 8.

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 or cash alternative, 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 £6,500 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.

DIRECTORS' REPORT

For the year ended 31 March 2002

The Directors present their report on the affairs of the Group, together with the financial statements and independent auditors' report, for the year ended 31 March 2002.

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 are unable to recommend the payment of any dividends.

DIRECTORS AND THEIR INTERESTS

The Directors who served during the year are shown below.

Roger Saul, 51, is Chairman and Chief Executive. In 1971, he founded Mulberry and over more than 30 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, 53, 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, 57, is the Sourcing Director and Chairman of the Audit Committee. 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, 37, 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, 60, 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, 54, 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, 56, 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.

On 6 June 2002 Bernard Lam Kong Heng and Tom Vaughan resigned and Edward Vandyk and Andrew Christopher Roberts were appointed Non-Executive Directors.

Directors' interests in the shares of the Company

	5p ordinary shares 2002	5p ordinary shares 2001
Roger Saul – beneficial	8,315,776	8,165,776
– non-beneficial	2,197,314	2,347,314
Godfrey Davis	1,621,324	1,621,324
Robin Gibson	13,245	13,245
John Rogers	92,180	92,180

The other Directors had no interests in the shares of the Company.

Details of Directors' share options are disclosed in note 8 to the financial statements.

SUBSTANTIAL SHAREHOLDINGS

At 31 March 2002 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:

<i>Ordinary Shares</i>		
Zoar Invest	1,210,679 shares	3.35%
Challice Limited	15,000,000 shares	41.50%
<i>7% B convertible Preference Shares</i>		
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 65 days (2001 – 57 days).

EQUAL OPPORTUNITIES

The Group is committed to an active equal opportunities policy. It is our policy to promote an environment free from discrimination, harassment and victimisation, where everyone will receive equal treatment regardless of gender, colour, ethnic or national origin, disability, age, marital status, sexual orientation or religion. We apply employment practices which are fair, equitable and consistent with the skills and abilities of our employees and the needs of the business.

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.

DIRECTORS' REPORT

(continued)

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 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 £1,102 (2001 – £685) during the year. The Group made no political donations during the year.

RESPONSIBILITIES OF THE DIRECTORS

Company law requires the Directors to prepare financial statements 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 financial statements, 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 financial statements; and
- prepare the financial statements 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 financial statements 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

Arthur Andersen will not be seeking reappointment for the forthcoming year. A resolution to appoint a successor will be put before the Annual General Meeting.

Kilver Court
Shepton Mallet
Somerset
BA4 5NF

By order of the Board



G P Davis
Secretary

24 July 2002

INDEPENDENT AUDITORS' REPORT

To the shareholders of Mulberry Group plc

We have audited the financial statements of Mulberry Group plc for the year ended 31 March 2002 which comprise the Profit and loss account, Balance sheets, Cash flow statement, Statement of total recognised gains and losses, Note of historical cost profits and losses, and the related notes numbered 1 to 24. These financial statements have been prepared under the accounting policies set out therein.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the statement of directors' responsibilities in the Directors' report. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company and other members of the Group is not disclosed.

We read the other information contained in the annual report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman and Chief Executive's review, Financial review, Corporate governance statements, Report of the Board on the remuneration of the Directors, Directors' report and Five-year summary. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

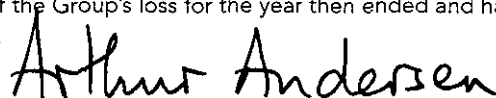
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the Company and of the Group, 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 financial statements 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 financial statements.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group at 31 March 2002 and of the Group's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen
Chartered Accountants and Registered Auditors



1 The Square
Temple Quay
Bristol
BS1 6DG

24 July 2002

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 March 2002

	Note	2002 Continuing operations £'000	2002 Discontinued operations £'000	2002 Total £'000	2001 Total £'000
Turnover	2	26,916	901	27,817	25,723
Cost of sales		(13,387)	(486)	(13,873)	(11,904)
Gross profit		13,529	415	13,944	13,819
Other operating expenses (net)	3	(13,712)	(1,045)	(14,757)	(13,149)
Operating (loss)/profit		(183)	(630)	(813)	670
Loss on disposal of fixed assets	4	(262)	(331)	(593)	-
Group share of profit of associated undertakings	12	1	-	1	27
Finance charges	5	(343)	-	(343)	(394)
(Loss)/profit on ordinary activities before taxation	6	(787)	(961)	(1,748)	303
Tax on (loss)/profit on ordinary activities	9	-	(6)	(6)	(2)
(Loss)/profit on ordinary activities after taxation, being (loss)/profit for the financial year	20	(787)	(967)	(1,754)	301
7% preference dividend on non-equity shares				(196)	(107)
1% preference dividend on non-equity shares				(3)	(4)
(Loss)/profit for the year transferred (from)/to reserves	21			(1,953)	190
(Loss)/earnings per ordinary share					
- basic	10			(5.40p)	0.65p
- diluted	10			(5.40p)	0.65p

A statement of movements on reserves is given in note 21.

