Registered number: 01954945

MULBERRY COMPANY (DESIGN) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE 52 WEEK PERIOD ENDED 28 MARCH 2020

MULBERRY COMPANY (DESIGN) LIMITED

COMPANY INFORMATION

Directors	T P Andretta N J Ritchie (resigned 30 June 2019) C F Anderson (appointed 24 October 2019) G P Davis (appointed 1 July 2019)
Company secretary	K Anthony Wilkinson
Registered number	01954945
Registered office	The Rookery Chilcompton Bath Somerset BA3 4EH
Independent auditor	Deloitte LLP Statutory Auditor Bristol, United Kingdom
Bankers	HSBC Bank plc Bristol, United Kingdom
Solicitors	Osborne Clarke Bristol, United Kingdom

MULBERRY COMPANY (DESIGN) LIMITED

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MULBERRY COMPANY (DESIGN) LIMITED

STRATEGIC REPORT
FOR THE 52 WEEK PERIOD ENDED 28 MARCH 2020

Introduction

Mulberry, founded in Somerset in 1971, is a sustainable luxury brand with a rich heritage in leather craftsmanship. With a strong following in the UK, the Group is pursuing a strategy to become a global luxury brand through international expansion and extension of its lifestyle ranges. Mulberry operates a direct to customer model with 103 owned stores and 22 franchise partner stores across 25 countries, with a focus on developing its Digital business and its leading omni channel capability.

The Company's principal activities are the design and manufacture or sourcing of Mulberry branded accessories, shoes and clothing and their subsequent wholesale distribution in the UK and international markets. Mulberry Company (Design) Limited is a 100% owned subsidiary of the Mulberry Group plc Group ('Group').

Business review

The Board's long term objective is to grow Mulberry as a sustainable global luxury brand, offering unique and desirable product. The Company's Directors consider that revenue growth is the key performance indicator with which this goal can be measured. Our aim is to build Mulberry as a sustainable global luxury brand, creating value for all our stakeholders.

During the period, revenues fell by 15% to £81.9 million (2019: £95.9 million). This reflects the impact of business development activity as the Group progressed its direct to customer strategy and a weakness in the UK market which was materially affected by a general weakness in the wider UK retail environment.

Gross margin fell from 37.8% to 30.3% due to increased stock provisions, reduction in wholesale customers, and John Lewis wholesale account converting to retail, the revenue from which is now recognised by Mulberry Company (Sales) Limited.

Despite challenging trading conditions in the UK, the Company maintains positive net cash balances at 28 March 2020 of £3.6 million (2019: £7.9 million).

Loss before tax was £5.9 million. (2019: profit before tax £6.4 million).

Impact of COVID-19

COVID-19 has had a marked effect on the Mulberry group and that of all global brands and retailers. Please refer to the Mulberry Group plc Annual Report for further details.

Future developments

Since the period end, the Group has extended the revolving credit facility with HSBC until March 2022 and renegotiated banking covenants in line with the downside scenario projections described in the Going Concern Statement on page 10. The £15.0m revolving credit facility is secured by fixed and floating debentures over the assets of the Group's subsidiaries, and fixed legal charges over the Group's freehold premises. Covenants are tested on a quarterly basis and contain a 12 month rolling EBITDA target and a maximum net debt target. Covenants are tested on a 'frozen GAAP' basis and exclude the impact of IFRS 16.

Principal risks and uncertainties

Mulberry Company (Design) Limited is managed as part of the overall Mulberry Group plc. The management of the business and the execution of the Group's growth strategies are subject to a number of risks and uncertainties that could adversely affect the Group's future development. The principal risks and uncertainties for the Group for which Mulberry Company (Design) Limited is an integral part, and the key mitigating actions used to address them, together with an indicator of the Board's assessment regarding the change in risk level from the prior period are outlined below.

Risk	Change in risk level from prior year	Potential impact	Mitigation
COVID-19 The uncertainty as to the impact and duration of COVID-19 on the Group and the wider economy.	New	The impact of further lockdowns due to a second wave of COVID-19 and the potential impact on the business. The impact on the wider economy and the consequential effect on demand. There is not sufficient liquidity to manage operations and meet liabilities as they fall due. The impact of lower tourist footfall due to travel restrictions. The health and safety of our people and customers. The impact on our supply chain in the UK and overseas.	The Group's response is being managed through four key workstreams (Trading, People, Property and Inventory), led by the Management Board. Trading initiatives have been actioned to ensure we optimise digital revenue while stores remain in lockdown. The Group has completed detailed scenario planning to understand the extent to which the Group could withstand a loss of revenue within the limits of its available financial resources. Mitigating actions have been put in place to ensure our cost base reflects these anticipated revenue levels. The Group's strong digital channel and international presence outside will offset, in part, the potential loss of international spend. Detailed additional safety standards and procedures have been put in place to allow our stores to operate safely. Our employees are homeworking where possible, using technology to ensure we continue to manage the business. We continue to monitor our supply chain to ensure it remains operational, including the supply of raw materials.

Cash and credit risk The management of cash is of fundamental importance in ensuring the Group's ability to pay its ongoing commitments to suppliers and employees. A downturn in trade or a delay or default in payment from a debtor may significantly impact the Group's cash balances.	Increased	In the event of a significant downturn in trading or the effects of seasonality, the Group's cash facilities may be insufficient. If wholesale or concession debtors default on payment terms, this would impact further on the Group's cash reserves.	The Group performs regular cash forecast analysis to manage working capital requirements. The Group has a £15.0 million revolving credit facility in place with HSBC until 31 March 2022, in addition to a £4.0 million multi currency overdraft facility in place until May 2021. Appropriate credit limits are set and continually reviewed and escalated for Board approval where appropriate.
Domestic and global economic climate The Group may be impacted by a downturn in the UK or the wider global economic climate.	Increased	Significant Mulberry revenue is generated in the UK and, as has been widely reported, the UK retail environment remains challenging. The Group's UK business is subject to a decline in consumer confidence and demand, together with lower tourist footfall, which has reduced spending on luxury goods.	The Group's strategy to increase the proportion of sales from international markets is expected to reduce this risk over time. The Group's strong digital channel and omni-channel capability will offset, in part, softer physical store revenues. The Group continues to optimise the UK store network through selective openings and closures in order to manage the ongoing shift to online shopping.
Global Chinese consumer spending With an element of Group revenue derived from global Chinese consumer spending, any change in Chinese consumer spending habits, or the economic, political or regulatory environment in China could have a detrimental impact on Chinese consumer confidence and ultimately on volume of sales.	Increased	Mulberry's strategy to expand internationally, especially in Asia, both reduces risk from over-dependence on the domestic market, as well as exposing it to an increase in tolerated level of risk, particularly in China, where potential growth rates are perceived to be highest.	The Group is continuing to strengthen its local senior management in Asia, in addition to recently investing in new store openings in China. Store leases in China are generally relatively short (2-3 years), which limits commitments to long term lease liabilities in the event that store locations need to be reviewed or changed in due course.
International subsidiaries With the strategic goal of international expansion, there is a risk that subsidiaries in new markets will not develop in line with expectations. Increased	Increased	Should subsidiaries in international markets not grow in line with plans, this would impact on profitability and may represent a draw on cash reserves. Failure to generate anticipated revenue could result in impairment of fixed asset values.	Management performs pre-transaction due diligence and prepares and maintains a comprehensive business plan for each individual market. Financial performance is closely monitored by senior management each month, to ensure that financial and operational plans are adapted and sufficient funding is in place to maintain adequate working capital.

