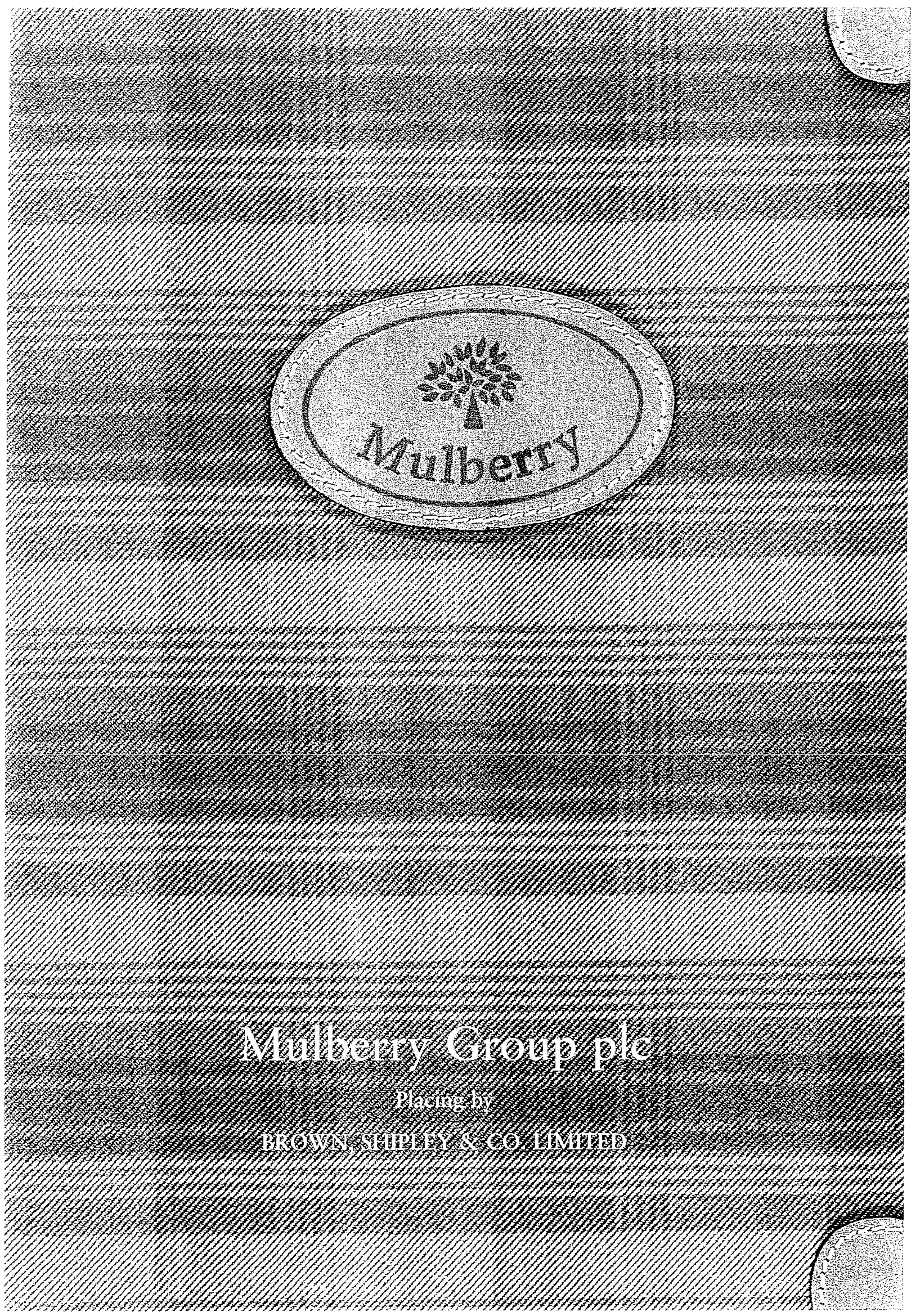

Mulberry Group plc

Placing by

BROWN, SHIPLEY & CO. LIMITED

THIS DOCUMENT IS IMPORTANT. IF YOU ARE IN ANY DOUBT ABOUT THE CONTENTS OF THIS DOCUMENT YOU SHOULD CONSULT A PERSON AUTHORISED UNDER THE FINANCIAL SERVICES ACT 1986 WHO SPECIALISES IN ADVISING ON THE ACQUISITION OF SHARES AND OTHER SECURITIES

This document, which is an Admission Document in relation to AIM, does not comprise a prospectus, in accordance with The Public Offers of Securities Regulations 1995 but has been delivered to the Registrar of Companies for England and Wales for registration The Directors of Mulberry Group plc, whose names appear on page 5 of this document, accept responsibility for the information contained in this document To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information

Application has been made for the whole of the issued share capital of the Company to be admitted to trading on the Alternative Investment Market of the London Stock Exchange ("AIM") It is emphasised that no application is being made for admission of these securities to the Official List. AIM is a market designed primarily for emerging or smaller companies The Rules of this market are less demanding than those of the Official List. The London Stock Exchange has not itself examined this document

MULBERRY GROUP plc

(incorporated and registered in England and Wales under the Companies Acts 1948 to 1967 and the Companies Act 1985 with registered No.1180514)

Mulberry
ENGLAND

Placing

by

BROWN, SHIPLEY & CO. LIMITED

of 5,607,887 Shares of 5p each at 153p per Share

and

Admission to Trading on the Alternative Investment Market

The following table shows the authorised and issued share capital of the Company immediately following the Placing:

AUTHORISED		ISSUED AND FULLY PAID	
AMOUNT	NUMBER	AMOUNT	NUMBER
£1,350 000	27,000,000 Shares of 5p each	£991,147	19,822,941 Shares of 5p each

The Placing Shares will, on Admission, rank *pari passu* in all respects with the existing issued share capital of the Company, including the right to receive all dividends or other distributions hereafter declared, paid or made

The subscription list for the Placing Shares will open at 12 01am on 23 May 1996 and will close on 7 00am on 23 May 1996 or later at the Directors' discretion

Brown Shipley has been appointed nominated adviser to the Company Under the AIM Rules, the nominated adviser has certain responsibilities to the London Stock Exchange which are less onerous than the responsibilities of a sponsor of a company applying for its securities to be admitted to the Official List In accordance with the AIM Rules, Brown Shipley has confirmed to the London Stock Exchange that it has satisfied itself that the directors of the Company received independent advice and guidance as to the nature of their responsibilities and obligations under the AIM Rules and that to the best of its knowledge and belief, all relevant requirements of the AIM Rules (save for compliance with the general duty of disclosure contained in regulation 9 of the POS Regulations, in respect of which the nominated adviser is not required to satisfy itself) have been complied with In giving its confirmation to the London Stock Exchange, Brown Shipley has not made its own enquiries except as to matters which have come to its attention on which it considers it necessary to satisfy itself. No liability whatsoever is accepted by Brown Shipley for the accuracy of any information or opinions contained in this document or for the omission of any material information for which the Company and its Directors are solely responsible. Brown Shipley will not be offering advice and will not otherwise be responsible for providing customer protections to recipients of this document in respect of the Placing or the acquisition of the Placing Shares

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DEFINITIONS

The following definitions apply throughout this document unless the context otherwise requires:

"Act"	the Companies Act 1985, as amended
"Admission"	the effective admission of the whole of the issued share capital of the Company to trading on AIM.
"AIM"	the Alternative Investment Market of the London Stock Exchange.
"AIM Rules"	Chapter 16 of the Rules of the London Stock Exchange
"Brown Shipley"	Brown, Shipley & Co Limited, regulated by The Securities and Futures Authority Limited and Nominated Adviser to the Company.
"Company", "Mulberry" or "Group"	Mulberry Group plc or the group of companies of which Mulberry Group plc is the holding company or the "Mulberry" brand, as the context may require.
"Deep Discounted Loan Notes" or "DDLNs"	the 1996 – 2000 deep discounted loan stock issued by Mulberry to the Institutional Investors.
"Directors" or the "Board"	the directors of the Company.
"Institutional Investors"	the syndicate of institutional shareholders comprising funds advised by or under the management of Charterhouse Development Capital Limited, Kleinwort Benson Development Capital Limited and Phoenix Fund Managers Limited
"London Stock Exchange"	London Stock Exchange Limited
"Placees"	subscribers for or purchasers of Placing Shares.
"Placing"	the placing by Brown Shipley of the Placing Shares pursuant to the Placing Agreement.
"Placing Agreement"	the agreement between Brown Shipley, the Company, the Directors and the Vendors, details of which are set out in paragraph 8 of Part V of this document.
"Placing Price"	153p per Placing Share.
"Placing Shares"	5,607,887 Shares to be subscribed for or purchased by the Placees pursuant to the Placing Agreement
"POS Regulations"	The Public Offers of Securities Regulations 1995.
"Shares"	shares of 5p each in the capital of the Company.
"Vendors"	the Institutional Investors and Mr R J Saul.

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PLACING STATISTICS

Placing Price		153p
Number of Shares being placed	: on behalf of the Company	2,976,852
	: on behalf of the Vendors	2,631,035
	: total	5,607,887
Total proceeds raised by the Placing		£8.58 million
Percentage of the issued share capital being placed		28.29%
Number of Shares in issue after the Placing		19,822,941
Market capitalisation at the Placing Price		£30.33 million
Pro forma earnings per Share		6.4p
Pro forma price earnings multiple at the Placing Price		23.9

Notes:

Pro forma earnings per Share are calculated as described in Part IV of this document and reflect an adjustment for the new capital structure following the Placing.

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DIRECTORS, SECRETARY AND ADVISERS

Directors:	Roger John Saul (Chairman and Chief Executive) Godfrey Pawle Davis FCA (Finance Director) John Stuart Rogers ACFI (Managing Director Mulberry Company (Design) Limited and Director) David Colin Ingram ACA (Retail Director and Chairman of the Audit Committee) Mrs Marion Joan Saul (Director – People Department) Robert (Robin) Edward Graeme Gibson (non-executive Director and Chairman of the Remuneration Committee) all of:
Registered Office:	Kilver Court, Shepton Mallet, Somerset, BA4 5NF
Secretary:	David Colin Ingram ACA
Nominated and Financial Adviser:	Brown, Shipley & Co Limited Founders Court Lothbury LONDON EC2R 7HE
Nominated Broker:	Teather & Greenwood Salisbury House London Wall LONDON EC2M 5TH
Registered Auditors and Reporting Accountants:	Arthur Andersen Broad Quay House BRISTOL BS1 4DJ
Solicitors to the Company:	Wansbroughs Willey Hargrave 103 Temple Street BRISTOL BS99 7UD
Solicitors to the Nominated Adviser and the Placing:	Gouldens 22 Tudor Street LONDON EC4Y 0JJ
Bankers:	Midland Bank plc Bristol City Office 49 Corn Street BRISTOL BS99 7PP
Registrars:	The Royal Bank of Scotland Plc Registrar's Department P O Box 82 Caxton House Redcliffe Way BRISTOL BS99 7YA

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PART I

KEY INFORMATION

The following information should be read in conjuction with the full text of this document, from which it is derived.

THE BUSINESS

Mulberry is a leading international designer brand The Group manufactures and sells, under its own brand name, a comprehensive range of luxury leather accessories (**"Accessories"**) ready to wear clothing for both men and women (**"Ready to Wear"**), and an interior design collection (**"Home"**)

Mulberry sells its product both wholesale and retail. It wholesales approximately 65% of its sales through its own sales teams and through other agents and distributors to over 1,000 wholesale accounts in 32 countries. It retails the remaining 35% through 50 dedicated outlets, of which 18 are operated by the Group, with the remainder comprising franchises and outlets run by distributors. These outlets are situated in carefully researched locations, usually in prime retail sites. In the UK, these include the flagship store in New Bond Street, London which opened in December 1995 and concessions in Harrods, Harvey Nichols and Liberty

The Mulberry brand has, since its formation in 1971 by Roger Saul, been created around a design concept based on the classic themes of the sporting tradition of the English countryside. It is internationally renowned for the quality of its designs and the attention to detail that it applies. The Directors believe that at the heart of its success is the fact that Mulberry has continued to achieve a balance of timeless quality with innovation.