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

CONSOLIDATED BALANCE SHEET

31 March 2002

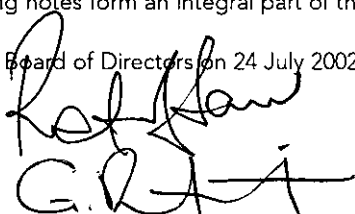
	Note	2002 £'000	2001 £'000
Fixed assets			
Tangible assets	11	6,952	5,013
Investments	12	75	78
		<u>7,027</u>	<u>5,091</u>
Current assets			
Stocks	13	9,096	7,378
Debtors	14	3,938	3,923
Cash at bank		151	332
		<u>13,185</u>	<u>11,633</u>
Creditors: Amounts falling due within one year	15	<u>(8,623)</u>	<u>(4,771)</u>
Net current assets		<u>4,562</u>	<u>6,862</u>
Total assets less current liabilities		<u>11,589</u>	<u>11,953</u>
Creditors: Amounts falling due after more than one year	16	<u>(2,654)</u>	<u>(1,036)</u>
Net assets		<u>8,935</u>	<u>10,917</u>
Capital and reserves			
Called-up share capital	19	2,457	2,457
Share premium account	21	8,941	8,941
Revaluation reserve	21	204	235
Capital redemption reserve	21	154	154
Preference dividend reserve	21	51	-
Profit and loss account	21	(2,872)	(870)
Shareholders' funds	20	<u>8,935</u>	<u>10,917</u>
Shareholders' funds may be analysed as:			
Equity interests		6,125	8,158
Non-equity interests		2,810	2,759
		<u>8,935</u>	<u>10,917</u>

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

Approved by the Board of Directors on 24 July 2002.

R J Saul

G G Rutherford



COMPANY BALANCE SHEET

31 March 2002

	Note	2002 £'000	2001 £'000
Fixed assets			
Tangible assets	11	2,160	2,193
Investments	12	9,587	1,498
		<u>11,747</u>	<u>3,691</u>
Current assets			
Debtors	14	58	10,567
Creditors: Amounts falling due within one year	15	(798)	(450)
Net current (liabilities)/assets		<u>(740)</u>	<u>10,117</u>
Total assets less current liabilities		11,007	13,808
Creditors: Amounts falling due after more than one year	16	(2,000)	(1,000)
Provisions for liabilities and charges	18	(70)	(82)
Net assets		<u>8,937</u>	<u>12,726</u>
Capital and reserves			
Called-up share capital	19	2,457	2,457
Share premium account	21	8,941	8,941
Revaluation reserve	21	204	235
Capital redemption reserve	21	154	154
Preference dividend reserve	21	51	-
Profit and loss account	21	(2,870)	939
Shareholders' funds	20	<u>8,937</u>	<u>12,726</u>
Shareholders' funds may be analysed as:			
Equity interests		6,127	9,967
Non-equity interests		2,810	2,759
		<u>8,937</u>	<u>12,726</u>

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

Approved by the Board of Directors on 24 July 2002.

R J Saul

G G Rutherford



CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2002

	Note	2002 £'000	2001 £'000
Net cash (outflow)/inflow from operating activities	22a	(2,248)	784
Returns on investments and servicing of finance	22b	(579)	(394)
Taxation		(6)	(2)
Capital expenditure	22b	(2,146)	(328)
		<hr/>	<hr/>
Cash (outflow)/inflow before financing		(4,979)	60
Financing	22b	829	4,111
		<hr/>	<hr/>
(Decrease)/increase in cash in the year	22c	(4,150)	4,171
		<hr/> <hr/>	<hr/> <hr/>

Reconciliation of net cash flow to movement in net debt

		2002 £'000	2001 £'000
(Decrease)/increase in cash in the year		(4,150)	4,171
Cash (inflow)/outflow from (increase)/decrease in debt and lease financing	22c	(829)	2,743
		<hr/>	<hr/>
Inception of finance leases	22c	(977)	(24)
		<hr/>	<hr/>
Movement in net debt		(5,976)	6,890
Net debt, beginning of year	22c	(775)	(7,665)
		<hr/>	<hr/>
Net debt, end of year	22c	(6,751)	(775)
		<hr/> <hr/>	<hr/> <hr/>