Brexit implications Until clear proposals with regard to transitional rules and the terms of an exit plan are announced by the UK Government, there is significant uncertainty about the longer-term implications of Brexit for the Group.	Unchanged	Employees: The Group has a dedicated and talented workforce, some of whom are EEA nationals working across different business areas. Their ability to work in the UK could be impacted if there are any post-Brexit restrictions on the ability of EEA nationals to work in the UK. Supply Chain: Mulberry imports a signifi-cant proportion of its raw materials from the EU, and If import tariffs are introduced, cost prices will increase and, if border checks cause delays to these imports, this could cause disruption to the supply chain, the UK manufacturing base, and ultimately to sales to customers. Due to the lead times and seasonality of leather and other components, it is not possible to create significant buffers of certain core raw materials. Higher tariffs or other trade barriers would increase our cost base and potentially reduce our competitiveness.	The economic implications resulting from the impact of Brexit are largely beyond the control of the Group. A Brexit readiness committee has been in place since 2016, to prepare the Group for the post-Brexit economic arrangements, which continues to closely monitor the legal and political developments in the process by maintaining an open dialogue regarding the impact of Brexit with key suppliers, stakeholders and professional advisors. The Group has significant inventory to meet immediate commercial requirements and the agile supply chain in operation at Mulberry is designed to provide reactivity for a number of scenarios. The Group is currently undertaking a feasibility study regarding the potential implementation of introduction of customs special procedures including bonded warehousing and inward processing relief arrangements, which would minimise the cost of increased tariffs. The Board has assessed the potential worst case impact of Brexit on its profitability and cashflow forecasts and concluded that this did not change the appropriateness of preparing the financial statements on a going con-cern basis (year-ending March 2021: £0.4m), year-ending March 2022: £1.5m).

Brand and reputational risk Careful safeguarding of brand reputation is key to maintaining brand position, which could be undermined by actions of supply chain or other partners. Reputational risk may also arise from external social media networks.	Unchanged	Negative publicity could arise in the event of an unfavourable incident or unethical behaviour relating to a celebrity, influencer or collaborator associated with Mulberry, any of its senior executives, or via external social media networks. A deterioration in brand position would lead to a loss of customers, which would negatively impact sales and profits.	The Group makes ongoing investment into product development, marketing, retail estate and the consumer experience. These are all key to maintaining brand position, along with the opening of flagship stores in strategic global locations and maintaining strong relations with customers. New partners with whom we do business are subject to appropriate due diligence to assess suitability and new suppliers must adhere to Mulberry's Global Sourcing Principles.
Competitive risk Competitive pressures, changes in luxury fashion trends, and hence consumer demand, are continuing risks. The Group operates in the luxury fashion sector and is subject to a risk of change in fashions and demand for its products.	Unchanged	There is risk of potential deterioration in the Group's luxury brand position compared to competitors, and difficulty in establishing brand awareness in new markets.	Careful monitoring of consumer trends and market awareness are key to Mulberry's ability to react to changes in consumer preference. Investment in appropriate and relevant marketing to reinforce brand awareness is a strategic priority, especially in new markets. Investment in innovative product design to maintain relevance to customers is key. Mulberry has been successful in introducing product tailored to Asian markets, to particular price points, and in response to consumer demand for sustainability in its offering.
Currency risk The Group's sales and purchases are made in Sterling, Euros and US Dollars and therefore it is exposed to fluctuations in these exchange rates. Ineffective hedging arrangements may not fully mitigate foreign exchange losses, or may increase them.	Unchanged	If Sterling weakens against the Euro and US Dollar there is a consequent increase in raw materials bought in foreign currency which increases cost of sales. However, revenues earned in foreign currency also appreciate when Sterling weakens from revaluation gain creating some natural currency hedge.	The Group's Treasury Committee manages its Treasury policy which incorporates a hedging strategy to reduce the risk of exchange rate volatility. The policy is reviewed periodically to optimise hedging efficiency and ensure com-pliance with best practice.

Management of operating costs The Group has experienced a sustained period of rising costs over the last 5 years, particularly in the UK, due to increased rent and business rates. This is in addition to the introduction of the apprenticeship levy, statutory pension costs and adverse exchange differences.	Increased	If cost increases exceed revenue growth, this will impact on cash, profitability and the Group's ability to fund continued international expansion.	Whilst trading remains challenging, management of operating costs is a key focus to maximise financial performance. The Group continually reviews costs to operate as efficiently as possible. The store portfolio is regularly appraised to ensure profitability is maintained, and where necessary, stores may be closed. Where effective cost savings are identified, these have been and will continue to be executed.
Retention and engagement of staff The Group's success is dependent to a certain extent on the continued services of its Directors and senior management, as well as its ability to attract and retain an engaged workforce.	Unchanged	Loss of key members of the senior management team or other qualified employees could be detrimental to the business. Failure to equip or engage our teams to deliver our strategy may result in failure to meet our objectives and in increased recruitment costs.	This is mitigated by regular reviews of remuneration packages (including long-term incentive schemes) and succession planning within the management team. Employee engagement surveys have resulted in the development of key action plans to address a number of focus areas, in addition to the introduction of a training programme to roll out key employee values. A second survey was carried out in March 2020, the results of which will be used to drive further change. A system to identify and support high-potential individuals was initiated during the period, with a Leadership Development Programme launched to engage and equip future leaders.
Information technology ("IT") The integrity and integration of the Group's IT systems and operational infrastructure is critical to its trading and operations. Maintaining investment in the latest customer focused technologies to improve customer experience is a continuing risk.	Unchanged	There is a risk that the business's ability to sell and deliver its products would be adversely impacted in the event of a significant IT failure or failure to maintain stable and resilient technology platforms. Failure to implement innovative technology that meets ever-increasing customer demand could lead to loss of revenue and damage perception of the brand.	The IT function has been strengthened with the appointment of a new Technology and Customer Experience Director, together with increased resource in the IT department. The Group continually reviews its IT and systems capabilities to maintain the integrity and reliability of its business. A number of controls are in place to maintain business continuity which would be implemented in the event of a major failure.

Cyber security and General Data Protection Regulation ("GDPR") All business sectors are at risk of increasingly sophisticated cyber security attacks. Increased use of mobile and digital sales channels, together with marketing via social media, result in large amounts of customer data being gathered. The risk of unauthorised access to or loss of data, including data held in respect of employees and customers, is growing.	Increased	Cyber-crime represents an increasing risk through threat of deletion, theft, disruption or integrity of data, which could also result in reputational damage. A failure to comply with GDPR, which came into effect in May 2018, could result in penalties and have an adverse impact on consumer confidence in the Group.	IT security is continually reviewed and updated. Networks are protected by firewalls and anti-virus protection. Threat detection systems are in place across the Group. Vigilance and security improvements must be maintained to ensure these are up to date and best practice. A new senior role was created in 2019 to focus solely on infrastructure and security.
UK production The proportion of products being made in Mulberry's own UK-based factories has increased to 50% over the past 5 years.	Unchanged	There is a risk that the Group gross margin may be diluted due to currency risk and the higher relative cost of UK manufacturing.	Factory efficiency is monitored on a weekly basis and production techniques are continually reviewed and refined to ensure we are creating quality products in an efficient manner, and by assessing whether to manufacture product internally or externally.
Business interruption A major incident including fire, flood, terrorism near to one of the Group's offices, production facilities, warehouses or key suppliers could seriously affect the Group's operations. A health pandemic, as evidenced by the recent COVID-19 outbreak, would have a significant impact on our ability to continue to operate as usual.	Increased	This may lead to a significant fall in footfall, or potential closure of a store, or a loss of IT systems.	The Group has developed a business continuity plan in addition to appropriate protection of IT systems to mitigate any impact, as well as making sure that adequate business insurance is in place. A COVID-19 cross-functional committee has been implemented to regularly update the business on how to limit the impact on business continuity wherever possible, including sourcing alternative supply chains, plans for travel restrictions and making appropriate changes to working arrangements wherever practical.
Intellectual property As with all brands, the Group is exposed to risk from unauthorised use of the Group's trademarks and other intellectual property ('IP').	Unchanged	Any infringement of the Group's IP could lead to a loss of profits and have a negative impact on image.	Trademarks are registered and where any infringements are identified, appropriate legal action is taken.