Mulberry employs approximately 486 people of whom over 370 work in Somerset and it is believed to be one of the largest manufacturers of luxury leather goods in Europe. It has evolved into a company with four operating divisions, which sell to an increasing number of international customers: **Accessories** accounts for approximately 64% of sales, with **Ready to Wear** and **Home** comprising 22% and 14% respectively The fourth division is **Retail**. Its exports have regularly exceeded 65% of sales, and the Group has won numerous awards including the Queen's Award for Export Achievement three times.

The management of Mulberry is undertaken by the Group Board which delegates divisional authority to the respective operating divisional boards Each of the divisions except **Retail,** has its own design team which is responsible for producing "the collection" from the first creative process through to a finished sample range, costed and priced to achieve a target profit

The **Accessories** division is vertically integrated, with design, manufacture and distribution being undertaken in-house. Mulberry sources high quality raw materials and the production process brings together traditional craftsmanship with technology such as computer aided design and manufacture. Throughout this design and production process, Mulberry places the highest degree of importance on all aspects of quality control The **Ready to Wear** and **Home** product ranges are sourced externally to Mulberry's exacting quality criteria At present, Mulberry has granted licences only for the manufacture of three products, namely, watches, sunglasses and toiletries.

FINANCIAL RECORD

The table below, which contains a summary of the financial record of the Group has been extracted from the Accountants' Report which is set out in Part III:

	16 months ended 31 March 1994 £'000	*Year ended 31 March 1995 £'000*	*1996 £'000*
Turnover	**27,083**	**25,309**	**28,010**
Operating profit	**1,697**	**1,965**	**2,437**
Interest payable and similar charges (net)	(1,553)	(1,286)	(1,651)
Group share of profit of associated undertaking	5	35	30
Profit on ordinary activities before taxation	**149**	**714**	**816**
Tax on profit on ordinary activities	(98)	(258)	(287)
Profit on ordinary activities after taxation	51	456	529

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PRO FORMA FINANCIAL INFORMATION

In February 1992 Mulberry raised capital from the Institutional Investors to secure the Group's continued development. The Institutional Investors subscribed for 26.34% of the issued share capital of the Company and £3 9 million of Deep Discounted Loan Notes.

As a result of the full redemption of the Deep Discounted Loan Notes following the Placing, there is a fundamental change in the Company's capital structure, substantially reducing the interest cost to the Company.

Accordingly, a pro forma statement of consolidated profit and loss is set out in Part IV of this document showing how the results of the Group for the year ended 31 March 1996 would have looked if the new capital structure had been in place throughout the year, and in accordance with the assumptions detailed in Part IV.

The pro forma statement shows a pro forma consolidated profit on ordinary activities after taxation of £1.269 million and pro forma earnings per Share of 6.4p.

PROSPECTS

The Placing and the consequent redemption of the DDLNs will significantly reduce the Group's interest cost The Directors believe that with this new capital structure and enhanced cashflow, the Group will have the opportunity for future growth.

Mulberry believes that it has three major areas of growth:

1. the development of existing markets;
2. the achievement of sales growth by developing new markets;
3. the development of complementary products for both existing and new markets

Mulberry is an established international brand and increasingly competes with others such as Louis Vuitton, Gucci and Ralph Lauren. It is at an earlier stage of development than such competitors and accordingly, the Directors believe that the Company will continue to increase its market share.

THE PLACING

The Company has grown substantially since the investment by the Institutional Investors in 1992 and trading and profitability have both greatly strengthened. The Placing will allow the Company to replace the funding provided by the Institutional Investors with resulting benefits to the Group's profitability, cashflow and balance sheet.

The Placing Shares are being placed by Brown Shipley at the Placing Price 2,173,519 of the Placing Shares are existing Shares being placed on behalf of the Institutional Investors, 457,516 are existing Shares being placed on behalf of Roger Saul and 2,976,852 are new Shares being placed on behalf of the Company Of the gross proceeds available to the Company totalling £4.6 million, £3.8 million will be used to repay three of the four remaining tranches of DDLNs £0 2 million will be used to purchase at nominal value all the Shares not sold by the Institutional Investors pursuant to the Placing. The balance is being raised to cover the costs of the Placing

The Placing Shares will represent 28 29% of the issued Share capital of the Company immediately following Admission.

The executive Directors have undertaken not to dispose of Shares before the audited accounts of the Company for the year ending 31 March 1997 have been laid before an Annual General Meeting of the Company Following the Placing the existing Institutional Investors will have no further shareholding or connection with Mulberry

Further details of the Placing Agreement are set out in paragraph 8 of Part V.

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PART II

INFORMATION ON THE GROUP

INTRODUCTION

The Group is based in Somerset. The headquarters are at Kilver Court near Shepton Mallet, where Mulberry also has its factory shop The Group's factory and two other production facilities are situated nearby

Mulberry is a leading international designer brand The Mulberry brand has, since its formation in 1971 by Roger Saul, been created around a design concept based on the classic themes of the sporting tradition of the English countryside. It is internationally renowned for the quality of its designs and the attention to detail that it applies. The Directors believe that at the heart of its success is the fact that Mulberry has continued to achieve a balance of timeless quality with innovation.

The Group operates as a designer, wholesaler, retailer and franchiser of a comprehensive portfolio of products in the following categories:

Accessories: ladies handbags, belts, briefcases, organisers, luggage and small leather goods

Ready to Wear: outerwear, sportswear, tailored and casual clothing for both men and women.

Home: fabrics, soft furnishings, furniture, china and other interior design products.

All these products are manufactured or sourced through the production units in Somerset This ensures quality control, brand integrity and, particularly in the case of Accessories, it enables the Company to achieve margins in line with the best in the industry. Mulberry makes extensive use of computerised systems for design, production and financial control.

Mulberry employs approximately 486 people of whom over 370 work in Somerset and it is believed to be one the largest manufacturers of luxury leather goods in Europe Exports have regularly exceeded 65% of the Group's sales, and the Group has won numerous export awards including the Queen's Award for Export Achievement three times.

HISTORY

Roger Saul started Mulberry in the Somerset village of Chilcompton, near Bath, in 1971 where he designed and produced his first collection of Accessories supplying Harrods, Fenwick, Biba and others

In 1974, the Group opened its first factory manufacturing Accessories and the business expanded The classic "Mulberry" leather accessories range, derived from a theme based on English country sporting pursuits, evolved in that year, during which time Mulberry also exhibited in Paris. In 1975 Mulberry held its first London fashion show at the Café Royal. Exports quickly became a key part of the business The Group opened wholesale showrooms in London and in 1979 it was awarded the Queen's Award for Export Achievement for the first time.

In the early 1980s, the first Mulberry shops were opened in St Christopher's Place, London and Place de Victoire, Paris, which helped to market the brand to the customer In the following years Mulberry was one of the first designer brands successfully to develop franchise retailing, opening a succession of shops throughout Europe and the Far East. These positioned the brand for the development of its wholesale business.

The Mulberry Home Collection was launched in 1991, and now accounts for 14% of Group sales. In December 1995, Mulberry opened a new 5,000 sq ft flagship store in New Bond Street This store is the first to house the entire product range of the Group.

THE BUSINESS

Structure and Management

The management and sales structure has been developed to provide depth and breadth of resource and experience to the Group.

The Group is managed by a Board of five executive Directors and a non-executive Director It is the Company's intention that a further non-executive director will be appointed in the current year.

The Group has four operating divisions, **Accessories, Ready to Wear, Home** and **Retail**. These divisions report to the Group Board Each divisional board comprises a Group Director and senior personnel with delegated responsibility for day to day management and achieving agreed objectives in respect of budgeting, financial reporting and strategic planning

Vertical Integration

The Accessories, Ready To Wear and Home divisions resource the Group's products and have the following key functions:

Design

Production and outsourcing

Sales

The degree of vertical integration is unusual among competitor brands and enables the Group to maintain the character, quality and integrity of its products from the sourcing of raw materials, through the distribution chain and into the retailing function. Goods sold to the Group's own retail outlets are transferred at normal wholesale prices. Targeted levels of profit have to be achieved by all divisions.

DESIGN

Under the overall direction of Roger Saul, the design function is divided into three teams – Accessories, Ready to Wear and Home Each team has a design development manager whose role is to produce "the collection" to a pre-defined timetable from first creative process through to a finished sample range, costed and priced to achieve a target profit.

The teams comprise members who research, develop and create the collection. This process involves full consultation with the retail sales, wholesale sales and merchandising teams Ready to Wear and Accessories produce two collections annually whilst Home produces one. The design teams work closely with the marketing team which is responsible for the visual presentation of the collection in all markets

PRODUCTION AND OUTSOURCING

The majority of the Accessories range is manufactured by Mulberry. The rest of the Accessories range and all of the Ready to Wear and Home products are sourced from external suppliers

1. Accessories

The Accessories division is the most important division of the Group and in the year ended 31 March 1996 accounted for 64% of the Group's sales. The Accessories range has approximately 1200 products including ladies handbags, belts, briefcases, organisers, luggage and small leather goods.

Materials

Mulberry sources its high quality raw materials from a range of suppliers around the world

Inspection at source, before shipment, is a vital part of the Group's quality assurance procedure, ensuring suppliers are capable of meeting price, delivery performance, quality and financial criteria Many key materials developed with suppliers are exclusive to Mulberry and are designed to its specifications.

A computerised system monitors actual material usage against budget This is an important area of control, since these raw materials are of high quality and value and comprise approximately 50% of the product cost

Labour

A computerised labour cost control system measures key performance indicators against budget and identifies individual operator performances Labour is not remunerated on the basis of a piece work system.

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Production

The Accessories production undertaken by Mulberry takes place at its three production sites in Somerset:

Chilcompton	– 31,700 sq ft (main factory and warehouse)
Walton	– 2,750 sq ft (ancillary leather goods manufacturing unit)
Somerton	– 2,100 sq ft (ancillary leather goods manufacturing unit)

The main manufacturing site at Chilcompton has substantial capacity for expanding production and Mulberry has planning consent to build a further 30,000 sq ft on this site.

The majority of production is made to specific customer orders, which are received on average six months before the shipment date.

The Group operates integrated computer systems which process customer orders, production planning, stock control, shipping and invoicing

Other key features of the production process are:

Computer Aided Design ("CAD")

This system facilitates a rapid response to market and design influences by ensuring low cost and high quality pattern production This process also encourages range innovation

Computer Aided Manufacturing ("CAM")

The patterns produced from CAD are stored in the system and recalled as orders are planned into the cutting room production. The system allows optimum utilisation of raw materials by computerised planning of the patterns onto the pre-selected rolls of material The "lay" is then recalled for cutting when required. This cutting process is entirely automatic with a computer controlled high speed cutting head yielding high quality, low cost, cut accessory parts This system is currently operational only on synthetic materials It is planned progressively to extend it to leather cutting in the near future with the introduction of water jet technology. This should further improve materials usage and margins

Stitching and Finishing

Stitching is carried out using high-technology modern stitching machinery The production system is a combination of make-through and recently introduced team working which will yield faster throughput, greater flexibility, and improved quality and productivity In addition, traditional hand crafted skills are used in finishing the product.

Inspection/Packing/Despatch

The finished product is inspected, packed and stored awaiting despatch This process is audited through the Quality Assurance System.

The timeliness and completeness of delivery performance is compared with targets set to minimise finished stockholding and to maximise customer satisfaction

2. Ready to Wear

This comprehensive product range with approximately 1,000 products offers outerwear, sportswear, tailored and casual clothing for both men and women and is entirely externally sourced to Mulberry designs Fabrics and finished products are sourced by the Group from suppliers in the UK, Italy, Portugal and, Germany. In view of this sourcing activity, important disciplines within this division are: supplier selection, design specification, purchasing, forecasting, planning and quality control, over which the division exercises full control.

3. Home

This product range comprises approximately 1,000 products and includes fabric, soft furnishings, furniture, china and other interior design products

The Home division is responsible for the initial design ideas of a product. The designs are then realised using external sources mainly in the UK and Italy. Close attention to detail is given at every stage of development, in order to maintain the original design concept and the requirements of the sales and marketing functions.

Fabrics and the related soft furnishings are the core of the range. Together, they represent approximately 65% of sales in this division and generate the highest gross margins

SALES

Mulberry sells its product both wholesale and retail. It wholesales approximately 65% of its sales to over 1,000 wholesale accounts in 32 countries. It retails the remaining 35% through 50 dedicated outlets.