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

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 March 2002

	2002 £'000	2001 £'000
(Loss)/profit for the financial year	(1,754)	301
Currency translation differences on foreign currency net investments	(80)	-
Total recognised gains and losses in the year	(1,834)	301

CONSOLIDATED NOTE OF HISTORICAL COST PROFITS AND LOSSES

For the year ended 31 March 2002

	2002 £'000	2001 £'000
Reported (loss)/profit on ordinary activities before taxation	(1,748)	303
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	31	31
Historical cost (loss)/profit on ordinary activities before taxation	(1,717)	334
Historical cost (loss)/profit for the year after taxation and preference dividends	(1,922)	221

The accompanying notes form an integral part of this consolidated statement of total recognised gains and losses, and this consolidated note of historical cost profits and losses.

NOTES TO FINANCIAL STATEMENTS

31 March 2002

1 Accounting policies

The principal accounting policies are set out below. They have all been applied consistently throughout the year and the preceding year with the exception of the policy for deferred taxation, which has been changed to comply with FRS 19. No prior year adjustment was required as a result of this change.

a) Basis of accounting

The financial statements 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 financial statements consolidate the financial statements 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 21.

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.

NOTES TO FINANCIAL STATEMENTS

(continued)

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 tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Deferred tax is recognised in respect of the retained earnings of overseas subsidiaries and associates only to the extent that, at the balance sheet date, dividends have been accrued as receivable or a binding agreement to distribute past earnings in future has been entered into by the subsidiary or associate.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

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 financial statements.

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.

1 Accounting policies (continued)

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.

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 finance leases, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

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.

Group turnover for the year ended 31 March 2001 comprised £24,936,000 relating to continuing operations and £787,000 relating to discontinued operations.

NOTES TO FINANCIAL STATEMENTS

(continued)

3 Cost of sales, gross profit & other operating expenses (net)

	2002		2002	2001		2001
	Continuing	Discontinued	Total	Continuing	Discontinued	Total
	Operations	Operations		Operations	Operations	
	£'000	£'000	£'000	£'000	£'000	£'000
Cost of sales	(13,387)	(486)	(13,873)	(11,505)	(399)	(11,904)
Gross profit	13,529	415	13,944	13,431	388	13,819
Distribution costs	(675)	–	(675)	(608)	–	(608)
Selling & marketing costs	(8,967)	(1,045)	(10,012)	(8,391)	(976)	(9,367)
Administrative expenses	(4,662)	–	(4,662)	(3,585)	–	(3,585)
	(14,304)	(1,045)	(15,349)	(12,584)	(976)	(13,560)
Other operating income	592	–	592	411	–	411
Other operating expenses (net)	(13,712)	(1,045)	(14,757)	(12,173)	(976)	(13,149)
Operating (loss)/profit	(183)	(630)	(813)	1,258	(588)	670

On 20 June 2002 the Group terminated its operations in Japan. The results of this operation up to the year-end and the comparatives for the year ended 31 March 2001 are shown under discontinued operations.

On 9 February 2002 the Group terminated its operations in Brussels. The results of this operation up to the date of its termination and the comparatives for the year ended 31 March 2001 are also shown under discontinued operations.

4 Loss on disposal of fixed assets

The loss on disposal of fixed assets of £262,000 in continuing operations principally relates to the write-off of assets disposed of as part of the refurbishment of the Bond Street flagship store. The provision in discontinued operations relates to the closure of the shop in Japan on 20 June 2002.

The effect of these exceptional items reported after operating profit on the amounts charged to the profit and loss account for taxation was £nil.

5 Finance charges

	2002	2001
	£'000	£'000
On bank loans and overdrafts	303	377
On finance leases and hire purchase contracts	40	17
	343	394

6 (Loss)/profit on ordinary activities before taxation

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

	2002 £'000	2001 £'000
Depreciation of tangible fixed assets		
– owned	521	485
– held under finance leases and hire purchase contracts	297	271
Operating lease rentals:		
– land and buildings	1,329	1,266
– plant and machinery	219	218
– other	98	98
Auditors' remuneration		
– audit fees	36	36
	<u> </u>	<u> </u>

7 Staff costs

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

	2002 £'000	2001 £'000
Employee costs during the year amounted to:		
Wages and salaries	5,746	5,714
Social security costs	647	555
Other pension costs (note 23)	237	224
	<u> </u>	<u> </u>
	<u>6,630</u>	<u>6,493</u>

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

	2002 Number	2001 Number
Production	181	177
Sales and distribution	155	126
Administration	35	39
	<u> </u>	<u> </u>
	<u>371</u>	<u>342</u>

NOTES TO FINANCIAL STATEMENTS

(continued)