Sustainability and climate change Mulberry's long-term success and viability will depend on the social and environmental sustainability of its business model, the resilience of its supply chain and our ability to manage the impact of climate change across our operations. The Group has long been committed to sustainability in its supply chain and manufacturing processes and in 2020 set increasingly ambitious sustainability targets.	Unchanged	Leather is a key raw material, which is sourced as a by-product of agriculture. Resource scarcity resulting from increase in plant-based diets, together with increased regulation or more stringent environmental standards, could adversely affect both consumer demand for leather goods and increase raw material and production costs. Manufacturing processes, especially around the tanning of leather, utilise chemicals, energy and water and which require careful scrutiny to ensure Mulberry's high ethical standards are not breached.	Mulberry has been a member of the internationally recognised Leather Working Group since 2012. All of the leathers used in our collections are a by-product of food production and a natural alternative to fossil fuel synthetics. All leather is sourced to meet our high ethical standards, with most coming from the EU. The Leather Working Group's objective is to provide Environmental Stewardship for the leather industry by developing and maintaining protocols that assess the environmental compliance of tannery operations. Mulberry is a member of the Animal Welfare Group (AWG), a subgroup of the Leather Working Group (LWG), whose principal objective is to provide education and information to its members on the salient aspects of livestock and animal welfare within the leather value chain. The purpose of the group is to support members to make informed decisions in relation to the issue of animal welfare. Established in 2016, the AWG abides by the LWG's articles of association. For Spring/Summer 2020, 65% of the leathers were sourced from tanneries with environmental accreditation and our Phase 1 target is to source 100% of our leather from gold, silver or bronze LWG-accredited tanneries by Autumn/Winter 2021. For Spring/Summer 2020, 48% of our range used leather and suede that is traceable to the country origin, and our Phase 1 target is to achieve 100% traceability by Autumn/Winter 2021. In 2019, our two UK factories achieved carbon neutrality and we partnered with a Zero Waste to Landfill waste service provider. Our target is to achieve global carbon neutrality by 2025. Mulberry has recently launched products using recycled thread and Econyl fabric to diversify raw material into other environmentally sustainable sources.

Leasing retail space and long-term leases Mulberry leases the majority of its retail stores under long-term, non-cancellable leases, which usually have initial terms ranging from five to ten years, with the option to renew. Only a minority of leases have a break clause exercisable at our option during the lease term. Generally, our leases also require us to pay our proportionate share of the cost of insurance, property taxes, maintenance and utilities. Payments under these operating leases account for a significant portion of our operating costs.	Increased	If we determine that it is no longer economically viable to operate a retail store subject to a lease and decide to close we may remain obligated under the applicable lease for, among other things, payment of the base rent for the balance of the lease term. In some instances, we may be unable to close an underperforming retail store due to continuous operation clauses in our lease agreements. In addition, as each of our leases expire, we may be unable to negotiate renewals, either on commercially acceptable terms or at all, which could cause us to close retail stores in desirable locations. Our inability to secure desirable retail space or favourable lease terms could impact our ability to grow. Likewise, our obligation to continue to make lease payments in respect of leases for unprofitable retail spaces could have an adverse effect on our business, financial condition and results of operation.	The Board continually monitors the profitability of the store portfolio to assess ongoing viability. We recognise that consumer shopping behaviour continues to evolve and Mulberry strives to accommodate this through its omni-channel proposition, which bridges the gap between online and offline shopping. Our investment appraisal process is designed to ensure resilience in the profitability of potential lease commitments by sensitising revenue projections to reflect a potential downturn in trade. As lease costs increase, Mulberry is increasingly opting for shorter, more flexible leases wherever possible, including concessions. This is in addition to trialling 'pop up' concepts at new locations before making longer-term commitments.

STRATEGIC REPORT (CONTINUED)
FOR THE 52 WEEK PERIOD ENDED 28 MARCH 2020

This section comprises our Section 172 statement, setting out how the Directors have, in performing their duties over the course of the period, had regard to the matters set out in Section 172(1) (a) to (f) of the Act.

Our stakeholders

We believe that considering our stakeholders when making key business decisions is not only the right thing to do, but is fundamental to progressing our strategy to build Mulberry as a sustainable global luxury brand. We place huge importance on working constructively and in partnership with all our stakeholders to create value to benefit them all. We directly engage and communicate with our shareholders, employees, customers, suppliers, partners and communities so they understand our long-term strategy and can voice any concerns. It is a two-way conversation.

The Directors are bound by fiduciary duties under the Companies Act 2006 (the "Act") and the manner in which these duties have been discharged, particularly to promote the success of the Company for the benefit of its members as a whole, forms a core theme of this report.

Shareholders
We have regular, clear, and effective communication with our shareholder to enable them to understand our business and strategy to deliver long-term shareholder value.

Employees
The Directors recognise that engaged and motivated employees are critical to deliver our strategic aims and understand that they are responsible for their professional development and happiness at work. We work hard to directly engage with employees so they are engaged with the company and understand our business strategy. As at 28 March 2020 we employed 765 people (2019: 777) majority of which are based in the United Kingdom.

We keep an open and constructive dialogue with our teams throughout the year; including employee forums at all levels and an annual engagement survey. Employee engagement surveys have resulted in the development of key action plans to address a number of focus areas. Following our last survey, which concluded in September 2019, we introduced 'town hall' communication sessions at our key locations in order to improve communication, more flexibility in working hours and other changes to the working environment to improve employee wellbeing and productivity A second survey was carried out in March 2020, the results of which are currently being considered and will be used to drive further change.

Since the onset of COVID-19, we have actively engaged with our employees regarding our response to it, especially while a significant number have been on furlough or working remotely. During the UK lockdown, 73% of our UK employees were on furlough, the majority of whom are employed in our factories.

We are proud of our diverse workforce and believe fair and equal reward is vital to our success as an international luxury brand. Full details of our gender pay report for the period under review can be found on our website. We hold regular reviews of remuneration packages (including long-term incentive schemes) and succession planning within the management team.

We offer training and development to enable everyone to reach their potential and we ensure equality of opportunities for promotion and progression. A system to identify and support high-potential individuals commenced in March 2020, with a Leadership Development Programme to engage and equip future leaders.

Our Company Values help us articulate the way we want to work and the culture we need to succeed.
- Be Open
- Be Bold
- Be Imaginative
- Be Responsible

Customers
Our direct-to-customer distribution model enables us to enhance the customer experience, drive engagement with our customers and build brand loyalty.

We use data-driven insights and customer research to generate in-depth awareness of our global customers and their buying habits. Through our Brand Research project, which measured March 2018 against March 2020, we know that sustainability resonates strongly with global luxury leather goods buyers who are keen to buy from brands with strong ethical credentials.

We engage with our customers in store, through our digital channels and through events, including the 'My Local' event series, designed to build brand awareness amongst the younger fashion forward urban audience, and the immersive 'Made to Last' installation in Bond Street, designed to bring our responsibility commitments, craft and design ethos to life.

Our customer services team is available 24 hours a day, 7 days a week to deal with general or online enquiries and offer gifting advice. Information regarding how our operations are affected by COVID-19 is also available on our website, Mulberry.com.

Suppliers

STRATEGIC REPORT (CONTINUED)
FOR THE 52 WEEK PERIOD ENDED 28 MARCH 2020

The Directors recognise the key role that suppliers play in providing us with quality goods and services.

Since the onset of COVID-19, we have increased our communication and review processes with our key suppliers to ensure transparency over their forward capacity. Our suppliers have been affected to various degrees by the crisis, necessitating more frequent contact with both the supplier teams and owners. They have collaborated closely with us when considering and implementing their own restructuring plans.

We ensure by way of regular audits that suppliers adhere to the Mulberry Global Sourcing Principles, requiring a suitable environment for their workers, including working hours and child labour provisions. Under the UK Modern Slavery Act, UK companies with a turnover of more than £36 million are obliged to publish an annual Slavery and Human Trafficking statement, which can be found on our website, Mulberry.com.

Communities and environment
As part of Mulberry Group plc we actively donate money, product and support to charities in our local communities (2020: £119,000). Each year two charities of the year are selected by employees for the Group to support. For the period under review these were Grief Encounter (South West) who support bereaved children and their families to help alleviate the pain caused by the death of someone close and Coppafeel!, the first breast cancer charity in the UK to solely create awareness amongst young people, educating them on the signs and symptoms of breast cancer. A team of 10 Mulberry employees received £1,000 seed funding from the Princes Trust that over the course of 6 months they had to turn into £10,000 with fund raising activities. The team worked together to exceed this target and won the South West region prize as top fundraiser.

Mulberry has also raised over £75,000 via its Coronavirus Appeal in support of the National Emergencies Trust. All funds raised will be distributed by the National Emergencies Trust to local UK charities and support groups, who can most effectively and efficiently support communities and individuals in need.