Sales percentages by product group are:

Accessories	**64%**
Ready to Wear	**22%**
Home	**14%**

1. Wholesale

Mulberry's three principal lines of wholesale distribution are through its own sales team, agents and distributors. These sell Mulberry products into a variety of outlets, which include:

Mulberry shops, owned outlets and concessions
Mulberry franchised outlets
Department stores and retail outlets
Specialist retailers

The Group has wholesale showrooms in London, Paris, Dusseldorf and Copenhagen and distributors in Singapore, Japan, Hong Kong, Malaysia, Austria, Spain and Greece

2. Retail

The retail outlets complement the wholesale operation and are an essential part of marketing the Mulberry brand as they help to generate customer awareness when Mulberry enters new overseas markets. An important part of the expansion process is franchising, which involves a close working relationship between Mulberry and the retailer. The franchisee provides the capital investment and the local retail knowledge and contacts. The division buys its product from the other three operating divisions

The Retail division runs the Mulberry owned outlets and provides a service to the franchisees and other retailers which includes the review of product profiles and assistance with merchandising, display, shop fixtures and fitting and staff training.

Mulberry has 50 retail outlets of which 18 are operated by the Group. These are analysed as follows:

Mulberry operated outlets	United Kingdom	14
Mulberry operated outlets	Europe	4
Franchisees or joint ventures	Europe	23
Other outlets	Far East	9

Mulberry's outlets are situated in carefully researched locations, usually in prime retail sites such as Place de Victoire, Paris, New Bond Street, London and concessions in Harrods, Harvey Nichols and Liberty.

The flagship store in New Bond Street opened in December 1995 and at 5,000 sq ft it is the largest Mulberry outlet. This store is the first to display the full range of the Group's products. Mulberry currently has, in total, over 45,000 sq ft of retail space around the world, of which 85% is in the UK and mainland Europe.

Marketing

The strength of the brand has been enhanced by successful marketing and public relations, which is a key function in the Company. The marketing team focuses on the marketing requirements of the divisions as well as keeping the strong brand name and image in the forefront of customer awareness. The Company runs fully co-ordinated national and international advertising campaigns and public relations campaigns across all its markets. Mulberry has also pursued an active campaign of obtaining registered trademarks in all relevant classes in its key markets.

Pricing

Brand integrity, good design and high quality enable Mulberry to enjoy consistently high margins. Mulberry operates a structured pricing policy for each market and type of customer and has a policy of not discounting its products. This policy is carefully maintained to deliver targeted retail prices of products in each country in which the Group operates.

DIRECTORS, KEY PERSONNEL AND EMPLOYEES

Directors

Roger Saul, 45 is Chief Executive and Chairman. In 1971, he founded Mulberry and over the following 25 years he has built the Group from a small accessory designer to an international brand, achieving many awards for export and design including British Classic Designer of the Year and three Queen's Awards for Export Achievement. At Mulberry he has overall responsibility for the design function

Godfrey Davis, FCA, 47 is the Group Finance Director. He joined Mulberry in 1987 after 15 years at Arthur Andersen where he was an international partner. At Mulberry he is responsible for the accounting, finance and treasury functions

John Rogers, ACFI, 51 is the Director responsible for the Accessories and Ready to Wear divisions. He worked with Mulberry from 1986 as a consultant, joining the Company full time in 1990. Previously, he worked with international consultants specialising in the textile industry before forming his own consulting practice. At Mulberry he is responsible for the planning, production and sales functions of the Accessories and Ready to Wear divisions

Colin Ingram, ACA, 39 is the Retail Director. He joined Mulberry in 1993 and was appointed a Director in 1994. After qualifying as a chartered accountant he worked at Saatchi and Saatchi becoming finance director of the main London advertising agency. At Mulberry he is responsible for the Group's owned retail units and supporting the world-wide network of Mulberry shops. He is also Company Secretary and Chairman of the Audit Committee

Marion Saul, 43 is the Director of the People Department with additional responsibility for product quality and customer care. She joined Mulberry in 1977 after a career as a leading fashion model for Christian Dior, Hardy Amies and others. She is now responsible for staff development and was instrumental in Mulberry achieving the Investor in People Award in 1995

Robin Gibson, 54 is a non-executive Director and Chairman of the Remuneration Committee. He is chief executive of the Bradstock Group PLC, a company quoted on the London Stock Exchange involved in insurance and reinsurance broking

The Company intends to appoint a further non-executive Director with an appropriate background during the current year. The identification and appointment process has already commenced

Key personnel

Marian Bodman, 54 is responsible for all manufacturing and production facilities

Jill Evans, 46 leads the design and development of the Home collections for which she has overall responsibility

Jane Hunter, 47 is responsible for sales and joined Mulberry from Crabtree and Evelyn Limited where she was international sales and marketing manager.

Chris Minns, 37 has responsibility for technical operations, having previously been with C.& J. Clark Limited where he spent 13 years with the retail operation, managing both clothing and footwear operations.

Employees

The Group employs approximately 486 people world-wide (including 53 out-workers) of whom the majority work in the UK. Personnel are employed in the following activities:

	Number
Production	195
Sales and distribution	179
Administration	59

Mulberry's aim is to create a working environment designed to develop, train and care for its employees at all levels. This policy has recently been endorsed by the achievement of the Investor in People accreditation for which Mulberry was required to demonstrate both an appropriate staff development policy and its positive impact on the Group's profitability.

PROSPECTS

1996 is the twenty-fifth anniversary of Mulberry's foundation and the Mulberry brand continues to develop and to grow strongly

The Placing will have a major financial benefit for the Group Profitability and cashflow will be enhanced directly as a result of the lower level of debt and the reduced cost of funds arising from the redemption of the DDLN's, further details of the redemption are set out in the Placing section of this Part II. The Group's balance sheet also will be significantly strengthened

The Directors believe that with this new capital structure and enhanced cashflow, the Group will have the opportunity for future growth. Mulberry is an established international brand and increasingly competes with others such as Louis Vuitton, Gucci and Ralph Lauren It is at an earlier stage of development than such competitors and the Directors believe that the Company will be able to increase its market share.

Unlike many similar businesses, Mulberry has direct control of the production and sales in its core area of activity, Accessories There are therefore opportunities for both margin enhancement and quality control at the points of manufacture and sourcing and as a wholesaler, retailer and franchiser. The Directors expect therefore, that, as Mulberry grows, it will do so profitably without impacting on the quality of its products or the integrity of the brand

The Markets

Europe: The UK and Northern Europe are Mulberry's most significant markets Substantial sales volumes have been achieved in the UK, Scandinavia and Germany The Directors foresee continued growth and opportunities for further penetration in this market.

Japan and Far East: Mulberry has developed its Far Eastern distribution network over a number of years This area currently represents 7% of total sales and Mulberry has identified this area as being a major contributor to future international growth In April 1996, the Company signed an exclusive distribution agreement with Moonbat Company Limited ("Moonbat") one of Japan's largest listed fashion accessories companies. The agreement, which has an initial duration of 10 years, is for Mulberry to supply Moonbat with its full range of Accessories and Ready to Wear products In August, Moonbat plans to open a flagship store in the fashionable district of Yurakucho, in Tokyo, followed by a proposed further 20 retail outlets in Japan over the next three years, as well as concessions in department stores. These openings are to be funded by Moonbat.

Moonbat manufactures, wholesales and retails a range of leather goods, jewellery, umbrellas and other fashion accessory items, working with a number of leading international fashion brands including Christian Dior, Givenchy, Louis Feraud and Hardy Amies, amongst others.

USA: The Home division has an established and successful distributor in the USA However, for the remainder of the Group this market remains to be exploited The Directors believe that there is particular scope to exploit the Accessories range in this market.

Other Developing Markets: There are also smaller, but important markets such as Australia, South America and South Africa, in which Mulberry is looking to establish a presence in the near future

The Products

Accessories: Ladies' handbags, accessories, organisers, luggage and travel goods have been a successful line for many years. With the use of technology, new products have extended the range There is scope for growth in this sector world-wide

Ready to Wear: Over the last two years, Ready to Wear wholesale development has been steered towards the concept of all weather clothing, focused on outerwear and sports wear, in order to expand the range of clothing available to Mulberry customers. The classic tailored styling of Mulberry's formal wear has attracted a growing following, which should be strengthened further by the launch of the "Roger Saul Collection".

Home: This division was launched in September 1991. In four full trading years, divisional sales have grown to £3.3 million There are significant opportunities to develop this product area both in the domestic market and particularly overseas

Licensing The brand has reached the stage of development where opportunities to licence are commercially viable At present, the Group has granted licences only for the manufacture of three products, namely, watches, sunglasses and toiletries which are beginning to produce worthwhile income Further selective licences in non-core areas are planned in the medium term

FIVE YEAR FINANCIAL SUMMARY

	Year ended 30 November		*16 months ended 31 March*	*Year ended 31st March*	
	1991	*1992*	*1994*	*1995*	*1996*
	£'000	*£'000*	*£'000*	*£'000*	*£'000*
Turnover	15,376	16,742	27,083	25,309	28,010
Operating Profit	1,154	1,291	1,697	1,965	2,437

Trading Pattern

The year-by-year record does not reveal the underlying pattern of variation between the first and second halves of Mulberry's financial year. Historically, as a result of the purchasing cycle of the Group's wholesale customers around the spring and autumn collections and the seasonality of the retail activities, Group sales have been higher in the second half of the financial year The Directors expect this to be reflected in the pattern of reported profitability.

SHARE OPTION SCHEME

The Company has introduced a share option scheme under which all employees are eligible to participate at the discretion of the Board. Further details can be found in paragraph 7 of Part V

DIVIDEND POLICY

The Company is primarily seeking to achieve capital growth for its shareholders However, the Directors intend, in the absence of unforeseen circumstances to pursue a progressive dividend policy while maintaining the Group's dividend cover at a prudent level. The Company proposes to pay an interim dividend in January and a final dividend in August, with the first dividend payment in January 1997.

On Admission, all Shares in issue will rank *pari passu* for all dividends and other distributions thereafter declared, paid or made in respect of the issued share capital of the Company.

CORPORATE GOVERNANCE

It is not the present intention of the Company to separate the roles of Chairman and Chief Executive. The Company has one non-executive Director, Mr Robin Gibson, who has extensive business experience. The Company intends to appoint one further non-executive director in the current year. With this exception, the

Company intends to comply with the provisions of the Code of Best Practice published by the Committee on the Financial Aspects of Corporate Governance (usually referred to as the Cadbury Committee) insofar as it is appropriate for smaller public companies

The Board has established an Audit Committee and a Remuneration Committee, which, when the new non-executive director is appointed, will comprise the two non-executive Directors The Remuneration Committee has formally delegated duties and responsibilities The Audit Committee, which is chaired by Colin Ingram, (until such time as the appointment of the further non-executive director), is responsible for ensuring that the financial performance of the Group is properly measured and reported on and for reviewing any reports from the Group's auditors relating to the Group's accounting and internal controls The Remuneration Committee, which is chaired by Robin Gibson, has primary responsibility for reviewing the performance of the executive Directors and senior employees and to set their remuneration and other terms of employment The Remuneration Committee will also be responsible for reviewing the share option scheme and the executive Directors' bonus scheme referred to in paragraph 6 of Part V

THE PLACING

The Company has grown substantially since the investment by the Institutional Investors in 1992 and trading and profitability have both greatly strengthened. The Placing will allow the Company to replace the funding provided by the Institutional Investors with resulting benefits to the Group's profitability, cashflow and balance sheet

The Placing Shares are being placed by Brown Shipley at the Placing Price 2,173,519 of the Placing Shares are existing Shares being placed on behalf of the Institutional Investors, 457,516 are existing Shares being placed on behalf of Roger Saul and 2,976,852 are new Shares being placed on behalf of the Company. Of the gross proceeds available to the Company totalling £4.6 million, £3 8 million will be used to repay three of the four remaining tranches of DDLNs. £0 2 million will be used to purchase at nominal value all the Shares not sold by the Institutional Investors pursuant to the Placing. The balance is being raised to cover the costs of the Placing.