8 Directors' remuneration and transactions

Directors' remuneration

	2002 £'000	2001 £'000
Emoluments	728	619
Money purchase pension contributions	113	96
Gain on exercise of options	–	45
	<u>841</u>	<u>760</u>

Name of Director	Fees/Basic salary and bonus £'000	Taxable benefits £'000	Money purchase pension contributions £'000	2002 Total £'000	2001 Total £'000
<i>Executive</i>					
Roger Saul	279	21	35	335	259
Godfrey Davis	167	10	39	216	167
John Rogers	86	18	27	131	120
Guy Rutherford	92	10	12	114	98
Marion Saul – resigned 11 September 2000	–	–	–	–	38
<i>Non-Executive</i>					
Robin Gibson	15	–	–	15	14
Bernard Heng	15	–	–	15	8
Tom Vaughan	15	–	–	15	8
Judy Harrison Bode – resigned 11 September 2000	–	–	–	–	3
Total	<u>669</u>	<u>59</u>	<u>113</u>	<u>841</u>	<u>715</u>

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 £6,500 was paid to Guy Rutherford during the year. No other bonuses were paid to Directors in the year.

Four (2001 – four) directors are members of money purchase pension schemes.

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 2001	Exercised during period	31 March 2002	Exercise price £
John Rogers	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 21 May 1999 and 21 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 2002 was 46.5p and the range during the year was 30.75p to 46.5p.

9 Tax on (loss)/profit on ordinary activities

	2002 £'000	2001 £'000
Foreign tax	6	2
	<u>6</u>	<u>2</u>

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the (loss)/profit before tax is as follows:

	2002 £'000	2001 £'000
(Loss)/profit on ordinary activities before tax	(1,748)	303
	<u>(1,748)</u>	<u>303</u>
Tax on Group (loss)/profit on ordinary activities at standard UK corporation tax rate of 30% (2001 – 30%)	(524)	91
Effects of:		
Expenses not deductible for tax purposes	43	17
Depreciation in excess of capital allowances	112	54
Utilisation of tax losses	(211)	(162)
Losses carried forward to offset against future profits	580	–
Higher tax rates on overseas earnings	6	3
Adjustments to tax charge in respect of previous periods	–	(1)
	<u>6</u>	<u>2</u>

The tax charge in future periods may be affected by the following:

The Group has tax losses carried forward for utilisation in future years of approximately £2,750,000 (2001 – £1,500,000). Deferred tax assets totalling £825,000 (2001 – £338,000) have not been recognised as the availability of suitable taxable profits in future is not sufficiently certain.

The amount of deferred tax that has not been provided on revalued fixed assets and fixed assets subject to rollover relief is £71,000 (2001 – £80,000). At present, it is not envisaged that any tax will become payable in the foreseeable future.

10 (Loss)/earnings per ordinary share

Basic and diluted earnings per ordinary share has been calculated by dividing the (loss)/profit on ordinary activities after taxation and dividends on non-equity shares for each financial year by 36,147,123 (2001 – 29,380,490) ordinary shares, being the weighted average number of ordinary shares in issue during the year.

NOTES TO FINANCIAL STATEMENTS

(continued)

11 Tangible fixed assets

a) Group

	<i>Freehold land and buildings £'000</i>	<i>Short leaseholds £'000</i>	<i>Plant and equipment £'000</i>	<i>Fixtures, fittings and equipment £'000</i>	<i>Motor vehicles £'000</i>	<i>Total £'000</i>
Cost or valuation						
Beginning of year	2,520	1,798	1,996	4,654	205	11,173
Exchange adjustments	-	(2)	-	(32)	-	(34)
Additions	-	1,875	98	1,332	111	3,416
Disposals	-	(266)	(3)	(520)	(111)	(900)
End of year	<u>2,520</u>	<u>3,405</u>	<u>2,091</u>	<u>5,434</u>	<u>205</u>	<u>13,655</u>
Depreciation						
Beginning of year	721	247	1,728	3,271	193	6,160
Exchange adjustments	-	-	-	(3)	-	(3)
Charge	70	120	146	461	21	818
Impairment losses	-	-	-	331	-	331
Disposals	-	(53)	(2)	(437)	(111)	(603)
End of year	<u>791</u>	<u>314</u>	<u>1,872</u>	<u>3,623</u>	<u>103</u>	<u>6,703</u>
Net book value						
Beginning of year	<u>1,799</u>	<u>1,551</u>	<u>268</u>	<u>1,383</u>	<u>12</u>	<u>5,013</u>
End of year	<u>1,729</u>	<u>3,091</u>	<u>219</u>	<u>1,811</u>	<u>102</u>	<u>6,952</u>

Included in short leaseholds, plant and equipment, motor vehicles and fixtures and fittings at 31 March 2002 are items acquired under hire purchase contracts and finance lease agreements with a net book value of £1,234,000 (2001 – £502,000).