Mulberry Green is the name we give to our responsibility commitments. These focus on key areas of our business including sourcing, manufacturing, selling and repairs. Our overarching goal is to move towards a fully sustainable product and service offer. We are proud of our achievements in sustainability so far and have set ambitious targets for the Group going forward.

This report was approved by the board on 6 October 2020 and signed on its behalf.

C F Anderson
Director

DIRECTORS' REPORT
FOR THE 52 WEEK PERIOD ENDED 28 MARCH 2020

The Directors present their report and the audited financial statements for the 52 week period ended 28 March 2020.

Directors' responsibilities statement

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the audited financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare audited financial statements for each financial year. Under that law the Directors have elected to prepare the audited financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law the Directors must not approve the audited financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these audited financial statements, the Directors are required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS standards are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the audited financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results and dividends

The loss for the 52 week period, after taxation, amounted to £4,641,000 (2019 - profit £6,218,000).

The Directors declared, approved and paid a dividend of £nil (2019: £3,021,000) during the period. The Directors do not propose to pay a dividend after the period end.

Directors

The Directors who served during the period and up to the date of signing these financial statements were:

T P Andretta
N J Ritchie (resigned 30 June 2019)
C F Anderson (appointed 24 October 2019)
G P Davis (appointed 1 July 2019)

Going concern

The business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic report. The risks that the business faces in the coming year and the mitigating actions which address these risks are set out on pages 2 to 9.

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

The key judgements in relation to the going concern assessment are in respect of the potential ongoing impact of COVID-19 on the Group. They include the timing of the Group's recovery to pre-COVID-19 trading levels and the likelihood and impact of further lockdowns, including their duration and the impact on consumer demand in the markets in which the Group operates. When making these judgements, the Directors considered trading levels since the majority of the Group's stores have re-opened and the outlook for the Group against their detailed base case scenario. The Directors have also considered a further downside scenario and, a reverse stress test scenario. These are described in further detail below.
The Group had net cash of £7.2 million (2019: £11.1 million) at 28 March 2020 and had not drawn down on its revolving credit facility.

Borrowing facilities
The Group has a £15.0m revolving credit facility, which on 15 September was extended until March 2022, with renegotiated banking covenants to reflect the current COVID-19 world and security granted in favour of HSBC. Covenants are tested on a quarterly basis and contain a 12 month rolling minimum EBITDA target and a maximum net debt target. Covenants are tested on a 'frozen GAAP' basis and exclude the impact of IFRS16. In addition, the Group has a £4.0m overdraft facility and a further USD 1.9m overdraft facility in China, which are not committed facilities and therefore not considered by the Directors as part of the going concern assessment. The group overdraft is renewed annually in May and the overdraft in China is renewed annually in July. Further details regarding the security is found within the Mulberry Group plc financial statements.

The Company is proposing an amendment to the Company's borrowing powers at the forthcoming General Meeting to ensure that the use of it's borrowing powers is not restricted. Further details are found in the Notice of General Meeting within the Mulberry Group plc financial statements.

The revolving credit facility was not drawn down at the year-end and remains undrawn at the date of this report. The Group had net cash of £8.0m at 26th September 2020.

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

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

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

These actions represent a 34% reduction in operating expenses and a 78% reduction in capital expenditure against the prior year. Inventory production and purchases have been reduced in line with anticipated demand, based on the base case scenario and are regularly reviewed and adjusted in line with revised trading projections. Trading since the Group's stores began to re-open, is currently outperforming the base case scenario.

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

Base case scenario
The Directors' base case scenario assumes that revenues do not recover to levels recorded in the year to 28 March 2020 in the short term. Whilst the majority of the Group's stores have re-opened following lockdown in various territories, the Directors expect that social distancing measures and reduced tourist and footfall levels will continue to impact revenues over the going concern period. The impact of COVID-19 on the wider economy (particularly the UK) will also have a consequential effect on demand. The Directors assume the trading experienced through the Group's digital channels will continue, although not at sufficient levels to fully offset the expected slower growth in the stores. The base case scenario assumes a 35% reduction in retail sales and a 61% reduction in wholesale and franchise sales against the prior year, with the mix between full price and off-price sales largely maintained. No additional COVID-19 related lockdown periods have been assumed.

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

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

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

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

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

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

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

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

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

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

Engagement with employees

The Company is committed to an equal opportunities policy. It is the Company's 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. Employment practices are applied which are fair, equitable and consistent with the skills and abilities of our employees and the needs of the business.

The Company 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 Mulberry Group plc, 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. Employee Committees have been established covering each of our main sites.

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 Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Qualifying third party indemnity provisions

Mulberry Group plc maintains Directors' and Officers' liability insurance which gives appropriate cover for any legal action brought against its Directors. In accordance with Section 236 of the Companies Act 2006, qualifying third party indemnity provisions are in place for the Directors in respect of liabilities incurred as a result of their office to the extent permitted by law. Both the insurance and indemnities applied throughout the financial year ended 28 March 2020 and through to the date of this report.

Financial risk management

The Directors are responsible for the Company's financial risk management. This includes analysing the Company's exposure by degree and magnitude of risks. These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

The Company seeks to minimise the effects of these risks where possible. It does this by maintaining bank accounts in all of the major currencies in which it trades and it operates its own internal hedging by offsetting currency receipts on sales against purchases in related currencies. Where there is significant risk remaining, and the Company deems it necessary, it uses derivative financial instruments to hedge these risk exposures. The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Disclosure of information to auditor

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Auditor

In line with governance best practice, the Audit Committee of Mulberry Group plc have commenced a competitive audit tender process which will be concluded in advance of the General Meeting on 17 November 2020. Three audit firms have been invited to tender.

DIRECTORS' REPORT (CONTINUED)
FOR THE 52 WEEK PERIOD ENDED 28 MARCH 2020

This report was approved by the board on 6 October 2020 and signed on its behalf.

C F Anderson
Director

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MULBERRY COMPANY (DESIGN) LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Mulberry Company (Design) Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 28 March 2020 and of its loss for the 52 week period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 30

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practices).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MULBERRY COMPANY (DESIGN) LIMITED

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilties. This description forms part of our auditor's report.

Report on other legal and regulatory requirements
Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report
This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Delyth Jones

Delyth Jones FCA (Senior statutory auditor)

for and on behalf of

Deloitte LLP

Statutory Auditor
Bristol, United Kingdom
6 October 2020

PROFIT AND LOSS ACCOUNT
FOR THE 52 WEEK PERIOD ENDED 28 MARCH 2020

	Note	52 weeks ended 28 March 2020 £000	Restated 53 weeks ended 30 March 2019 £000
Turnover	4	**81,873**	95,924
Cost of sales		**(57,069)**	(59,718)
Gross profit		**24,804**	36,206
Operating expenses		**(31,647)**	(30,762)
Other operating income	5	**994**	909
Operating (loss)/profit	6	**(5,849)**	6,353
Interest receivable and similar income	9	**104**	126
Interest payable and similar expenses	10	**(145)**	(51)
(Loss)/profit before tax		**(5,890)**	6,428
Tax on (loss)/profit	11	**1,249**	(210)
(Loss)/profit for the period		**(4,641)**	6,218

The notes on pages 23 to 48 form part of these financial statements.

For the 53 weeks ended 30 March 2019, license income of £471,030 was included within operating expenses and is now included within other operating income.

MULBERRY COMPANY (DESIGN) LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE 52 WEEK PERIOD ENDED 28 MARCH 2020

	Note	**52 weeks ended 28 March 2020 £000**	53 weeks ended 30 March 2019 £000
(Loss)/profit for the financial period		**(4,641)**	6,218
Other comprehensive (expense)/income:			
Items that will not be reclassified to profit or loss:			
Interest arising on adjustment for the hedged item in a designated fair value hedge accounting relationship taken to equity	24	**123**	(4)
		123	(4)
Total comprehensive (expense)/income for the period		**(4,518)**	6,214

MULBERRY COMPANY (DESIGN) LIMITED
REGISTERED NUMBER:01954945

BALANCE SHEET
AS AT 28 MARCH 2020

	Note	28 March 2020 £000	28 March 2020 £000	30 March 2019 £000	30 March 2019 £000
Fixed assets					
Intangible assets	13		**1,679**		1,650
Tangible assets	14		**8,281**		8,369
			9,960		10,019
Current assets					
Stocks	15	**27,553**		32,163	
Debtors: amounts falling due within one year	16	**14,366**		71,575	
Cash at bank and in hand	17	**3,642**		7,889	
		45,561		111,627	
Creditors: amounts falling due within one year	18	**(43,223)**		(105,527)	
Net current assets			**2,338**		6,100
Total assets less current liabilities			**12,298**		16,119
Creditors: amounts falling due after more than one year	20		**(697)**		-
Net assets			**11,601**		16,119
Capital and reserves					
Called up share capital	23		**1**		1
Other reserves	24		**-**		(123)
Profit and loss account	24		**11,600**		16,241
			11,601		16,119

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 6 October 2020.