The Placing Shares will represent 28.29% of the issued Share capital of the Company immediately following Admission

The executive Directors have undertaken not to dispose of Shares before the audited accounts of the Company for the year ending 31 March 1997 have been laid before an Annual General Meeting of the Company. Following the Placing the existing Institutional Investors will have no further shareholding or connection with Mulberry

Further details of the Placing Agreement are set out in paragraph 8 of Part V

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PART III

ACCOUNTANTS' REPORT

The following is a report from the auditors and reporting accountants Arthur Andersen, Chartered Accountants, on the Mulberry Group

ARTHUR ANDERSEN

ARTHUR ANDERSEN & CO SC

20 May 1996

The Directors
Mulberry Group plc
Kilver Court
Shepton Mallet
Somerset
BA4 5NF

The Directors
Brown, Shipley & Co Limited
Founders Court
Lothbury
London
EC2R 7HE

Gentlemen,

We have examined the audited accounts of Mulberry Group plc ("the Company") and its subsidiary undertakings (together "the Group") for the 16 months ended 31 March 1994 and for the years ended 31 March 1995 and 1996 in accordance with the Auditing Guideline: *"Prospectuses and the reporting accountant"*.

The financial information set out below has been prepared under the historical cost convention, as modified to include the revaluation of certain fixed assets, on the basis described in the accounting policies section, and is based on the audited accounts of the Group to which no adjustments were considered necessary.

We have served as auditors of the Company and its UK trading subsidiary undertakings for each of the financial periods ended 31 March 1994, 1995 and 1996, and our audit reports on the accounts for those periods were unqualified.

In our opinion, the financial information gives, for the purposes of the Alternative Investment Market admission document dated 20 May 1996, a true and fair view of the state of affairs of the Group at 31 March 1994, 1995 and 1996 and of its profit and cash flows for each of the periods then ended

No audited accounts have been prepared in respect of any period subsequent to 31 March 1996.

ACCOUNTING POLICIES

The principal accounting policies, all of which have been applied consistently throughout the period covered by this report, are set out below:

Basis of accounting

The financial information has been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and in accordance with applicable accounting standards

Basis of consolidation

The Group financial information consolidates the results of the Company and its subsidiary undertakings. The results of subsidiaries acquired or disposed of in any year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Any goodwill arising on consolidation (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) is written off against reserves on acquisition.

Tangible fixed assets

Land and buildings are shown at cost or valuation. Other fixed assets are shown at cost.

Depreciation is provided at rates calculated to write off the cost or valuation of fixed assets, other than freehold land, to their estimated residual value, over expected useful lives, using the following rates per annum:

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

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

Fixed asset investments

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

Stocks

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

Cost incurred in bringing each product to its present location and condition is based on purchase cost including transport, plus a reasonable proportion of manufacturing overheads based on normal levels of activity

Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Advance corporation tax payable on dividends paid or provided for in the year is written off, except when recoverability against corporation tax payable is considered to be reasonably assured Credit is taken for advance corporation tax written off in previous years when it is recoverable against current corporation tax liabilities.

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

Capital instruments

Capital instruments are initially stated in the balance sheet at the fair value of the consideration received on their issue

Finance costs are charged to the profit and loss account to allocate the finance cost over the term of the capital instruments at a constant rate on their carrying amount

Foreign currency

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

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

Turnover

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

Leases

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

Operating lease rentals are charged to the profit and loss account on a straight-line basis

Consolidated profit and loss accounts

	Note	*16 months ended 31 March 1994 £'000*	*Year ended 31 March 1995 £'000*	*1996 £'000*
Turnover	1	27,083	25,309	28,010
Cost of sales		(14,430)	(12,787)	(13,629)
Gross profit		12,653	12,522	14,381
Other operating expenses (net)	2	(10,956)	(10,557)	(11,944)
Operating profit	3	1,697	1,965	2,437
Interest payable and similar charges (net)	4	(1,553)	(1,286)	(1,651)
Group share of profit of associated undertaking		5	35	30
Profit on ordinary activities before taxation		149	714	816
Tax on profit on ordinary activities	6	(98)	(258)	(287)
Profit on ordinary activities after taxation		51	456	529
Minority interests		10	—	—
Profit for the financial period		61	456	529
Proposed dividend	7	—	(20)	—
Retained profit for the period		61	436	529
Earnings per ordinary share				
– basic	8	0.3p	2.3p	2.7p
– fully diluted	8	0.3p	2.1p	2.4p

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Consolidated balance sheets

	Note	31 March 1994 £'000	1995 £'000	1996 £'000
Fixed assets				
Tangible assets	9	5,024	4,654	5,488
Investments	10	42	77	107
		5,066	4,731	5,595
Current assets				
Stocks	11	4,773	5,578	6,050
Debtors	12	4,701	5,026	5,206
Cash at bank		64	107	134
		9,538	10,711	11,390
Creditors: Amounts falling due within one year	13	(6,537)	(7,532)	(7,891)
Net current assets		3,001	3,179	3,499
Total assets less current liabilities		8,067	7,910	9,094
Creditors: Amounts falling due after more than one year	14	(6,194)	(5,587)	(6,258)
Net assets		1,873	2,323	2,836
Capital and reserves				
Called-up share capital	16	398	398	398
Revaluation reserve	17	499	468	390
Capital redemption reserve	17	49	49	49
Other reserves	17	700	700	700
Profit and loss account	17	227	708	1,299
Equity shareholders' funds		1,873	2,323	2,836

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Consolidated cash flow statements

	Note	16 months ended 31 March 1994 £'000	Year ended 31 March 1995 £'000	Year ended 31 March 1996 £'000
Net cash inflow from operating activities	19a	3,551	2,413	3,006
Returns on investments and servicing of finance				
Interest received		11	3	6
Interest paid		(1,687)	(705)	(718)
Interest element of hire purchase contracts		(46)	(42)	(46)
Dividends paid		(5)	—	(20)
Net cash outflow from returns on investments and servicing of finance		(1,727)	(744)	(778)
Taxation				
UK corporation tax paid		(64)	(141)	(594)
Investing activities				
Purchase of tangible fixed assets		(1,000)	(827)	(1,761)
Sale of tangible fixed assets		8	158	307
Net cash outflow from investing activities		(992)	(669)	(1,454)
Net cash inflow before financing		768	859	180
Financing				
Repayment of loans and loan stock		—	(342)	(3,891)
New loans and loan stock		508	—	3,767
Capital element of hire purchase contracts		—	107	8
Net cash inflow (outflow) from financing	19b	508	(235)	(116)
Increase in cash and cash equivalents	19c	1,276	624	64

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Consolidated statements of total recognised gains and losses

	16 months ended 31 March 1994 £'000	*Year ended 31 March 1995 £'000*	*1996 £'000*
Profit for the financial period	61	456	529
Currency translation differences on foreign currency net investments	(55)	14	(16)
Total recognised gains and losses in the period	6	470	513

Consolidated note of historical cost profits and losses

	16 months ended 31 March 1994 £'000	*Year ended 31 March 1995 £'000*	*1996 £'000*
Reported profit on ordinary activities before taxation	149	714	816
Difference between a historical cost depreciation charge and the actual depreciation charge for the period calculated on the revalued amount	38	31	31
Realisation of revaluation reserve on disposal of property	—	—	47
Historical cost profit on ordinary activities before taxation	187	745	894
Historical cost profit for the period retained after taxation, minority interest and dividends	99	467	607

Notes to the financial information

1. Geographical and product range analysis

The analysis of turnover and profit on ordinary activities has been omitted, as in the opinion of the Directors this would be seriously prejudicial to the Group

2. Other operating expenses (net)

	16 months ended 31 March 1994	*Year ended 31 March 1995*	*1996*
	£'000	*£'000*	*£'000*
Distribution costs	540	708	708
Selling and marketing costs	7,132	7,501	8,506
Administrative expenses	3,598	2,532	2,919
	11,270	10,741	12,133
Other operating income	(314)	(184)	(189)
	10,956	10,557	11,944

3. Operating profit

Operating profit is stated after charging:

	16 months ended 31 March 1994	*Year ended 31 March 1995*	*1996*
	£'000	*£'000*	*£'000*
Depreciation of tangible fixed assets			
– owned	886	785	564
– held under hire purchase contracts	64	182	176
Operating lease rentals			
– land and buildings	559	507	729
– plant and machinery	71	77	128
– other	—	—	49
Loss (profit) on sale of fixed assets	7	8	(47)
Auditors' remuneration			
– audit fees	38	35	37
– non-audit fees	19	11	—

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4. Interest payable and similar charges (net)

	16 months ended 31 March 1994 £'000	Year ended 31 March 1995 £'000	1996 £'000
Payable on bank loans and overdrafts			
– repayable within five years	413	235	271
– repayable after five years	164	105	105
Payable on loan stock	987	949	1,281
	1,564	1,289	1,657
Less: interest receivable	(11)	(3)	(6)
	1,553	1,286	1,651

Included in the above is the interest element of charges payable under hire purchase contracts amounting to £46,000 (1995 – £42,000, 1994 – £46,000).

Interest on loan stock includes an additional amount of £227,000 for the year ended 31 March 1996 as a result of the early redemption of the 4.704% and 4.2763% Unsecured Deep Discounted Loan Notes 1999 and 2000 (note 14)

5. Staff costs

Particulars of employee costs (including executive Directors) are as shown below:

	16 months ended 31 March 1994 £'000	Year ended 31 March 1995 £'000	1996 £'000
Wages and salaries	5,730	5,640	6,659
Social security costs	670	610	698
Other pension costs	250	173	248
	6,650	6,423	7,605

The average monthly number of persons employed was as follows:

	16 months ended 31 March 1994 Number	Year ended 31 March 1995 Number	1996 Number
Production	146	170	195
Sales and distribution	130	152	164
Administration	46	50	59
	322	372	418

Directors' remuneration

Staff costs include the following remuneration in respect of directors of the Company:

	16 months ended 31 March 1994	*Year ended 31 March 1995*	*1996*
	£'000	*£'000*	*£'000*
Fees paid to third parties	21	16	16
Emoluments for management services (including pension contributions)	645	580	798
	666	596	814

The Directors received emoluments (excluding pension contributions) in the following ranges:

	16 months ended 31 March 1994	*Year ended 31 March 1995*	*1996*
	£'000	*£'000*	*£'000*
£ 15,001 – £ 20,000	—	1	1
£ 20,001 – £ 25,000	1	—	—
£ 50,001 – £ 55,000	—	1	—
£ 60,001 – £ 65,000	—	—	1
£ 75,001 – £ 80,000	—	—	1
£130,001 – £135,000	—	1	—
£135,001 – £140,000	—	1	—
£145,001 – £150,000	2	—	—
£150,001 – £155,000	—	—	2
£185,001 – £190,000	1	1	—
£220,001 – £225,000	—	—	1

The Directors' remuneration (excluding pension contributions) included:

	16 months ended 31 March 1994	*Year ended 31 March 1995*	*1996*
	£'000	*£'000*	*£'000*
Chairman and highest paid director	189	187	221

The emoluments shown above do not include any amounts for the value of share options granted to directors. Details of the options held at 31 March 1996 are as follows:

– Mr G P Davis has options to subscribe for up to 180,000 10p ordinary shares at a price of 36.5p per share, exerciseable up to 21 December 1998;

– Mr J S Rogers has options to subscribe for up to 34,236 10p ordinary shares at a price of £1.10 per share, exerciseable up to 30 November 2000.

6. Tax on profit on ordinary activities

The tax charge is based on the profit for the period and comprises:

	16 months ended 31 March 1994	*Year ended 31 March 1995*	*1996*
	£'000	*£'000*	*£'000*
Corporation tax at 33%	288	541	90
Deferred taxation	(196)	(219)	179
	92	322	269
Adjustments in respect of prior periods			
– current taxation	7	(62)	24
– deferred taxation	(1)	(2)	(6)
	98	258	287

7. Dividends

	16 months ended 31 March 1994	*Year ended 31 March 1995*	*1996*
	£'000	*£'000*	*£'000*
Final proposed dividend of 0.682 pence per share in 1995	—	20	—

8. Earnings per ordinary share

Earnings per ordinary share have been calculated by dividing the profit on ordinary activities after taxation and minority interest for each financial period by the number of ordinary shares in issue immediately prior to the proposed Placing (but taking account of the capital reorganisation set out in paragraph 2 of Part V of this document) as if that number of shares had been in issue throughout the sixteen month period ended 31 March 1994 and both of the years ended 31 March 1995 and 1996.