Freehold land of £1,006,000 (2001 – £1,006,000) has not been depreciated.

11 Tangible fixed assets (continued)

b) Company

	<i>Freehold land and buildings</i> £'000	<i>Short leaseholds</i> £'000	<i>Fixtures, fittings and equipment</i> £'000	<i>Total</i> £'000
Cost or valuation				
Beginning of year	2,520	86	501	3,107
Additions	–	67	–	67
End of year	<u>2,520</u>	<u>153</u>	<u>501</u>	<u>3,174</u>
Depreciation				
Beginning of year	721	65	128	914
Charge	70	5	25	100
End of year	<u>791</u>	<u>70</u>	<u>153</u>	<u>1,014</u>
Net book value				
Beginning of year	<u>1,799</u>	<u>21</u>	<u>373</u>	<u>2,193</u>
End of year	<u><u>1,729</u></u>	<u><u>83</u></u>	<u><u>348</u></u>	<u><u>2,160</u></u>

Freehold land of £1,006,000 (2001 – £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

	<i>Freehold land and buildings</i>		<i>Short leaseholds</i>	
	2002	2001	2002	2001
	£'000	£'000	£'000	£'000
Original cost	1,582	1,582	66	66
Depreciation based on cost	(292)	(276)	(64)	(60)
Net book value	<u>1,290</u>	<u>1,306</u>	<u>2</u>	<u>6</u>

NOTES TO FINANCIAL STATEMENTS

(continued)

12 Fixed asset investments

a) Group

Group investments in associated undertakings comprise:

- 50% of the ordinary share capital of Mulberry Oslo AS, a Company incorporated in Norway. The principal activity of the Company is the operation of retail shops in Norway. The Company's year end is 31 December which is not coterminous with that of the Group.
- 50% of the ordinary share capital of Mulberry Brussels BVBA, a Company incorporated in Belgium. The principal activity of the Company is the operation of retail shops in Belgium. The Company's year end is 31 December which is not coterminous with that of the Group.

The movement in the year was as follows:

	2002 £'000	2001 £'000
Beginning of year	78	58
Share of profit for the year	1	27
Exchange adjustment	(4)	(7)
End of year	<u>75</u>	<u>78</u>

b) Company

The Company's principal investments comprise shareholdings in the following entities:

Name	Shareholding	Principal activity	Country of registration
Subsidiary undertakings			
Mulberry Company (Design) Limited	100% ordinary shares	Design and manufacture of clothing and fashion accessories in the UK	England and Wales
Mulberry Company (Europe) Limited	99% ordinary shares	Establishment and operation of retail shops in Europe	England and Wales
Mulberry Company (France) SARL	100% ordinary shares	Establishment and operation of retail shops in France	France
Mulberry Company (Sales) Limited	99% ordinary shares*	Establishment and operation of retail shops in the UK	England and Wales
Kilver Street Inc	100% ordinary shares	Holding Company	USA
*owned through Mulberry Company (Europe) Limited.			
Joint venture			
Mulberry USA LLC	50% ordinary shares	Establishment of retail shops in the USA – non trading	USA

The movement in the year was as follows:

	Shares £'000	Loans £'000	2002 Total £'000	2001 Total £'000
Cost				
Beginning of year	1,498	–	1,498	1,498
Reclassification from current assets	–	11,804	11,804	–
End of year	<u>1,498</u>	<u>11,804</u>	<u>13,302</u>	<u>1,498</u>
Provision for impairment				
Charge and balance at end of year	<u>(1,460)</u>	<u>(2,255)</u>	<u>(3,715)</u>	<u>–</u>
Net book value				
Beginning of year	<u>1,498</u>	<u>–</u>	<u>1,498</u>	<u>1,498</u>
End of year	<u>38</u>	<u>9,549</u>	<u>9,587</u>	<u>1,498</u>

13 Stocks

	Group	
	2002 £'000	2001 £'000
Raw materials and consumables	1,151	733
Work-in-progress	166	257
Finished goods and goods for resale	7,779	6,388
	<u>9,096</u>	<u>7,378</u>

14 Debtors

	Group		Company	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Amounts falling due within one year:				
Trade debtors	3,500	2,819	-	-
Amounts owed by subsidiary undertakings	-	-	20	10,499
Amounts owed by associated undertakings	64	616	-	-
Other debtors	40	37	-	-
Prepayments and accrued income	245	362	-	30
	<u>3,849</u>	<u>3,834</u>	<u>20</u>	<u>10,529</u>
Amounts falling due after more than one year:				
ACT recoverable	89	89	38	38
	<u>3,938</u>	<u>3,923</u>	<u>58</u>	<u>10,567</u>