C F Anderson
Director

The notes on pages 23 to 48 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE 52 WEEK PERIOD ENDED 28 MARCH 2020

	Called up share capital	Cash flow hedge reserve	Profit and loss account	Total equity
	£000	£000	£000	£000
At 25 March 2018	1	(119)	13,044	12,926
Comprehensive income for the period				
Profit for the period	-	-	6,218	6,218
Interest expense arising on adjustment for the hedged item in a designated fair value hedge accounting relationship taken to equity	-	(4)	-	(4)
Total comprehensive (expense)/income for the period	-	(4)	6,218	6,214
Dividends paid (see note 12)	-	-	(3,021)	(3,021)
At 31 March 2019	1	(123)	16,241	16,119
Comprehensive expense for the period				
Loss for the period	-	-	(4,641)	(4,641)
Interest income arising on adjustment for the hedged item in a designated fair value hedge accounting relationship taken to equity	-	123	-	123
Total comprehensive income/(expense) for the period	-	123	(4,641)	(4,518)
At 28 March 2020	1	-	11,600	11,601

The notes on pages 23 to 48 form part of these financial statements.

1. General information

Mulberry Company (Design) Limited, (the Company), is a private company, limited by shares, incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the registered office is given on the front of these financial statements The nature of the Company's operations and its principal activities are set out in the Strategic report on page 1.

The financial statements are prepared under the historical cost convention and under the going concern assumption. Further details of the Directors' considerations in relation to going concern are included in the Directors' Report.

The financial period runs for the 52 weeks to 28 March 2020 (2019: 53 weeks ended 30 March 2019).

These financial statements are presented in pounds sterling as that is the currency of the primary economic environment in which the Company operates. All values are rounded to the nearest thousand pounds (£'000) except when otherwise indicated.

Certain reclassifications have been made to the comparative Income Statement for the 53 week period ended 30 March 2019. Licence income of £471,030 was reclassified from other operating expenses to other operating income. The amendments were made in order for the comparative to be consistent with the classification for the 52 week period ended 28 March 2020. The reclassification had no impact on the operating loss for the 53 week period ended 30 March 2019.

Adoption of new and revised standards

The Company has applied FRS 101 'Reduced Disclosure Framework' incorporating the Amendments to FRS 101 issued by the FRC in July 2016 other than those relating to legal changes and has not applied the amendments to Company law made by The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2016 that are effective for accounting periods beginning on or after 1 January 2017.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2. **Accounting policies (continued)**

2.2 Financial reporting standard 101 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based payment
- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations
- the requirements of paragraph 33(c) of IFRS 5 Non Current Assets Held For Sale and Discontinued Operations
- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers
- the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases. The requirements of paragraph 58 of IFRS 16, provided that the disclosure of details in indebtedness relating to amounts payable after 5 years required by company law is presented separately for lease liabilities and other liabilities, and in total
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
    - paragraph 79(a)(iv) of IAS 1;
    - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
    - paragraph 118(e) of IAS 38 Intangible Assets;
    - paragraphs 76 and 79(d) of IAS 40 Investment Property; and
    - paragraph 50 of IAS 41 Agriculture
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

2.3 Going concern

These financial statements have been prepared on the going concern basis which assumes that the Company will continue in operational existence for the foreseeable future. The validity of this assumption depends on finance from the ultimate parent company who has confirmed to the Directors that they will continue to provide financial support. As a result, the Directors consider it appropriate for the financial statements to be prepared on the going concern basis. Further details can be found on page 13 and 14 in the Directors' Report.

2.4 Impact of new international reporting standards, amendments and interpretations

IFRS 16

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

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. The date of initial

2. Accounting policies (continued)

2.4 Impact of new international reporting standards, amendments and interpretations (continued)

application of IFRS 16 for the Company is 31 March 2019.

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

(a) Impact on the new definition of a lease

The Company has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those leases entered or changed before 31 March 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.

The Company applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or changed on or after 31 March 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of IFRS 16, the Group has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for the Company.

(b) Impact on Lessee Accounting

Former operating leases

IFRS 16 changes how the Company accounts for leases previously classified as operating leases under IAS 17, which were off-balance sheet.

Applying IFRS 16, for all leases (except as noted below), the Company:

• recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with IFRS 16:C8(b)(ii);
• recognises depreciation of right-of-use assets and interest on lease liabilities in the Company income statement;

Lease incentives (e.g. rent free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses on a straight line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (which includes tablets and personal computers, small items of office furniture and telephones), the Company has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within 'other operating expenses' in profit or loss.

The Company has used the following practical expedients when applying the modified cumulative catch-up approach to leases previously classified as operating leases applying IAS 17.

• The Company has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
• The Company has elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.
• The Company has excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.
• The Company has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

The Company has recognised £1,273,000 of right-of-use assets and £1,273,000 of lease liabilities upon transition to IFRS 16.

2. Accounting policies (continued)

2.4 Impact of new international reporting standards, amendments and interpretations (continued)

2.5 Foreign currency translation

At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

2.6 Revenue recognition

Revenue is measured at the fair value of the consideration received and represents amounts receivable for goods provided in the normal course of business, net of discounts, returns VAT and other sales-related taxes.

Wholesale revenue
Wholesale revenues from the sale of goods are recognised at the point that control of the inventory has passed to the customer, which depends on the specific terms and conditions of sales transactions and which is either upon collection from the group's distribution centre or delivery of the goods to the location specified in the contract. Revenues are settled in cash, net of discounts. Provisions are made for Wholesale credit notes based on the expected level of returns, which in turn is based upon the historical rate of returns. At the point of sale, a refund liability and corresponding adjustment to revenue is recognised for those products expected to be returned.

Repair revenue
Repair revenue from the provision of a repair service is recognised at the point the control of inventory is passed to the customer which is when the repaired goods are received by the customer.

Royalty and license income
The Company receives royalty and license income from its three partners based on specific agreements in place. The income is recognised based on the specific performance obligations within the agreements. This income is recognised within other income as it does not relate to consideration for goods supplied to customers.

Finance income
Finance income comprises interest receivable on funds invested and cash deposits. Finance income is recognised in the Company statement of comprehensive income using the effective interest rate method

Finance expenses
Finance expenses comprise interest payable on revolving credit facility, overdrafts, loans received from related parties and lease liabilities. Finance expenses are recognised in the Company statement of comprehensive income using the effective interest method.

2. Accounting policies (continued)

2.7 Financial instruments

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets

The Company classifies all of its financial assets as loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the Profit and loss account. On confirmation that the trade receivable will not be collected, the gross carrying value of the asset is written off against the associated provision.

Financial liabilities

The Company classifies its financial liabilities into one of the categories discussed below, depending on the purpose for which the liability was acquired.

Fair value through profit or loss

The Company holds only out-of-the-money derivatives. They are carried in the Balance sheet at fair value with changes in fair value recognised in the Profit and loss account.

Financial liabilities

Financial liabilities at amortised cost including bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried into the Balance sheet.

2.8 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.9 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2. Accounting policies (continued)

2.10 Share based payments

The Company participates in a number of Mulberry Group plc executive and employee share schemes where Mulberry Group plc issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of the proportion of shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions.

The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

Fair value is measured by use of the Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, performance conditions, exercise restrictions and behavioural considerations.

2.11 Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Profit and loss account when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

2.12 Current and deferred taxation

The tax credit/expense comprises current and deferred tax. Tax is recognised in profit or loss account except when a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax credit is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of timing differences that have originated but not reversed by the Balance sheet date, except that:

The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits in the following three years.

Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2. Accounting policies (continued)

2.13 Intangible assets

Intangible assets are initially recognised at cost less any accumulated amortisation and any accumulated impairment amount. Amortisation is charged to the income statement on a straight-line basis over the estimated useful life of the asset.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

Included in software is computer software which are amortised over the estimated useful life of the asset (typically four to five years).

2.14 Tangible fixed assets

Tangible fixed assets are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

The estimated useful lives range as follows:

Freehold buildings	- 20 to 25 years
Plant and machinery	- 4 to 7 years
Motor vehicles	- 4 years
Fixtures and fittings	- 2 to 10 years
Right of use assets	- Over the term of the lease

Freehold land and assets under the course of construction are not depreciated. Depreciation on assets commences when the assets are ready for intended use.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Profit and loss account.

2.15 Impairment of amounts due from Group undertakings

The Company reviews the carrying amount of amounts due from Group undertakings annually to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax or post-tax discount rate (as applicable based on the tax status of the entity) that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

2. Accounting policies (continued)

2.16 Inventories

Inventories are stated at the lower of cost and net realisable value. For internally manufactured inventory, cost comprises materials, direct labour costs, design costs and other overheads incurred in bringing the inventories to their current location and condition. Cost is calculated using the standard cost method. For product manufactured by third parties, cost includes product purchase price plus design and associated inward transportation costs. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

2.17 Debtors

Short term debtors do not carry any interest and are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.18 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and deposits with financial institutions. Cash equivalents that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.19 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.20 Provisions

A provision is recognised when the Company has a present legal or constructive obligation as a result of a past event, and where it is probable that an outflow will be required to settle the obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

2. Accounting policies (continued)

2.21 Hedge accounting

Derivative financial instruments ("derivatives") are used to manage risks arising from changes in foreign currency exchange rates relating to the purchase of overseas sourced raw materials and finished products. The Company does not enter into derivatives for speculative purposes. Foreign currency derivatives are stated at their fair value, being the estimated amount that the Company would receive or pay to terminate them at the balance sheet date based on prevailing foreign currency rates.

Changes in the fair value of foreign currency derivatives which are designated and effective as hedges of future cash flows are recognised in equity in the cashflow hedge reserve, and subsequently transferred to the carrying amount of the hedged item or the profit and loss account. Realised gains or losses on cash flow hedges are therefore recognised in the profit and loss account in the same period as the hedged item. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument previously recognised in equity is retained in equity until the hedged transaction occurs. If the hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is then transferred to the profit and loss account.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Company designated derivatives as hedges of highly probable forecast transactions, unless they contain an option element.

Changes in the fair value of foreign currency derivatives which are ineffective or do not meet the criteria for hedge accounting in IAS 39 are recognised in the profit and loss account.

2.22 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

2.23 Government grants for the Coronavirus Job Retention Scheme ("CJRS")

Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Company recognises as expenses the related costs for which the grants are intended to compensate. The value is included in other income. The Company was entitled to claim under the CJRS scheme for employees who were furloughed during the period of enforced lockdown in the UK. Grant income has been included in Other operating income (see note 5).

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, the Directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Company's accounting policies

The following are the critical judgements, apart from those involving estimations (which are presented separately below), that the Directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

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

The Company is part of Mulberry Group plc. As set out in the Directors' Report of the Mulberry Group plc Annual Report and Accounts, the Group's business activities, together with the factors likely to affect its future development, performance and financial position are set out in the Strategic Report together with the principle risks and uncertainties, including the mitigating actions which address these risks.

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

Key sources of estimation uncertainty
The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, are discussed below.

Incremental borrowing rate used to calculate right of use assets and lease liabilities
In the absence of the Group having a formal credit rating, and with lease liabilities exceeding the value of existing bank facilities, the Group has had to determine its incremental borrowing rate using synthetic means to determine a hypothetical credit score to estimate an appropriate incremental borrowing rate. As such, the assumptions used in determining such a credit score may be subject to challenge. The Directors have however sought professional advice in determining such synthetic interest rates.

Please see note 14 for details of the impact of reasonably possible changes on areas of estimation uncertainty.

Impairment of amounts due from Group undertakings
Amounts due from Group undertakings are reviewed annually for impairment or if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount is determined based on value in use or net realisable value calculations and is prepared on the basis of management's assumptions and estimates. These include assumptions on future growth rates and cost of capital.

Deferred tax assets
Deferred tax assets have been recognised on tax recoverable on UK trading losses which are expected to be recovered against future taxable profits in the following three years, as well as on differences between carrying amounts of assets in the financial statements and the corresponding tax basis used in the computation of taxable profit. In the event that actual future taxable profits differ from current estimates, deferred tax assets may have been over or understated at 28 March 2020. See note 22 for further details.

The recognised deferred tax asset at 28 March 2020 is £1,253,000. A decrease/increase of 5% in revenue grwoth in the next three years would lease to a decrease/increase in deferred tax assets of £600,000.

4. Revenue

An analysis of revenue by class of business and by destination follows:

	52 weeks ended 28 March 2020 £000	53 weeks ended 30 March 2019 £000
Sale of goods	**81,873**	95,924
	81,873	95,924

	52 weeks ended 28 March 2020 £000	53 weeks ended 30 March 2019 £000
United Kingdom	**62,828**	76,148
Rest of Europe	**12,755**	13,238
Rest of the world	**6,290**	6,538
	81,873	95,924

5. Other operating income

	52 weeks ended 28 March 2020 £000	Restated 53 weeks ended 30 March 2019 £000
Other operating income	**299**	251
Royalty receivable	**224**	187
License income	**471**	471
	994	909

Other operating income includes £85,000 (2019: £nil) of grants receivable under HMRC's Coronavirus Job Retention Scheme.

For the 53 weeks ended 30 March 2019, license income of £471,030 was included within operating expenses and is now included within other operating income.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE 52 WEEK PERIOD ENDED 28 MARCH 2020

6. Operating (loss)/profit

The operating profit/(loss) is stated after charging/(crediting):

	52 weeks ended 28 March 2020 £000	53 weeks ended 30 March 2019 £000
Provision (released)/made against intercompany balances	**(2,477)**	493
Depreciation of tangible fixed assets	**1,628**	1,476
Depreciation of right of use assets	**293**	-
(Loss)/profit on disposal of non current assets	**(8)**	55
Amortisation of intangible assets, including goodwill	**661**	567
Staff costs	**23,082**	23,677
Exchange differences	**(660)**	(302)
Cost of stocks recognised as an expense	**56,565**	60,046
Including:		
- write-down stocks to net realisable value	**255**	(105)
Bad debt expense/(credit)	**506**	(53)

7. Auditors' remuneration

	52 weeks ended 28 March 2020 £000	53 weeks ended 30 March 2019 £000
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	**77**	70

Included in the audit fee above are audit services of £10,000 (2019: £10,000) incurred by Mulberry Company (Design) Limited in respect of audit services provided to Mulberry Group Holding Company Limited and Mulberry Trading Holding Company Limited

8. Employees

Staff costs were as follows:

	52 weeks ended 28 March 2020 £000	53 weeks ended 30 March 2019 £000
Wages and salaries	**20,300**	20,894
Social security costs	**1,910**	2,107
Share based payments (see note 23)	**9**	(28)
Cost of defined contribution scheme	**863**	704
	23,082	23,677

In addition to the wages and salaries above, the Company has incurred £737,000 (2019: £469,000) in respect of certain Mulberry Group plc employees representing the time those employees spent providing services to Mulberry Company (Design) Limited.

T P Andretta, N J Ritchie and C F Anderson received their remuneration from Mulberry Group plc. It is not practicable to allocate their remuneration between their services as Director of this Company and their services as a Director of Mulberry Group plc. Please refer to note 41 in the Mulberry Group plc Annual Report and financial statements for further details. Total remuneration for Directors was £1,709,000 (2019: £1,876,000).