Fully diluted earnings per ordinary share have been calculated by dividing the adjusted profit for each financial period by the number of ordinary shares in issue immediately prior to the proposed Placing, after allowing for the exercise of outstanding share options, including the maximum number of shares that could be issued to an existing shareholder of a subsidiary company, as referred to in paragraph 5 of Part V of this admission document

9. Tangible fixed assets

The movement in the years ended 31 March 1995 and 31 March 1996 was as follows:

	Freehold land and buildings £'000	*Short leaseholds £'000*	*Plant and equipment £'000*	*Fixtures and fittings £'000*	*Motor vehicles £'000*	*Total £'000*
Cost or valuation						
1 April 1994	2,437	1,781	896	1,883	544	7,541
Exchange adjustments	—	(123)	—	9	—	(114)
Additions	18	56	229	294	230	827
Disposals	—	(30)	(57)	(232)	(185)	(504)
31 March 1995	2,455	1,684	1,068	1,954	589	7,750
Depreciation						
1 April 1994	222	490	585	918	302	2,517
Exchange adjustments	—	(55)	—	5	—	(50)
Charge	67	262	156	359	123	967
Disposals	—	(55)	(18)	(99)	(166)	(338)
31 March 1995	289	642	723	1,183	259	3,096
Net book value						
1 April 1994	2,215	1,291	311	965	242	5,024
31 March 1995	2,166	1,042	345	771	330	4,654
Cost or valuation						
1 April 1995	2,455	1,684	1,068	1,954	589	7,750
Exchange adjustments	—	127	—	10	—	137
Additions	—	775	151	788	47	1,761
Disposals	(48)	(18)	(1)	(4)	(463)	(534)
31 March 1996	2,407	2,568	1,218	2,748	173	9,114
Depreciation						
1 April 1995	289	642	723	1,183	259	3,096
Exchange adjustments	—	67	—	6	—	73
Charge	74	25	149	378	105	731
Disposals	—	(17)	(1)	—	(256)	(274)
31 March 1996	363	717	871	1,567	108	3,626
Net book value						
31 March 1996	2,044	1,851	347	1,181	65	5,488

Included in plant and equipment, motor vehicles and fixtures and fittings at 31 March 1996 are items acquired under hire purchase contracts and finance lease agreements with a net book value of £462,000 (1995 – £479,000; 1994 – £337,000).

Certain leasehold and freehold land and buildings are included at valuation with subsequent additions at cost. The freehold land and buildings were revalued at £2,189,000 in November 1989 by a firm of professional surveyors and valuers. The revaluation was based on the open market value of the freehold interest with vacant possession.

9. Tangible fixed assets (continued)

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

	1994 *£'000*	*1995* *£'000*	*1996* *£'000*
Freehold land and buildings			
Original cost	1,512	1,530	1,553
Depreciation based on cost	(144)	(180)	(196)
Net book value	1,368	1,350	1,357
Short leasehold			
Original cost	62	66	66
Depreciation based on cost	(19)	(24)	(33)
Net book value	43	42	33

10. Investments

Group investments comprise a 50% share in Mulberry Oslo AS, a company incorporated in Norway. The principal activity of Mulberry Oslo AS is the operation of retail shops in Norway. The company's year end is December which is not coterminous with that of the Group.

The Group's 45% interest in the share capital of Mulberry (Japan) Limited was disposed of during the year ended 31 March 1995. That investment had been fully written down in the period ended 31 March 1994, resulting in no gain or loss on disposal.

The movement in the period was as follows:

	1994 *£'000*	*1995* *£'000*	*1996* *£'000*
Beginning of period	37	42	77
Share of profits for the period	5	35	30
End of period	42	77	107

Details of Group companies are included in paragraph 3 of Part V of this admission document.

Subsequent to 31 March 1996 the Group acquired the remaining 50% of the share capital of Mulberry France Sarl, making that company a wholly-owned subsidiary undertaking.

11. Stocks

	1994 *£'000*	*1995* *£'000*	*1996* *£'000*
Raw materials and consumables	890	770	660
Work-in-progress	509	553	346
Finished goods and goods for resale	3,374	4,255	5,044
	4,773	5,578	6,050

12. Debtors

	1994 £'000	1995 £'000	1996 £'000
Amounts falling due within one year:			
Trade debtors	3,843	4,062	4,390
Amounts owed by associated undertakings	91	87	170
VAT	73	66	—
Other debtors	188	143	127
Prepayments and accrued income	260	188	216
	4,455	4,546	4,903
Amounts falling due after more than one year:			
Deferred taxation (note 15)	246	480	303
	4,701	5,026	5,206

13. Creditors: Amounts falling due within one year

	1994 £'000	1995 £'000	1996 £'000
Loan stock (note 14)	—	1,105	1,219
Obligations under hire purchase contracts and finance lease agreements	131	160	151
Bank loans and overdrafts (secured)	2,460	1,772	1,737
Other loans (note 14)	50	50	50
Trade creditors	3,155	2,888	3,540
– corporation tax	201	539	53
– social security and PAYE	224	243	255
– VAT	—	—	2
Proposed dividend	—	20	—
Income tax	51	51	51
Accruals and deferred income	265	704	833
	6,537	7,532	7,891

The bank loans and overdrafts are secured by fixed and floating charges over the assets of the Group.

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

	1994 £'000	1995 £'000	1996 £'000
Loan stock	4,726	4,181	3,701
Bank loans	1,140	1,050	2,234
	5,866	5,231	5,935
Other loans	100	50	—
Obligations under hire purchase contracts and finance lease agreements, all payable within two to five years	228	306	323
	6,194	5,587	6,258

Loan stock comprises:

	1994 £'000	1995 £'000	1996 £'000
6.261% Unsecured Deep Discounted Loan Stock 1996	973	1,105	—
5.6918% Unsecured Deep Discounted Loan Stock 1997	956	1,074	1,219
5.1744% Unsecured Deep Discounted Loan Stock 1998	942	1,052	1,184
4.704% Unsecured Deep Discounted Loan Stock 1999	932	1,035	—
4.2763% Unsecured Deep Discounted Loan Stock 2000	923	1,020	—
4.704% Unsecured Deep Discounted Loan Stock 1999	—	—	1,258
4.2763% Unsecured Deep Discounted Loan Stock 2000	—	—	1,259
	4,726	5,286	4,920

Bank loans, which are secured by fixed and floating charges over the assets of the Group, include a loan repayable over a period exceeding five years at 31 March 1996. Instalments due after more than five years at 31 March 1996 amounted to £600,000 (1995 — £743,000; 1994 — £821,000). Interest is charged at 1.4% per annum over LIBOR.

Other loans relate to an amount loaned to the Group by G P Davis, a director, on which interest is paid at 20% per annum.

15. Deferred taxation

The following deferred tax assets are included in debtors falling due after one year and represent the total potential deferred tax position:

	1994 £'000	1995 £'000	1996 £'000
Excess of tax allowances over book depreciation of fixed assets	100	74	70
Other timing differences relating to			
– current assets and liabilities	(73)	(82)	(79)
– non-current assets and liabilities	(273)	(472)	(294)
	(246)	(480)	(303)

No provision has been made for tax which might be payable in the event of the sale of revalued property, as no such event is envisaged in the foreseeable future.

The movement during the period comprises:

	1994 £'000	1995 £'000	1996 £'000
Beginning of period	(49)	(246)	(480)
Exchange adjustments	—	(13)	(6)
Charge (credit) to profit and loss account	(197)	(221)	183
End of period	(246)	(480)	(303)

16. Called-up share capital

	1994 £'000	1995 £'000	1996 £'000
Authorised			
5,000,000 ordinary shares of 10p each	500	500	500
1,052,920 cumulative convertible participating preferred ordinary shares of 10p each	105	105	105
	605	605	605
Allotted, called-up and fully paid			
2,934,514 ordinary shares of 10p each	293	293	293
1,049,583 cumulative convertible participating preferred ordinary shares of 10p each	105	105	105
	398	398	398

The cumulative convertible participating preferred ordinary shares may be converted at any time at the shareholders' option on the basis of one ordinary share for one cumulative convertible participating preferred ordinary share.

Subsequent to 31 March 1996 and conditional upon the admission of the Company's shares to the Alternative Investment Market becoming effective:

- the 1,049,583 cumulative convertible participating preferred ordinary shares will be converted into ordinary shares;
- all the ordinary 10p shares (including those converted above) will be subdivided into shares of 5p each;
- the Company will effect a scrip issue on the basis of three new shares of 5p each for every two existing shares of 5p each.

As a result of the above and immediately prior to the receipt of the proceeds of the Placing and the purchase by the Company of certain of its own shares at par, there will be in issue 19,920,485 5p ordinary shares.

Further details of these share transactions are given in paragraph 2 of Part V of this admission document.

17. Reserves

	16 months ended 31 March 1994 £'000	Year ended 31 March 1995 £'000	1996 £'000
Revaluation reserve			
Beginning of period	537	499	468
Amortisation of revaluation surplus	(38)	(31)	(31)
Realisation of revaluation surplus on disposal of property	—	—	(47)
End of period	499	468	390
Capital redemption reserve			
Beginning and end of period	49	49	49
Other reserves			
Beginning and end of period	700	700	700
Profit and loss account			
Beginning of period	183	227	708
Currency translation differences on foreign currency net investments	(55)	14	(16)
Retained profit for the period	61	436	529
Amortisation of revaluation surplus	38	31	31
Realisation of revaluation surplus on disposal of property	—	—	47
End of period	227	708	1,299

The cumulative amount of goodwill resulting from acquisitions in earlier financial years which has been written off was £165,000 (1995-£165,000; 1994-£165,000).

18. Reconciliation of movements in shareholders' funds

	16 months ended 31 March 1994 £'000	Year ended 31 March 1995 £'000	1996 £'000
Opening shareholders' funds	1,867	1,873	2,323
Profit for the financial period	61	456	529
Dividend	—	(20)	—
Other recognised gains and losses			
– currency translation differences on foreign currency net investments	(55)	14	(16)
Closing shareholders' funds	1,873	2,323	2,836

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19. Cash flow information

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

	16 months ended 31 March 1994 £'000	*Year ended 31 March 1995 £'000*	*1996 £'000*
Operating profit	1,697	1,965	2,437
Depreciation charge	950	967	731
Loss (profit) on sale of tangible fixed assets	7	8	(47)
Decrease (increase) in stocks	921	(805)	(472)
Decrease (increase) in debtors	72	(91)	(357)
(Decrease) increase in creditors	(145)	304	797
Effect of foreign exchange rate changes	49	65	(83)
Net cash inflow from operating activities	3,551	2,413	3,006

b) Analysis of changes in financing during the period

	Loans, hire purchase contracts and finance lease agreements £'000	*Loan stock £'000*	*Total £'000*
Balance at 30 November 1992	1,504	4,173	5,677
Net cash inflows from financing	508	—	508
Capital element of hire purchase contracts	(73)	—	(73)
Finance costs of loan stock	—	553	553
Balance at 31 March 1994	1,939	4,726	6,665
Net cash outflows from financing	(342)	—	(342)
Capital element of hire purchase contracts	107	—	107
Finance costs of loan stock	—	560	560
Balance at 31 March 1995	1,704	5,286	6,990
Net cash inflows (outflows) from financing	1,136	(1,260)	(124)
Capital element of hire purchase contracts	8	—	8
Finance costs of loan stock	—	894	894
Balance at 31 March 1996	2,848	4,920	7,768

c) Analysis of changes in cash and cash equivalents during the period

	Cash at bank £'000	*Bank overdrafts £'000*	*Net £'000*
Balance at 30 November 1992	71	(3,548)	(3,477)
Net cash (outflow) inflow	(7)	1,283	1,276
Balance at 31 March 1994	64	(2,265)	(2,201)
Net cash inflow	43	581	624
Balance at 31 March 1995	107	(1,684)	(1,577)
Net cash inflow	27	37	64
Balance at 31 March 1996	134	(1,647)	(1,513)

20. Financial commitments

a) Capital commitments

The Group had no capital commitments outstanding at 31 March 1994, 1995 or 1996.

b) Lease commitments

The Group leases certain assets on short and long term leases The rental for the period on these leases was £906,000 (year ended 31 March 1995 - £584,000; 16 months ended 31 March 1994 - £630,000)

The rents payable under these leases are subject to renegotiation at various intervals specified in the leases

The minimum annual rentals under non-cancellable operating leases are as follows:

Land and buildings

	1994 *£'000*	*1995* *£'000*	*1996* *£'000*
Operating leases which expire			
– within 1 year	46	87	56
– within 2-5 years	312	293	475
– after 5 years	161	183	202
	519	563	733

Plant and machinery

Operating leases which expire			
– within 1 year	2	6	3
– within 2-5 years	37	69	262
– after 5 years	5	2	16
	44	77	281

c) Pension costs

The Group operates non-contributory money purchase schemes for directors and employees, and as such no unfunded liability can arise. The contributions by the Group to the schemes amounted to £248,000 (year ended 31 March 1995 – £173,000; 16 months ended 31 March 1994 – £250,000).