15 Creditors: Amounts falling due within one year

	Group		Company	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Obligations under hire purchase contracts and finance lease agreements	279	71	-	-
Bank loans and overdrafts (secured)	3,969	-	753	176
Trade creditors	3,058	3,526	-	-
Other creditors				
- social security and PAYE	364	322	-	-
- VAT	287	72	-	-
Preference dividends payable	-	111	-	111
Accruals and deferred income	666	669	45	163
	<u>8,623</u>	<u>4,771</u>	<u>798</u>	<u>450</u>

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

NOTES TO FINANCIAL STATEMENTS

(continued)

15 Creditors: Amounts falling due within one year (continued)

Discussions between the Directors and the Group's principal bankers concerning the renewal of the overdraft facility, which is due for its normal annual review in August 2002, are at an advanced stage but have not yet been formalised. The terms of the renewal are expected, as in previous years, to require that the Group operates within certain financial covenants and that the Group's performance continues to be broadly in line with its forecast for the next year. The Directors are confident that the renewal of facilities will be confirmed on this basis and that the Group will be able to operate broadly in line with its forecast. On this basis they consider that the Group will have adequate facilities for its forecast requirements.

16 Creditors: Amounts falling due after more than one year

	Group		Company	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Obligations under hire purchase contracts and finance lease agreements, all payable within five years	654	36	-	-
Bank loans (secured - note 15)	2,000	1,000	2,000	1,000
	<u>2,654</u>	<u>1,036</u>	<u>2,000</u>	<u>1,000</u>

The maturity profile of the Group's financial liabilities at 31 March 2002 was as follows:

	Group		Company	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Bank loans and overdrafts				
In one year or less	3,969	-	753	176
In more than one year but not more than two years	2,000	-	2,000	-
In more than two years but not more than five years	-	1,000	-	1,000
	<u>5,969</u>	<u>1,000</u>	<u>2,753</u>	<u>1,176</u>
Finance leases				
In more than one year but not more than two years	282	36	-	-
In more than two years but not more than five years	372	-	-	-
	<u>654</u>	<u>36</u>	<u>-</u>	<u>-</u>
In one year or less	279	71	-	-
	<u>933</u>	<u>107</u>	<u>-</u>	<u>-</u>
Total borrowings including finance leases				
In more than one year but not more than two years	2,282	36	2,000	-
In more than two years but not more than five years	372	1,000	-	1,000
	<u>2,654</u>	<u>1,036</u>	<u>2,000</u>	<u>1,000</u>
In one year or less	4,248	71	753	176
	<u>6,902</u>	<u>1,107</u>	<u>2,753</u>	<u>1,176</u>

17 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 £151,000 (2001 – £332,000) which are part of the financing arrangements of the Group.

The interest rate profile of the Group's financial liabilities at 31 March 2002 was as follows:

	Fixed rate		Floating rate		Weighted average interest rate	Weighted average period for which rate is fixed Years
	2002 £'000	2001 £'000	2002 £'000	2001 £'000		
Sterling borrowings	-	-	5,969	1,000		
Sterling non-equity shares	250	250	-	-		
Sterling non-equity shares	2,800	2,800	-	-		
Non-equity shares			1%	-		
Non-equity shares			7%	6		

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

NOTES TO FINANCIAL STATEMENTS

(continued)

17 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 2002 these exposures were as follows:

	<i>Functional currency of Group operation</i>	
	<i>2002</i>	<i>2001</i>
	<i>Sterling</i>	<i>Sterling</i>
	<i>£'000</i>	<i>£'000</i>
Net foreign currency monetary assets (liabilities)		
– European currencies	(32)	476
– Scandinavian currencies	835	958
– US dollar	22	(61)
– Japanese yen	123	132
– Swiss franc	(9)	(54)
	<u>939</u>	<u>1,451</u>

Borrowing facilities

The Group's bank borrowing facilities comprise term loans which were fully drawn at 31 March 2002 and a multi-currency overdraft facility which is renewed annually in August.

The Group had undrawn committed facilities at 31 March 2002 in respect of which all conditions precedent had been met as follows:

	<i>2002</i>	<i>2001</i>
	<i>£'000</i>	<i>£'000</i>
Expiring in one year or less	1,531	5,500
Expiring in more than one year but not more than two years	–	1,000
	<u>1,531</u>	<u>6,500</u>

17 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 2002.