The average monthly number of employees, including the Directors, during the period was as follows:

	52 weeks ended 28 March 2020 No.	53 weeks ended 30 March 2019 No.
Production	**504**	548
Sales and distribution	**72**	72
Administration	**196**	193
	772	813

9. Finance income

	52 weeks ended 28 March 2020 £000	53 weeks ended 30 March 2019 £000
Interest receivable from group companies	**25**	31
Gains on foreign exchange contracts	**32**	12
Other interest receivable	**47**	83
	104	126

10. Finance expense

	52 weeks ended 28 March 2020 £000	53 weeks ended 30 March 2019 £000
Interest on bank overdraft	**69**	-
Interest arising on adjustment from the hedged item in a designated fair value hedge accounting relationship	**29**	25
Finance costs of lease liabilities	**45**	-
Other interest payable	**2**	26
	145	51

11. Taxation

	52 weeks ended 28 March 2020 £000	53 weeks ended 30 March 2019 £000
Corporation tax		
Current tax for the period	**-**	434
Adjustments in respect of previous periods	**(82)**	(501)
	(82)	(67)
Total current tax	**(82)**	(67)
Deferred tax		
Origination and reversal of timing differences	**(1,254)**	25
Effects of differences between deferred tax and current tax rates	**87**	252
Total deferred tax	**(1,167)**	277
Taxation on (loss)/profit	**(1,249)**	210

11. Taxation (continued)

Factors affecting tax (credit)/charge for the period

The (credit)/charge for the period can be reconciled to the (loss)/profit per the income statement as follows:

	52 weeks ended 28 March 2020 £000	53 weeks ended 30 March 2019 £000
(Loss)/profit before tax	**(5,890)**	6,428
(Loss)/profit multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	**(1,119)**	1,221
Effects of:		
Expenses not deductible for tax purposes	**(52)**	181
Adjustments to tax charge in respect of prior periods	**(82)**	(250)
Effect of differences between deferred tax and current tax rates	**-**	11
Group relief	**4**	(953)
Total tax (credit)/charge for the period	**(1,249)**	210

Factors that may affect future tax charges

The Finance Act 2016 which was enacted on 15 September 2016 reduced the main rate of corporation tax from 20% to 19% with effect from 1 April 2017 and from 19% to 17% with effect from 1 April 2020. Finance Act 2020 which was enacted on 22 July 2020 reversed the reduction to 17% so the main rate of corporation tax remains at 19% from 1 April 2020 and has been set at 19% for the financial year 2021 also. Accordingly, UK deferred tax has been provided and recognised at the rates applicable to the periods in which temporary differences are expected to occur. The Directors are not aware of any other factors that will materially affect the future tax charge.

Deferred tax assets of £1,253,000 (2019: £86,000) have been recognised in respect of accelerated tax depreciation, short term temporary differences and current period trading losses, as set out in note 20. There are no unrecognised deferred tax assets.

The adjustments in respect of prior period affecting current tax have arisen on the finalisation of corporation tax computations for the financial period ended 30 March 2019 when compared with the estimated tax provision previously calculated. Deferred tax prior period adjustments are derived from the finalisation of capital allowances and the tax treatment of provisions.

12. Dividends

The following final dividends were approved and paid during the period.

	52 weeks ended 28 March 2020 £000	53 weeks ended 30 March 2019 £000
Dividend of £nil (2019: £3.021) per £1.00 ordinary share	**-**	3,021
	-	3,021

13. Intangible assets

	Computer software £000
Cost	
At 31 March 2019	**9,616**
Additions - external	**690**
At 28 March 2020	**10,306**
Amortisation	
At 31 March 2019	**7,966**
Charge for the 52 week period on owned assets	**661**
At 28 March 2020	**8,627**
Net book value	
At 28 March 2020	**1,679**
At 30 March 2019	1,650

14. Tangible fixed assets and right of use assets

	Freehold property £000	Plant and machinery £000	Motor vehicles £000	Fixtures and fittings £000	Right of use asset £000	Total £000
Cost or valuation						
At 31 March 2019	5,485	9,207	50	2,416	-	17,158
Initial application of IFRS16	-	-	-	-	1,273	1,273
At 31 March 2019 (adjusted balance)	5,485	9,207	50	2,416	1,273	18,431
Additions	-	490	-	73	-	563
Disposals	(3)	(157)	(18)	-	-	(178)
At 28 March 2020	5,482	9,540	32	2,489	1,273	18,816
Depreciation						
At 31 March 2019	1,040	6,420	50	1,279	-	8,789
Charge for the 52 week period on owned assets	182	1,137	-	309	293	1,921
Disposals	-	(157)	(18)	-	-	(175)
At 28 March 2020	1,222	7,400	32	1,588	293	10,535
Net book value						
At 28 March 2020	4,260	2,140	-	901	980	8,281
At 30 March 2019	4,445	2,787	-	1,137	-	8,369

14. Tangible fixed assets and right of use assets (continued)

As at 28 March 2020, right of use assets comprised leasehold property of £760,000, fixtures and fittings of £124,000 and motor vehicles £88,000. Depreciation on right of use assets was £211,000 on leasehold properties, £46,000 on fixtures and fittings and £36,000 on motor vehicles.

Included within freehold buildings is land of £1,032,000 (2019: £1,032,000) which has not been depreciated.

Impairment of property, plant and equipment

The Company reviews property, plant and equipment at each reporting period end for indicators of impairment. Where indicators of impairment are identified, the recoverable amounts of the cash-generating units ('CGU') are determined from value in use calculations and are compared to the assets' carrying values at 28 March 2020.For the period ended March 28 2020 the Company reviewed all of it's property, plant and equipment. During the period, an impairment charge of £nil (2019: £nil) was identified as part of the Directors' impairment review of the assets.

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

With regard to the assessment of value in use, a change in any of the above key assumptions could have a material impact on the carrying value of the cash generating unit. A 10% decrease in revenue would not result in a reduction or increase in the head room (2019: £nil).

The growth rates reflect expectations of future changes in the market. After five years this rate reduces to 2%, being the approximate average long term growth rate for the relevant markets. A 10% decrease in the sales growth rate would not result in a reduction or increase in headroom.

The pre-tax discount rates used in these calculations was 10.2% (2019: 12.3%). This is based on the Company's weighted average cost of capital adjusted for country specific risks. A 10% decrease in the discount rate would not result in a reduction or increase in the head room (2019: £nil).

Impairment of right of use assets

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

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

With regard to the assessment of value in use, a change in any of the above key assumptions could have a material impact on the carrying value of the cash generating unit. A 10% decrease in revenue would not result in a reduction or increase in the impairment charge.

The growth rates reflect expectations of future changes in the market. After five years this rate reduces to 2%, being the approximate average long term growth rate for the relevant markets. A 10% decrease in the sales growth rate would not result in a reduction or increase in the impairment charge.

The pre-tax discount rates used in these calculations was 10.2%.This is based on the Company's weighted average cost of capital adjusted for country specific risks. A 10% increase in the discount rate would not result in a reduction or increase in the impairment charge.

The following amounts recognised in the income statement;

	28 March 2020 £000
Depreciation of right of use assets	293
Finance costs of lease liabilities	45
	338

15. Stocks

	28 March 2020 £000	30 March 2019 £000
Raw materials and consumables	2,630	2,011
Work in progress (goods to be sold)	831	735
Finished goods and goods for resale	24,092	29,417
	27,553	32,163

16. Debtors

	28 March 2020 £000	30 March 2019 £000
Trade debtors	3,412	3,714
Amounts owed by group undertakings	7,834	65,551
Corporation tax	315	956
Prepayments and other receivables	1,223	1,268
Other debtors	85	-
Deferred taxation	1,253	86
Derivative financial instruments	244	-
	14,366	71,575

Interest at 0.5% is charged on the balance with Mulberry Company (Germany) GmbH. All other amounts owed by group undertaking are interest free. All amounts owed by group undertakings are repayable on demand.

The Group and Company took early and decisive cash preservation measures across the business. Other debtors includes Government grants, in relation to the UK's Coronavirus Job Retention Scheme (CJRS), for the period of £85,000 (2019: £nil)

17. Cash and cash equivalents

	28 March 2020 £000	30 March 2019 £000
Cash at bank and in hand	**3,642**	7,889
	3,642	7,889

18. Creditors: Amounts falling due within one year

	28 March 2020 £000	30 March 2019 £000
Trade creditors	**9,200**	5,707
Amounts owed to group undertakings	**27,959**	95,486
Other taxation and social security	**1,878**	2,336
Short term lease liabilities	**276**	-
Accruals	**3,910**	1,868
Financial instruments	**-**	130
	43,223	105,527

Amounts owed to group undertakings are interest free and repayable on demand.