21. Related party transactions

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

Yours faithfully

Arthur Andersen

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PART IV

PRO FORMA FINANCIAL INFORMATION

In February 1992 Mulberry raised capital from the Institutional Investors to secure the Group's continued development. The Institutional Investors subscribed for 26.34% of the issued share capital of the Company and £3,900,000 of Deep Discounted Loan Notes.

As a result of the full redemption of the Deep Discounted Loan Notes following the Placing, there is a fundamental change in the Company's capital structure, substantially reducing the interest cost to the Company.

The Directors set out below, for illustrative purposes only, a pro forma statement of consolidated profit and loss of the Group for the year ended 31 March 1996, to take account of the new capital structure following the Placing.

This pro forma statement of consolidated profit and loss is based upon the audited results of the Group for the year ended 31 March 1996, as set out on Part III of this document, adjusted only to reflect the effect of the following matters on the assumption that the Placing had been completed on 1 April 1995, being the first day of that financial year:

(a) the elimination of the actual interest chargeable during the year ended 31 March 1996 in respect of the Deep Discounted Loan Notes.

(b) interest at 7.75% per annum on a term loan to repay two tranches of the Deep Discounted Loan Notes.

(c) the application of the proceeds of the Placing to repay the 3 remaining tranches of Deep Discounted Loan Notes outstanding at 1 April 1995.

The taxation effect of the interest adjustment is calculated at the standard rate of 33%

Year ended 31 March 1996	*Per the audited accounts* £'000	*Adjustments* £'000	*Pro forma profit and loss* £'000
Operating profit	2,437	—	2,437
Net interest payable	(1,651)	1,104	(547)
Group share of profit of related company	30	—	30
Profit on ordinary activities before taxation	816	1,104	1,920
Taxation	(287)	(364)	(651)
Profit on ordinary activities after taxation	529	740	1,269
Pro forma earnings per Share	—	—	6.4p

Pro forma earnings per Share are based on the pro forma consolidated profit after taxation and 19,822,941 Shares, being the number of shares which will be in issue immediately following the Placing.

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PART V

ADDITIONAL INFORMATION

1. The Group and its Activities

The Company was incorporated in England and Wales under the Companies Act 1948 as a private limited company on 12 August 1974 with the name of Mulberry Company (Design) Limited with number 1180514

On 1 December 1985 the Company changed its name to Mulberry Company (Holdings) Limited The Company was re-registered as a public limited company under the name Mulberry Group plc on 17 May 1996

The Company is the holding company of a group, the business of which is the design, manufacture and retail of designer accessories, clothing and interior design products. The main operating subsidiary of the Company (which is wholly-owned) is Mulberry Company (Design) Limited. Further details of the Company's subsidiaries are set out in paragraph 3 of this Part V

2. Share Capital

(a) Pursuant to a special resolution of the Company passed on 16 May 1996, the Company resolved, subject to Admission, to:

(i) increase the authorised share capital of the Company to £1,350,000 by the creation of 14,894,160 new Shares of 5p each:

(ii) sub-divide each of the existing shares of 10p each in the capital of the Company into shares of 5p each;

(iii) declare a dividend of £597,614.55 to be satisfied by the issue and allotment, credited as fully paid at par, to shareholders on the register of members on 16 May 1996, of 11,952,291 shares of 5p each in the capital of the Company;

(iv) adopt new articles of association;

(v) empower the Directors to allot equity securities for cash pursuant to the Placing Agreement as if Section 89(1) of the Act did not apply; and

(vi) authorise the Company to enter into a contract between the Company and the Institutional Investors for the purchase by the Company of certain Shares from the Institutional Investors at a price of 5p per Share;

(b) The authorised and issued share capital of the Company as it will be following the Placing is set out below.

Authorised		*Issued and fully paid*	
Amount	*Number*	*Amount*	*Number*
£1,350,000	27,000,000 Shares of 5p each	£991,147	19,822,941 Shares of 5p each

(c) Pursuant to the articles of association of the Company adopted by the resolution referred to in paragraph 2(a)(iv) above, the Directors were unconditionally authorised pursuant to Section 80 of the Act to allot relevant securities (as defined in that Section) up to an aggregate nominal amount equal to the authorised but unissued share capital of the Company, such authority to expire on the earlier of the date falling fifteen months from the date of adoption of those articles and the date of the next annual general meeting of the Company, provided that the Company may, before such expiry, make an offer or agreement which would or might require equity securities or other relevant securities to be allotted after such expiry and the Directors may allot securities in pursuance of any such offer or agreement In addition, again pursuant to the articles of association of the Company adopted by the resolution referred to in paragraph 2(a)(iv) above, the Directors were empowered pursuant to the authority to allot referred to above, to allot equity securities as if Section 89(1) of the Act did not apply. This power, which is in addition to the power referred to in paragraph 2(a)(v) above, but is limited to allotments of equity securities offered by way of rights issue, open offer, or otherwise to existing holders of shares and otherwise to allotments of equity securities for cash up to an aggregate nominal amount equal to £50,000, also expires on the earlier of the date falling fifteen months from the date of adoption of those articles and the date of the next annual general meeting of the Company, unless previously renewed or extended

Save as disclosed in paragraphs 5 and 6 below, no share or loan capital of the Company is proposed to be issued or is under option or is agreed conditionally or unconditionally to be under option

Save as disclosed in paragraph 8 below, no commissions, discounts, brokerages or other specific terms have been granted by the Company in connection with the issue or sale of any of its share capital

3. **Subsidiaries**

The following is a list of the Company's subsidiaries:

Name	*Place of Incorporation*	*Activity*	*Percentage Owned*
Mulberry Company (Design) Limited	UK	Design, manufacture and wholesale distribution of fashion accessories and design and wholesale distribution of clothing and interior design products.	100%
Mulberry Company (Europe) Limited	UK	Retailing of clothing and fashion accessories.	75%
Mulberry Company (Shoes) Limited	UK	Non-trading	100%
Mulberry Company (Holdings) Limited	UK	Non-trading.	100%
Mulberry France Sarl	France	Retailing and wholesale distribution.	100%
Mulberry Company (Sales) Limited	UK	Retailing of clothing, fashion accessories and interior design products	100% by Mulberry Company (Europe) Limited
Mulberry Fashions Limited	UK	Non-trading.	100%
Mulberry Leathers Limited	UK	Non-trading.	100%
Mulberry Oslo AS	Norway	Retailing of fashion accessories, clothing and interior design products	50% by Mulberry Company (Europe) Limited
Mulberry Company (Far East) Limited	Hong Kong	Non-trading.	100%

4. **Memorandum and Articles of Association**

(a) The memorandum of association of the Company provides that the Company's principal object is to carry on the business of a designers' and manufacturers' holding company The objects of the Company are set out fully in Clause 4 of the memorandum of association The liability of the members of the Company is limited

(b) The articles of association of the Company (the "Articles") which were adopted by the resolution referred to in paragraph 2(a)(iv) above, contain provisions *inter alia* to the following effect:

Voting

Subject to special terms as to voting on which Shares have been issued or a suspension or abrogation of voting rights pursuant to the Articles, at a general meeting, every member present in person has, upon a show of hands, one vote and every member present in person or by proxy has, upon a poll, one vote for every Share of which he is the holder

Dividends

Subject to the Act and the Articles, the Company may by ordinary resolution declare a dividend to be paid to members according to their respective rights and interests, but no dividend may exceed the amount recommended by the Board. Subject to the provisions of the Act, the Board may declare and pay such interim dividends (including a dividend payable at a fixed rate) as appear to it to be justified by the profits of the Company available for distribution. No dividend or other amount payable by the Company in respect of a Share shall bear interest against the Company.

Except as otherwise provided by the rights attaching to Shares, a dividend shall be declared and paid according to the amount paid-up on the Share in respect of which the dividend is declared and paid, but no amount paid-up on a Share in advance of a call may be treated as paid-up. Dividends shall be apportioned and paid proportionally to the amounts paid-up on the Shares during any portion or portions of the period in respect of which the dividend is paid. Dividends unclaimed for a period of 12 years from the date they become due for payment are forfeited and cease to remain owing by the Company

Subject to the provisions of the Act, the Board may with the prior authority of an ordinary resolution of the Company, allot to those holders of Shares who have elected to receive them further Shares credited as fully-paid instead of cash in respect of all or part of a dividend or dividends specified by the resolution There is no fixed date on which an entitlement to dividend arises. The Board may, with the prior authority of an ordinary resolution of the Company, direct that payment of a dividend may be satisfied wholly or partly by the distribution of specific assets *in specie*.

Distribution of Capital on a Winding-up

On a voluntary winding-up of the Company, the liquidator may, on obtaining any sanction required by law, divide among the members in kind the whole or any part of the assets of the Company and may for that purpose set the value he deems fair on a class or classes of property and may determine how division shall be carried out as between members of classes of members No member shall be compelled to accept any assets upon which there is a liability or potential liability.

Transfer of Shares

A member may transfer all or any of his Shares by instrument of transfer in writing in any usual form or in another any form approved by the Board. The instrument shall be executed by or on behalf of the transferor and, except in the case of a fully paid Share, by or on behalf of the transferee Subject to the Articles and to the requirements of the London Stock Exchange, the Board may, in its absolute discretion and without giving a reason, refuse to register the transfer of a Share or the renunciation of a renouncable letter of allotment unless all of the following conditions are satisfied:

(a) it is in respect of a Share which is fully-paid;

(b) it is in respect of a Share on which the Company has no lien;

(c) it is in respect of only one class of Share;

(d) it is in favour of a single transferee or renouncee or not more than four joint transferees or renouncees; and

(e) it is delivered for registration to the registered office of the Company or such other place as the Board may decide, accompanied by the certificate for the Shares to which it relates and such other evidence as the Board may reasonably require to prove title of the transferor or person renouncing.

The registration of transfers may be suspended at such times and for such period (not exceeding 30 days in any year) as the Board may decide.

The Articles contain no rights of pre-emption relating to the transfer of Shares Save as aforesaid, the Articles contain no restrictions as to the free transferability of fully-paid shares.

Variation of Class Rights

Subject to the provisions of the Act, the rights attached to a class of shares may be varied, whether or not the Company is being wound-up in such manner (if any) as may be provided by those rights or, in the absence of provision, either with the consent in writing of the holders of three-fourths of the nominal amount of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate meeting of the holders of the issued shares of that class. The rights attached to a class of shares are not, unless otherwise expressly provided in the rights attaching to those shares deemed to be varied by the creation or issue of further shares ranking, *pari passu*, with or subsequent to them or by the purchase or redemption by the Company of its own shares in accordance with the Act and the Articles

5. **Directors' and other interests**

(a) Immediately following Admission, the interests of the Directors and (so far as is known to the Directors or could, with reasonable diligence, be ascertained by them), persons connected with the Directors within the meaning of Section 346 of the Act, in the share capital of the Company, as required to be notified to the Company pursuant to Sections 324 and 328 of the Act or as required to be shown in the register maintained under Section 325 of the Act, will be as follows:

Director	*Number of Shares*		*Percentage of Issued Share Capital*	
	Beneficial	*Non-Beneficial*	*Beneficial*	*Non-Beneficial*
R J Saul	8,342,444	5,293,660	42.08	26.70
G P Davis	697,300	—	3.52	
J S Rogers	—	—		
D C Ingram	—	—		
M J Saul	449,600	—	2.26	
R E G Gibson	13,000	—	0.07	

In addition, Mr G P Davis was granted options under the Mulberry 1988 Share Option Scheme on 21 December 1988 to acquire 900,000 Shares at an exercise price of 7.2p per Share, exercisable at any time between the third and tenth anniversaries of the date of grant and Mr J S Rogers was granted options, again under the Mulberry 1988 Share Option Scheme, on 30 November 1996 to acquire 171,180 Shares at an exercise price of 22p per Share again exercisable between the third and tenth anniversaries of the date of grant. None of these options have yet been exercised No further options will be granted under this scheme.