	2002		2001	
	Book value	Fair value	Book value	Fair value
	£'000	£'000	£'000	£'000
Primary financial instruments held or issued to finance the Group's operations				
Financial liabilities due within one year	(4,248)	(4,248)	(71)	(71)
Financial liabilities due after more than one year	(2,654)	(2,654)	(1,036)	(1,036)
Cash at bank and in hand	151	151	332	332
Derivative financial instruments held to manage the currency profile				
Forward foreign currency contracts	-	-	-	-

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.

The book value of non-equity shares at 31 March 2002 was £3,050,000 (2001 – £3,050,000) and their approximate fair value was £3,050,000 (2001 – £3,050,000).

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 2002 there were £nil net losses on forward foreign currency contracts (2001 – £nil).

18 Provisions for liabilities and charges

	Group		Company	
	2002	2001	2002	2001
	£'000	£'000	£'000	£'000
Deferred taxation				
Excess of tax allowances over book depreciation of fixed assets	-	112	70	82
Tax losses available	-	(112)	-	-
	-	-	70	82

NOTES TO FINANCIAL STATEMENTS

(continued)

18 Provisions for liabilities and charges (continued)

The movement during the year was as follows:

	Group		Company	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Beginning of year	-	-	82	81
(Credit)/charge to profit and loss account	-	-	(12)	1
End of year	-	-	70	82

19 Called-up share capital

	2002 £'000	2001 £'000
Authorised		
37,600,000 (2001 – 37,600,000) ordinary shares of 5p each	1,880	1,880
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	400
	<u>2,530</u>	<u>2,530</u>
Allotted, called-up and fully paid		
36,147,123 (2001 – 36,147,123) ordinary shares of 5p each	1,807	1,807
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	400
	<u>2,457</u>	<u>2,457</u>

Options held by and granted to Directors are set out in Note 8.

The Company has granted options in respect of 609,547 ordinary shares of 5p each (2001 – 613,722 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 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.

19 Called-up share capital (continued)

Options have been granted under the following schemes to subscribe for ordinary shares of the Company as follows:

<i>Scheme</i>	<i>Number of shares under option</i>	<i>Subscription price per share</i>	<i>Exercise period</i>
1996 approved	79,138	£1.53	21.05.01 to 21.05.06
1996 approved	125,000	£0.45	11.11.04 to 11.11.09
1996 unapproved	400,000	£1.53	21.05.99 to 21.05.03
1996 unapproved	5,409	£1.53	21.05.01 to 21.05.03

20 Reconciliation of movements in shareholders' funds

	<i>Group</i>		<i>Company</i>	
	<i>2002 £'000</i>	<i>2001 £'000</i>	<i>2002 £'000</i>	<i>2001 £'000</i>
(Loss)/profit for the financial year	(1,754)	301	(3,641)	52
Currency translation differences on foreign currency net investments	(80)	-	-	-
Dividends on non-equity shares	(199)	(111)	(199)	(111)
Transfers to preference dividend reserve	51	-	51	-
Net (reduction)/addition to shareholders' funds	(1,982)	190	(3,789)	(59)
Opening shareholders' funds	10,917	3,873	12,726	5,931
Issue of new shares	-	6,854	-	6,854
Closing shareholders' funds	8,935	10,917	8,937	12,726

NOTES TO FINANCIAL STATEMENTS

(continued)

21 Reserves

a) Group

	Share premium account £'000	Revaluation reserve £'000	Capital redemption reserve £'000	Preference dividend reserve £'000	Profit and loss account £'000
Beginning of year	8,941	235	154	-	(870)
Currency translation differences on foreign currency net investments	-	-	-	-	(80)
Loss for the year	-	-	-	-	(1,754)
Dividends on non-equity shares	-	-	-	51	(199)
Amortisation of revaluation surplus	-	(31)	-	-	31
End of year	<u>8,941</u>	<u>204</u>	<u>154</u>	<u>51</u>	<u>(2,872)</u>

b) Company

	Share premium account £'000	Revaluation reserve £'000	Capital redemption reserve £'000	Preference dividend reserve £'000	Profit and loss account £'000
Beginning of year	8,941	235	154	-	939
Loss for the year	-	-	-	-	(3,641)
Dividends on non-equity shares	-	-	-	51	(199)
Amortisation of revaluation surplus	-	(31)	-	-	31
End of year	<u>8,941</u>	<u>204</u>	<u>154</u>	<u>51</u>	<u>(2,870)</u>

The cumulative amount of goodwill resulting from acquisitions in earlier financial years which has been written off is £165,000 (2001 – £165,000).