19. Lease liabilities

Lease liabilities are determined by calculating discounted lease payments using the Company's incremental borrowing rates at 28 March 2020. The discount rates applied range between 3.9% to 4.3% with a weighted average rate of 4.1%. These rates have been determined based on comparable bond yields and are lease specific varying by territory and lease length.

	28 March 2020 £000
Analysed as	
Current	**276**
Non-current	**697**
	973

Future minimum lease payments at 28 March 2020 are as follows:

	28 March 2020 £000
Maturity analysis;	
Year 1	**310**
Year 2	**279**
Year 3	**166**
Year 4	**58**
Year 5	**55**
Year 6	**55**
Year 7	**55**
Year 8	**55**
Year 9	**50**
Effect of discounting	**(110)**
Carrying amount of liability	**973**

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

20. Creditors: Amounts falling due after more than one year

	28 March 2020 £000	30 March 2019 £000
Long term lease liabilities	**697**	-
	697	-

21. Financial instruments

	28 March 2020 £000	30 March 2019 £000
Financial assets		
Cash and cash equivalents	**3,642**	7,889
Trade and other receivables at amortised cost	**12,554**	70,533
Financial derivatives measured at fair value through income statement	**244**	-
	16,440	78,422

	28 March 2020 £000	30 March 2019 £000
Financial liabilities		
Derivative financial instruments measured at fair value through profit or loss held as part of a trading portfolio	**-**	(130)
Financial liabilities measured at amortised cost	**(43,223)**	(105,397)
	(43,223)	(105,527)

22. Deferred taxation

	2020 £000	2019 £000
At 30 March 2019	**86**	362
Credited/(charged) to profit or loss	**1,167**	(276)
At 28 March 2020	**1,253**	86

The deferred tax asset is made up as follows:

	28 March 2020 £000	30 March 2019 £000
Accelerated tax depreciation	**41**	113
Trading losses	**1,189**	-
Short-term timing differences	**23**	(27)
	1,253	86

23. Share capital

	28 March 2020 £000	30 March 2019 £000
Authorised, allotted, called up and fully paid		
1,000 (2019 - 1,000) Ordinary shares of £1.00 each	**1**	1

24. Cash flow hedge reserve

The cash flow hedge reserve represents the cumulative amount of gains and losses on hedging instruments deemed effective in cash flow hedges. The cumulative deferred gain or loss on the hedging instrument is recognised in profit or loss only when the hedged transaction impacts the profit or loss, or is included as a basis adjustment to the non-financial hedged item, consistent with the applicable accounting policy.

No gains and losses have been reclassified from the cash flow hedge reserve into the profit or loss reserve for the comparative or current period.

25. Share based payments

The Company participated in the following share schemes during the year.

Mulberry Group plc 2008 Unapproved Share Option Scheme

The scheme was established on 14 April 2008 and is open to all employees of Mulberry Group plc and its subsidiaries. The exercise price is equal to the market value of the shares on the date of grant. The vesting period is generally three years after the date of grant of options, and can be exercised for a period of ten years from the date of grant. If the options remain unexercised for a period of ten years from the date of grant, they expire. Options may be forfeited if the employee leaves the Group.

During the period no options were exercised (2019: 6,400 options at a weighted average exercise price of £7.58). Also in the period, 33,500 shares were forfeited (2019:48,500)

At 28 March 2020 112,400 options were outstanding (2019: 145,900).

Mulberry Group plc 2008 Deferred Bonus Plan

The plan was established on 8 August 2008 and is open to all employees of Mulberry Group plc and its subsidiaries. The share-based payments charge relates to the cost of matching shares awarded to employees participating in this plan. The vesting period is two years after the date of grant of options and can be exercised for a period of ten years from the date of grant. If the matching shares remain unexercised after a period of ten years from the date of grant, the award expires. The matching shares may be forfeited if the employee leaves the Group.

During the year 110 options were exercised (2019: 8,702).

At 28 March 2020 523 options were outstanding (2019: 523).

Mulberry Group plc 2017 Performance Share Plan

This option grant was made on 10 July 2017 and may be exercised after the Group's financial results for the financial year ended 28 March 2020 have been announced, and up to 10 years from the date of grant, upon attainment of the relevant performance conditions.

During the year no options were exercised (2019:nil). During the year 410,000 options were granted (2019: no options were granted) and 11,500 forfeited (2019: 8,000).

At 28 March 2020 479,500 options were outstanding (2019: 81,000).

Share-based payments – accounting as equity-settled

The Company accounts for its share schemes as equity-settled but during the prior year some exercises were settled in cash and therefore the Directors have needed to consider whether these should now be accounted for as cash-settled options. Settling the equity-settled share options for a cash alternative was at the Directors' discretion and was due to the very small number of exercises, the fact that the Company had sufficient cash at the time and this was administratively easier. In making their judgement to account for the share options as equity-settled share options the Directors are satisfied that the Company has no constructive obligation to settle in cash and as such the schemes can continue to be accounted for as equity-settled.

26. Contingent liabilities

The Company forms part of the borrowing group for the Group's £15 million revolving credit facility. Other members of the borrowing group are:

Mulberry Trading Holding Company Limited
Mulberry Company (Europe) Limited
Mulberry Company (Sales) Limited

The revolving credit facility is cross guaranteed by the borrowing group, Mulberry Group plc and Mulberry Group Holding Company Limited.

27. Capital commitments

At 28 March 2020 the Company had capital commitments as follows:

	28 March 2020 £000	30 March 2019 £000
Plant and machinery	**7**	30
Fixtures and fittings	-	49
	7	79

28. Related party transactions

The Company has taken advantage of the disclosure exemption in FRS 101 Reduced Disclosure Framework, not to disclose transactions with wholly owned subsidiaries of the same group. The financial statements of the ultimate parent company are available to the public (see note 30).

Transactions with other related parties, together with the nature of the relationship, are set out below:

	28 March 2020 £000	30 March 2019 £000
Sale of goods		
Mulberry Oslo AS	**1,237**	1,195
Club 21 Pte Limited*	**840**	923
Club 21 (Thailand) Co Limited*	**465**	393
Club Twenty-One Retail (M) Sdn Bhd*	**294**	392
Amounts owed by/(to) related parties		
Mulbery Oslo AS	**147**	40
Club Pte Limited*	**85**	20
Club 21 (Thailand) Co Limited*	**62**	4
Club Twenty-One Retail (M) Sdn Bhd*	**56**	11

Mulberry Oslo AS is an associate company of Mulberry Group plc.

*These are related parties of the Group as they are all related companies of Challice Limited, the majority shareholder of the Company.

All sales of goods have been made on an arm's length basis. The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. Other than group companies, no provisions have been made for doubtful debts in respect of the amounts owed by related parties.

29. Post balance sheet events

Since the period end, the Group has extended the revolving credit facility with HSBC until March 2022 and renegotiated banking covenants in line with the downside scenario projections described in the Going Concern Statement on page 13. The £15.0m revolving credit facility is secured by fixed and floating debentures over the assets
of its subsidiaries, excluding inventory and shares in Mulberry Co. Japan Limited, and fixed legal charges over the Group's freehold premises. Covenants are tested on a quarterly basis and contain a 12 month rolling EBITDA target and a maximum net debt target. Covenants are tested on a 'frozen GAAP' basis and exclude the impact of IFRS 16.

In response to the impact of Covid-19 on the business, following a period of consultation, the Company made 212 roles redundant in the UK. The cost to implement these redundancies was £1.6m, with anticipated annual savings of £7.7m.

30. Controlling party

The immediate parent company of Mulberry Company (Design) Limited is Mulberry Trading Holding Company Limited. The ultimate parent company of the Group is Mulberry Group plc.

The largest and smallest group in which the results of the Company are consolidated is that of Mulberry Group plc, registered in England and Wales. The consolidated financial statements of Mulberry Group plc are available to the public and can be obtained from the Company's registered office at The Rookery, Chilcompton, Bath, Somerset, BA3 4EH.

At the period end, Challice Limited controlled Mulberry Group plc as a result of controlling directly 56.14% of its issued share capital. The ultimate controlling parties of Challice Limited are Mr. Ong Beng Seng and Mrs. Christina Ong. As at the date of signing, Challice Limited controlled 56.14% of the issued share capital.