Options will also be granted in accordance with the Mulberry Group plc 1996 Share Option Scheme (further details of which are set out in paragraph 7 of this Part V) at the Placing Price to the following:

	Number of Shares
R J Saul	100,000
G P Davis	100,000
J S Rogers	100,000
D C Ingram	19,607
M J Saul	100,000

(b) Pursuant to an agreement dated 17 May 1996 (the "Family Shareholders' Agreement") entered into between Mr R J Saul ("Mr Saul") (1) and Mrs J Saul, Mrs R J Matthews, Mr A P Saul and Mr M D Saul (each being a member of Mr Saul's immediate family and together hereinafter the "Family Shareholders") (2), each Family Shareholder granted voting control of the Shares held by that Family Shareholder (which together will represent approximately 10.35% of the issued share capital of the Company immediately following the Placing) to Mr Saul, other than in respect of matters relating to dividend payments on the Shares In addition, the Family Shareholders undertook not to dispose in any one year in aggregate more than such number of their Shares as represents one half per cent of the issued share capital of the Company (subject to them being entitled to roll-over any unutilised entitlements to sell into future years) and, to the extent that such disposals as are permitted are proposed, to offer to Mr Saul the option to acquire the Shares the subject of the proposed disposal at a price to be ascertained by reference to the then mid-market price of Shares The Family Shareholders' Agreement runs for a period of five years, subject to renewal for a further period of five years unless the Family Shareholders and Mr Saul otherwise agree. If the Family Shareholders' Agreement is renewed for a further five year period, then the number of Shares which may, in aggregate, be disposed of by Family Shareholders in any one year is increased from one half per cent to one per cent

(c) Pursuant to an agreement dated 16 May 1996 entered into between the Company (1) and Mr R. J Saul and Mr F M Saul (the "Sellers") (2) the Company agreed to acquire from the Sellers the 50% interest in Mulberry France Sarl ("France") not already held by the Company and as then held as to 48% by

Mr R J Saul and as to 2% by Mr F M Saul The consideration payable to the Sellers was £3,245 plus an amount of deferred consideration (the "Deferred Consideration") payable following publication of the annual audited consolidated accounts of the Company for the financial year ending 31 March 1999. The Deferred Consideration, which is subject to a maximum of £750,000, is to be calculated by reference to the higher of the adjusted net asset value of France as at 31 March 1999 or the average of the adjusted earnings of France for each of the three financial years ending 31 March 1997, 1998 and 1999 multiplied by a price earnings ratio being the lower of 15 and the price earnings ratio of the Company as quoted in the Financial Times on 31 March 1999 The Deferred Consideration, which is to be apportioned as to 48% to Mr R J Saul and 2% to Mr F M Saul, is to be satisfied by the issue to the Sellers of new fully paid Shares in the Company

(d) Pursuant to a shareholders' agreement entered into between the Company (1), Mulberry Company (Europe) Limited ("Europe") (2) and Kokuyo Company Limited ("Kokuyo") (3) (the "Shareholders' Agreement"), Kokuyo subscribed for 25% of the issued share capital of Europe, the remaining 75% being held by the Company. Clause 11 of the Shareholders' Agreement provides that, in the event *inter alia* of the Company resolving to make a public issue of Shares, whether on the Official List of the Stock Exchange or otherwise, then notice of that fact shall be served by the Company on Kokuyo, following which the Company and Kokuyo shall each have the option of requiring that all of Kokuyo's shares in Europe are exchanged for new Shares in the Company. The number of new Shares in the Company to be issued to Kokuyo on exercise of either of these options is to be determined by reference to the fair market values of Europe and of the Company as agreed between the Company and Kokuyo or, failing which, as determined by a chartered accountant to be appointed by agreement between the Company and Kokuyo, or otherwise to be appointed at the request of either party by the President for the time being of the Institute of Chartered Accountants in England and Wales (the "President"), provided that the number of new Shares in the capital of the Company to be issued to Kokuyo in these circumstances shall not exceed 5% of the issued share share capital of the Company

On 29 February 1996 the Company served notice on Kokuyo of its intention to seek admission of its shares to AIM and consequently of its exercise of its option pursuant to Clause 11 of the Shareholders' Agreement. The Company also sought to obtain Kokuyo's agreement as to the appointment of an independent accountant for the purposes of carrying out a fair market valuation of Europe. By 19 March 1996 no such agreement had been reached as a result of which case the Company requested the President to appoint an independent chartered accountant for the purposes of carrying out the fair market valuation. In April 1996, the President made such an appointment. The valuation of Europe will not be completed prior to Admission.

(e) Save as disclosed in this paragraph 5, none of the Directors has any interest, whether beneficial or non-beneficial in the share capital of the Company

(f) Save as disclosed in this paragraph 5, the Directors are not aware of any other holdings of Shares representing more than 10% of the nominal value of the Company's share capital, nor of any person or persons who is, or was within the preceding 12 months, entitled to exercise or to control the exercise of 10% or more of the votes attaching to any class of shares in the Company The Institutional Investors currently hold approximately 26 34% of the existing issued share capital of the Company Subject to Admission, such shareholding will be reduced following the purchase by the Company of its own Shares pursuant to the agreement between the Company and the Institutional Investors referred to in paragraph 2(a)(vi) above Those Shares will, amongst others, be the subject of the Placing, following which the Institutional Investors will have no interest in the share capital of the Company

(g) The Company is not aware of any person(s), other than those stated above, who, directly or indirectly, jointly or severally, exercise or could exercise control over the Company

(h) The directorships of the Directors over the five years preceding the date of this document are as follows:

Director	*Current Directorships*	*Past Directorships*
R J Saul	Mulberry Group plc Mulberry Company (Sales) Limited Mulberry Company (Shoes) Limited Mulberry Company (Holdings) Limited Mulberry Company (Far East) Limited Mulberry Company (Europe) Limited Mulberry Company (Design) Limited Mulberry France Sarl Mulberry Oslo AS	None
G P Davis	Mulberry Group plc Mulberry Company (Sales) Limited Mulberry Company (Shoes) Limited Mulberry Company (Holdings) Limited Mulberry Company (Far East) Limited Mulberry Fashions Limited Mulberry Company (Europe) Limited Mulberry Leathers Limited Mulberry Company (Design) Limited	None
J S Rogers	Mulberry Group plc Mulberry Company (Design) Limited CCSS Limited Somerset Training and Enterprise Council	None
D C Ingram	Mulberry Group plc Mulberry Company (Sales) Limited Filton Golf Club (1979) Limited	Delapena plc Delapena Honing Equipment Limited Security Engineering Limited J K Smit Limited
M J Saul	Mulberry Group plc Mulberry Company (Design) Limited	None
R E G Gibson	Mulberry Group plc Bradstock Group PLC Bradstock & Stratton Limited Bradstock Accident & Health Limited Bradstock Barden & Watson Limited Bradstock Blunt & Crawley Limited Bradstock Brokers Limited Bradstock Byrne & Partners Limited Bradstock Carodene Limited Bradstock Chanfield Limited Bradstock Fine Art & Specie Limited Bradstock Fox Craig Group Limited Bradstock Fox Craig Limited Bradstock Group Services Limited Bradstock Hamilton Limited Bradstock Inc. – USA Bradstock Limited Bradstock Lockhart-Smith Limited Bradstock Overseas Equities Limited Bradstock Overseas Investments Limited Cullis Raggett Holdings Inc Cullis Raggett Inc Cullis Raggett Limited Penteco Student Services Inc Secucheck Limited Caravan Abroad Limited	Compare Insurance Brokers Limited Fablered Limited

(i) At the date of this document, none of the Directors has any unspent convictions, nor have they been the subject of any public criticisms by statutory or regulatory authorities Mr D C Ingram was a director of J K Smit Limited at the time of that company going into voluntary liquidation in 1992 Save as aforesaid, there have been no bankruptcies, receiverships or liquidations of companies where the Directors were directors at the time of, or within 12 months preceding the date of such bankruptcies, receiverships or liquidations

6. Directors' Service Contracts and Emoluments

Each of Messrs R J Saul, G P Davis, J S Rogers and D C Ingram and Mrs M J Saul have service contracts with the Company dated 17 May 1996 Each is terminable on 12 months notice by either party to the other. Each Director receives an annual basic salary and an entitlement to an annual bonus, provided that such bonus shall not in any year exceed 50% of the basic salary of the relevant Director Details of the basic salaries of each of the aforementioned Directors and of their percentage entitlements to participate in the bonus scheme are set out below In addition, the Company contributes to a money purchased pension scheme arranged for each of the aforementioned Directors so as provide to each Director the Inland Revenue maximum permitted benefits at a retirement age of 60 years, subject to the maximum contribution in any one year (unless otherwise sanctioned by the Remuneration Committee), being 50% of the Director's basic salary.

Mr R J Saul receives an annual basic salary of £210,000 and is entitled to a bonus equal to 6 8% of the increase in profits before tax of the Group compared with the previous year.

Mr G P Davis receives an annual basic salary of £150,000 and is entitled to an annual bonus equal to 4 25% of the increase in profits before tax of the Group compared with the previous year.

Mr J S Rogers receives an annual salary of £150,000 and is entitled to an annual bonus equal to 4.25% of the increase in profits before tax of the Group compared with the previous year.

Mr D C Ingram receives an annual basic salary of £85,000 and is entitled to an annual bonus equal to 3 0% of the increase in profits before tax of the Group compared with the previous year.

Mrs M J Saul receives a basic salary of £75,000 and is entitled to receive an annual bonus equal to 1.7% of the increase in profits before tax of the Group compared with the previous year

Mr R E G Gibson does not have a service contract with the Company but receives directors' fees of £15,000 per annum.

7. Share Option Schemes

Summary of the Mulberry Group plc 1996 Company Share Option Scheme ("the Scheme") The following summary assumes that the existing 10p shares have been sub-divided into Shares as referred to in paragraph 2(a)(ii) of this part

General

The Scheme is divided into two parts – the "approved" and the "unapproved" parts The approved part has been submitted to the Inland Revenue for approval The unapproved part is not designed for Inland Revenue approval and is intended for employees who are not able to participate under the approved part Save to the extent required in order to obtain Inland Revenue approval of the approved part and in particular the maximum number of Shares that can be put under option to any individual the approved and unapproved parts are in all material respects identical

Eligibility

All executive Directors and employees of the Company and participating subsidiaries are eligible to participate provided that, in the case of the approved part, executive Directors are required to work at least 25 hours per week for the Company No individuals with an interest in more than 10% of the Company can participate in the approved part The Board (or the Remuneration Committee in the case of executive Directors post-Admission) has discretion in selecting the persons to whom options are to be granted and (subject to the limits set out below) in determining the number of Shares to be placed under option

Grant of options

Options (which may relate to new and/or existing shares) may be granted within six weeks following the approval of the approved part of the Scheme by the Inland Revenue, within six weeks following Admission, and within six weeks following the announcement by the Company of its results for any period and also at any other time in circumstances considered by the Directors to be exceptional. It is intended that options to subscribe for 600,000 Shares will be granted shortly before Admission. No options may be granted later than ten years after the Scheme was adopted. An option is personal to the option holder and may not be transferred by him. No payment is required for the grant of an option.

Individual participation

(i) Each individual's participation under the approved part will be limited so that the aggregate market value (as at their relevant dates of grant) of Shares under all unexercised options granted to him under the approved part or any other share option scheme (other than a savings related share option scheme) approved by the Inland Revenue in accordance with the Income and Corporation Taxes Act 1988 (as amended) ("Taxes Act") and adopted by the Company, or any associated company, in any ten year period, will not exceed £30,000 or such other limit contained in paragraph 28 of Schedule 9 to the Taxes Act.