22 Cash flow information

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

	2002	2001
	£'000	£'000
Operating (loss)/profit	(813)	670
Depreciation charge	818	756
(Loss)/profit on sale of tangible fixed assets	(17)	15
Increase in stocks	(1,718)	(1,100)
Increase in debtors	(14)	(295)
(Decrease)/increase in creditors	(548)	698
Effect of foreign exchange rate changes	44	40
Net cash (outflow)/inflow from operating activities	<u>(2,248)</u>	<u>784</u>

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

	2002	2001
	£'000	£'000
Returns on investments and servicing of finance		
Interest paid	(284)	(377)
Interest element of finance leases and hire purchase contracts	(35)	(17)
Preference dividends paid	(259)	-
Net cash outflow for returns on investments and servicing of finance	<u>(579)</u>	<u>(394)</u>
Capital expenditure		
Purchase of tangible fixed assets	(2,172)	(328)
Proceeds from sale of tangible fixed assets	26	-
Net cash outflow for capital expenditure and financial investment	<u>(2,146)</u>	<u>(328)</u>
Financing		
Repayment of loans	-	(3,500)
New loans	1,000	1,000
Capital element of hire purchase contracts	(171)	(243)
Issue of preference shares	-	2,800
Issue of ordinary share capital	-	4,837
Expenses paid in connection with issue of shares	-	(783)
Net cash inflow from financing	<u>829</u>	<u>4,111</u>

NOTES TO FINANCIAL STATEMENTS

(continued)

22 Cash flow information (continued)

c) Analysis of net debt	At		Other non-cash changes	At		Other non-cash changes	At	
	1 April 2000 £'000	Cash flow £'000		1 April 2001 £'000	Cash flow £'000		31 March 2002 £'000	
Cash at bank	212	120	-	332	(181)	-	151	
Overdraft	(4,051)	4,051	-	-	(3,969)	-	(3,969)	
	(3,839)	4,171	-	332	(4,150)	-	(3,818)	
Debt due after 1 year:								
- secured bank loans	-	(1,000)	-	(1,000)	(1,000)	-	(2,000)	
Debt due within 1 year								
- secured bank loans	(3,500)	3,500	-	-	-	-	-	
Finance leases	(326)	243	(24)	(107)	171	(997)	(933)	
		2,743			(829)			
Total net debt	(7,665)	6,914	(24)	(775)	(4,979)	(997)	(6,751)	

23 Financial commitments

a) Capital commitments

The Group had no capital commitments (2001 - £2,035,000)

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:

	2002		2001	
	Buildings £'000	Other £'000	Buildings £'000	Other £'000
Group				
Operating leases which expire				
- within one year	35	84	54	134
- between two and five years	65	330	44	181
- after five years	1,476	-	1,358	-
	1,576	414	1,456	315
Company				
Operating leases which expire after five years	157	-	120	-

23 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 £237,000 (2001 – £224,000).

d) Forward exchange contracts

The Group has no forward foreign exchange commitments at 31 March 2002 (2001 – £nil).

24 Related party transactions

During the year the Group made sales of £311,000 (2001 – £264,000) to Mulberry Oslo AS and £79,000 (2001 – £160,000) 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. The rent increased to £157,000 as a result of the rent review on 30 May 2000.

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).

	2002 £'000	2001 £'000
Sales (excluding VAT)	15	24
Purchases	25	19
Amounts owed by Charlton House Hotel at year end	7	10
Amounts owed to Charlton House Hotel at year end	-	2

FIVE YEAR SUMMARY

	Year ended 31 March 1998 £'000	Year ended 31 March 1999 £'000	Year ended 31 March 2000 £'000	Year ended 31 March 2001 £'000	Year ended 31 March 2002 £'000
Turnover	30,926	27,393	26,390	25,723	27,817
Cost of sales	(16,175)	(14,974)	(12,945)	(11,904)	(13,873)
Gross profit	14,751	12,419	13,445	13,819	13,944
Other operating expenses (net)	(14,956)	(13,291)	(13,492)	(13,149)	(14,757)
Operating (loss)/profit	(205)	(872)	(47)	670	(813)
(Loss)/profit on disposal of fixed assets	-	-	-	-	(593)
Finance charges (net)	(794)	(860)	(635)	(394)	(343)
Group share of profit/(loss) of related companies	-	(47)	16	27	1
(Loss)/profit on ordinary activities before taxation	(999)	(1,779)	(666)	303	(1,748)
Tax on (loss)/profit on ordinary activities	272	(8)	(14)	(2)	(6)
(Loss)/profit on ordinary activities after taxation	(727)	(1,787)	(680)	301	(1,754)
(Loss)/earnings per share	(3.5p)	(8.57p)	(3.24p)	0.65p	(5.40p)

SHAREHOLDER'S NOTES