(ii) Each individual's participation under the Scheme will be limited so that the aggregate market value (as at their relevant dates of grant) of Shares under all options granted to him under the Scheme or any other share option scheme (other than a savings related share option scheme approved by the Inland Revenue in accordance with the Taxes Act) adopted by the Company or any associated company, in any ten year period, will not exceed four times the individual's annual remuneration.

Acquisition price

For options granted prior to or on Admission, it is intended that the price per Share payable upon the exercise of an option will, effectively, be the Placing Price (or such higher amount as the Inland Revenue requires). For options granted subsequently, the acquisition price will not be less than the higher of:

(i) if the Shares are listed on the Alternative Investment Market of the London Stock Exchange, the average of the middle market quotations for such Shares for a period preceding the date of grant (or such other amount as may be agreed with the Inland Revenue) at the date of grant; and

(ii) their nominal value (in the case of an option to acquire Shares by subscription).

Exercise of options

An option will normally be exercisable between three and ten years or seven years in the case of the unapproved part following its grant, provided that any performance condition, approved by the Directors prior to the grant of the option, has been satisfied. However the initial grant of options under the approved part will normally be exercisable between five and ten years following their grant. Early exercise is permitted following cessation of employment, whether or not any performance condition has been satisfied, either in certain compassionate circumstances, or at the discretion of the Directors, and in the event of an amalgamation, take-over, or winding-up of the Company.

Limits on the issue of Shares under the Scheme

The Scheme is subject to the following overall limits on the number of Shares which may be acquired by subscription:

(i) in any three year period not more than 4% of the share capital of the Company may in aggregate be issued or issuable pursuant to rights acquired under the Scheme or any other employee share schemes adopted by the Company;

(ii) in any ten year period not more than 10% of the share capital of the Company may in aggregate be issued or issuable pursuant to rights acquired under the Scheme or any other employee share schemes adopted by the Company; and

(iii) in any ten year period not more than 5% of the share capital of the Company may be issued or issuable pursuant to rights acquired under the Scheme or under any other executive share option schemes adopted by the Company.

The 4% limit referred to in paragraph (i) above may be exceeded if the number of Shares issued or issuable pursuant to rights acquired under the Scheme or any other employee share schemes adopted by the Group in any period of five years does not exceed 5% of the share capital of the Company and no more than 4% is used in this period under the Scheme and under any other executive share option scheme adopted by the Company.

For the purposes of these limits, options granted pursuant to the Company's 1988 Share Option Scheme do not count and options which lapse cease to count

Rights attaching to Shares

All Shares allotted under the Scheme will rank *pari passu* with all other Shares of the Company for the time being in issue (save as regards any rights attaching to such Shares by reference to a record date prior to the date of allotment) and the Company will apply for admission to trading on AIM of any new Shares issued under the Scheme.

Variation of capital

In the event of any capitalisation issue, offer or invitation by way of rights, sub-division, consolidation, reduction or other variation of share capital, the Board may make such adjustments as it considers appropriate to the number of Shares subject to options and the price payable on the exercise of options. Any such adjustments must receive the prior approval of the Inland Revenue in the case of the approved part.

Alterations to the Scheme

The Board may alter the provisions of the Scheme but its basic structure (and in particular limitations on each individual's participation and on the number of Shares that may be issued thereunder as indicated above) cannot be altered without the prior sanction of the Company in general meeting. No alteration to the approved part shall take effect until it has first been approved by the Inland Revenue

8. The Placing Agreement

On 20 May 1996, Brown Shipley (1), the Company (2) the Directors (3) and the Vendors (4) entered into an agreement (the "Placing Agreement") pursuant to which Brown Shipley has agreed, (conditionally *inter alia* on Admission taking place on or before 23 May 1996, or such later date (being not later than 31 May 1996) as Brown Shipley and the Company may agree), to use its reasonable endeavours to procure Placees on behalf of the Company to subscribe for 2,976,852 Shares and to procure Placees on behalf of the Vendors to purchase in aggregate 2,631,035 existing Shares, in each case at a price per share equal to the Placing Price

Under the Placing Agreement:

(a) The Company has agreed to pay Brown Shipley a commission of 2.5 per cent of the value, at the Placing Price, of the 2,976,852 new Shares subscribed for In addition, the Vendors have agreed to pay Brown Shipley a commission of approximately 2.5 per cent of the value, at the Placing Price, of the 2,631,035 existing Shares purchased from them pursuant to the Placing. Out of such commission, Brown Shipley will pay a commission of 1 per cent to Teather & Greenwood Brown Shipley will also receive a corporate finance (plus applicable VAT) fee for its services as advisers to the Company Teather & Greenwood will also receive a fee of £20,000 plus applicable VAT for its services as stockbrokers to the Company and placing agents for Brown Shipley

(b) The Company has agreed to pay all other costs and expenses of and incidental to the Placing, and related arrangements, together with VAT on all such costs and expenses and on the commission referred to in sub-paragraph (a) above; save for stamp duty payable on the shares purchased from the Vendors which shall be paid by the Vendors.

(c) The Company and the executive Directors have given certain warranties and indemnities to Brown Shipley relating *inter alia* to the contents of this document and other matters in relation to the Group and its business.

(d) Brown Shipley may terminate the agreement in certain circumstances prior to Admission.

9. Litigation

No member of the Group is engaged in, nor has pending or threatened against it, any legal or arbitration proceedings which may have a significant effect on the financial position of the Group

10. Material Contracts

The Group is a party to the following contracts which are, or may be, material:

(a) The Placing Agreement referred to in paragraph 8 above.

(b) The agreement relating to the purchase by the Company of certain of its own Shares from the Institutional Investors as referred to in paragraph 2(a)(vi) above The number of Shares to be purchased is such as to leave the Institutional Investors with a number of Shares, all of which will be placed pursuant to the Placing Agreement and which will, at the Placing Price, when taken with consideration received on the share buy back by the Company, will realise for the Institutional Investors the sum of £3,382,346 net of expenses.

(c) The Agreement relating to Mulberry France Sarl referred to in paragraph 5(c) above.

11. Consents

Arthur Andersen has given and not withdrawn its written consent to the inclusion herein of its Accountants' Report in the form and context in which it appears for the purposes of paragraph 45(1)(b)(iii) of the POS Regulations and accepts responsibility for the contents of that report.

12. Working Capital

The Company, having made due and careful enquiry, is of the opinion that the working capital available to the Group is sufficient for its present requirements.

13. Nominated Adviser and Nominated Broker

Brown, Shipley & Co. Limited of Founders Court, Lothbury, London EC2R 7HE is the nominated adviser and Teather & Greenwood of Salisbury House, Circus Place Entrance, London Wall, London EC2M 5TH is the nominated broker to the Company

14. United Kingdom Taxation of Dividends

The following information, which sets out the taxation treatment for holders of Shares is based on the law and practice currently in force in the United Kingdom The information is not exhaustive and if shareholders are in any doubt as to their taxation position, they should consult their professional advisers Shareholders should note that the levels and basis of, and relief's from, taxation may change and that changes may alter the benefits of investment in the Company

No tax is withheld from dividend payments by the Company, but whenever the Company pays a dividend it is required to account to the United Kingdom Inland Revenue for advance corporation tax (ACT). The current rate of ACT is one quarter of the dividend paid

Subject as mentioned below in relation to foreign income dividends (FIDs), shareholders resident in the United Kingdom for taxation purposes (other than corporate shareholders) are generally liable to income tax on the aggregate amount of the dividend and tax credit equal to 25% of the dividend. For example, on a dividend of £80 the tax credit is £20 and the individual is liable to income tax at the lower rate only, unless they are liable to higher rate tax. Individual shareholders resident in the United Kingdom whose income tax liability is less than the aggregate of the amount of income tax deducted from other income paid to them and the tax credit in respect of dividends are entitled to a proportionate repayment of tax. United Kingdom resident individual shareholders who are subject to tax at the higher rate (currently 40%) are liable for additional tax to the extent that tax at such rate, on the aggregate of the dividend and the tax credit, exceeds the tax credit For example, on a dividend of £80, such a taxpayer is liable for additional tax of £20. For this purpose, dividends are treated as the top slice of the individual's income United Kingdom resident trustees of discretionary trusts, are liable to account for income tax at the rate of 35% on the trust's income, may also be liable for additional tax

Subject as mentioned below in relation to FIDs, United Kingdom resident shareholders who are exempt from tax in respect of investment income (such as pension funds and charities) are entitled to repayment from the United Kingdom Inland Revenue Resident corporate shareholders (other than certain insurance companies) are not liable to corporation tax or income tax in respect of dividends and, subject as mentioned below in relation to FIDs, such dividends are available to frank dividends paid by such companies.

Subject to special provisions which apply to Commonwealth citizens, citizens of the Republic of Ireland, residents of the Isle of Man or the Channel Islands and certain other shareholders not resident in the United Kingdom are generally not entitled to the benefit of a tax credit in respect of dividends. Such shareholders are treated as receiving gross income of an amount which, when reduced by income tax at 20%, is equal to the dividend. However, no assessment is made on such shareholders in respect of lower or basic rate income tax and non-resident individuals' liability if any, to pay income tax in respect of dividends is limited to the excess of higher rate over lower rate (currently 20%). Special rules apply to non-resident discretionary trusts in respect of United Kingdom dividends

Subject as mentioned below in relation to FIDs, an entitlement to repayment from the Inland Revenue of part or all of the tax credit may be available to some non-United Kingdom shareholders if there is an appropriate provision granting such entitlement in a double taxation agreement between the country in which they are resident and the United Kingdom. Non-United Kingdom resident shareholders may also be subject to tax on dividends under the law outside the United Kingdom to which they are subject.

Since 1 July 1994, United Kingdom resident companies have been allowed to elect to pay a dividend as a FID The company is still required to account for ACT in respect of a FID, but is, subject to satisfying certain conditions, subsequently able to recover some or all of that ACT from the Inland Revenue A dividend paid as a FID does not carry a tax credit, and therefore shareholders who are normally entitled to a repayment of part or all of the tax credit from the United Kingdom Inland Revenue are not able to do so if a dividend is paid as a FID. Otherwise, individual and trustee shareholders have the same liability to tax in respect of a FID as they have in respect of a normal dividend FIDs received by a United Kingdom resident company are not available to frank non-FID dividends paid by that company, but are available to frank FIDs paid by that company

15. General

(a) The costs, charges and expenses including all fees and commissions (exclusive of VAT) relating to the Placing and to the application for Admission, which are payable by the Company, are estimated to amount to £450,000

(b) In the Directors' opinion, the minimum amount which must be raised pursuant to the Placing for the purposes set out in paragraph 21(a) of Schedule 1 to the POS Regulations is nil

(c) The nominal value of the Shares is 5p and they are being placed at a premium of 148p.

(d) The registered office of the Company is at Kilver Court, Shepton Mallet, Somerset BA4 5NF.

(e) Brown, Shipley & Co Limited, is regulated by the Securities and Futures Authority and is registered in England and Wales with number 398426 and its registered office is at Founders Court, Lothbury, London EC2R 7HE. Teather & Greenwood is regulated by the Securities and Futures Authority and is a member of the London Stock Exchange

(f) Key man insurance in the respective sums of £2,000,000 and £150,000 is in place on the respective lives of Mr R J Saul and Mr G P Davis. The sum of £2,000,000 in relation to the permanent disablement of Mr R J Saul is also in place.

(g) The 1996 Annual General Meeting of the Company has been convened for 10.00am on Monday 10 June 1996 and is to be held at the Company's registered office, Kilver Court, Shepton Mallet, Somerset.

(h) The financial information contained in this document does not constitute statutory accounts for the purposes of Section 240 of the Act

16. Availability of this document

Copies of this document will be available free of charge to the public on any week day (excluding Saturdays) at the offices of Brown Shipley at Founders Court, Lothbury, London EC2R 7HE from the date of Admission and for a period of 14 days' thereafter

20 May 1996

AUSTRIA

BELGIUM

DENMARK

EIRE

FRANCE

FINLAND

GERMANY

GREECE

HOLLAND

HONG KONG

ITALY

JAPAN

MALAYSIA

NORWAY

PORTUGAL

RUSSIA

SINGAPORE

SPAIN

SWEDEN

TURKEY

UNITED KINGDOM

USA

Mulberry

Mulberry Group plc
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