



BURBERRY
ESTABLISHED 1856





Rae Morris

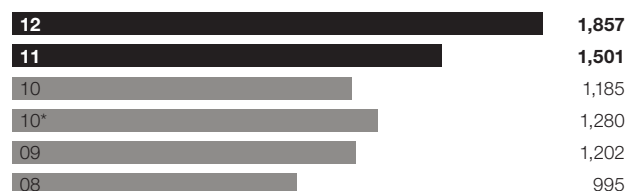
WOMENSWEAR
AUTUMN/WINTER 2012
20 FEBRUARY 4PM
KENSINGTON GARDENS
KENSINGTON GORE
LONDON SW7
ENTRANCE VIA QUEEN

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DELIVERING RECORD RESULTS

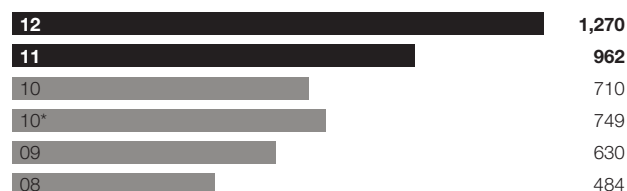
Total revenue (Year to 31 March)

£1,857M



Retail revenue (Year to 31 March)

£1,270M



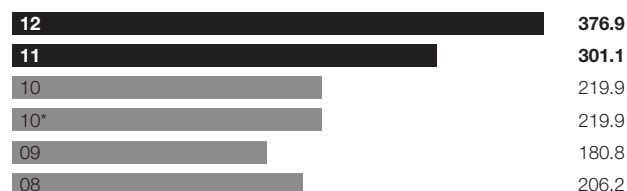
Wholesale revenue (Year to 31 March)

£478M



Adjusted operating profit (Year to 31 March)

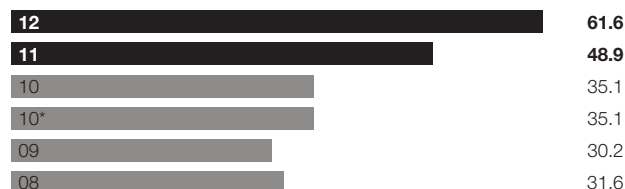
£376.9M



Adjusted operating profit is stated before exceptional items.
Reported operating profit £376.9m (2011: £302.1m).

Adjusted diluted earnings per share (Year to 31 March)

61.6 P



Adjusted diluted EPS is stated before exceptional items.
Reported diluted EPS 59.3p (2011: 46.9p).

Net cash/(debt) (As at 31 March)

£338.3 M



Dividend per share (Year to 31 March)

25.0 P



Capital expenditure

£153.1 M



2008, 2009 and 2010* include the results of the discontinued Spanish operations.
2010 has been represented to exclude the discontinued Spanish operations.





EXCELLENT RESULTS WITH A POWERFUL FOUNDATION FOR THE FUTURE



Sir John Peace
Chairman

At this time last year, I reported an historic year for Burberry in 2010/11, while expressing some caution for the year ahead. For 2011/12, I am pleased to report that the team successfully executed an ambitious plan despite an uneven external environment, producing another record year.

From a strategic perspective, the team focused on refining and executing Burberry's five core strategies. The brand continues to ascend, backed by some of the most forward thinking digital marketing in the consumer sector. Ongoing design innovation sustains a compelling product proposition. With 14% average space growth, retail expansion remains on pace in both existing and new markets. The brand is actively building a leading presence in the important new growth luxury markets. Efficiency improves across operating functions. These activities produced excellent progress for the year, and continued to build a powerful foundation for the future.

With this, the Group achieved record financial results in 2011/12. Total revenue grew 24% to £1,857m. Operating profit increased 25% to £377m. After-tax return on capital remained strong at 37%. All of these figures are on an adjusted basis. The Group ended the year with a £338m net cash balance. The board has recommended a 25% increase in the full year dividend to 25p.

Looking ahead, 2012/13 may present continued challenge. Although the global macroeconomic picture has generally improved with distance from the financial crisis, this is not uniformly true. On an economic basis, 2012/13 is likely to be less supportive for luxury. China's growth is slowing, some Eurozone countries will see recession and the US recovery is gradual. And political tensions in certain regions present concerns. Professional observers of the sector are unusually divided on its near-term outlook. Against this immediate backdrop, longer-term prospects for luxury's continued growth are favourable – supported by democratisation, wealth creation, the rise of growth market consumers.

In planning 2012/13, management and the board considered these factors. During the year, the board had invested in deepening its knowledge of Burberry's business through broader sector analysis, exposure to additional levels of management, and in April 2012, a trip reviewing four of the Group's most important markets in Asia. In the end, measuring an external environment potentially suggesting short-term investment moderation against the brand's long-term opportunity in luxury – particularly in the context of aggressive pursuit of market share by sector peers – we concluded the benefits of pursuing Burberry's long-term opportunities in luxury should outweigh any immediate issues stemming from a difficult environment. This approach is further supported by the brand's momentum, management's track record and the Group's financial resources. Accordingly, the team has committed to another determined plan, while remaining vigilant and prepared to react to external developments.

Before concluding, a brief look further back. July 2012 marks the tenth anniversary of Burberry as a listed company. From its initial £1.15bn market capitalisation in July 2002, Burberry is valued in excess of £6bn at the time of this letter (May 2012). During these past ten years, the Group has also returned £780m to shareholders through share repurchase and dividends.

On behalf of the Board and shareholders, I thank the team around the world for their contributions to these results. Burberry possesses the right strategy, right culture and right team for continued success.







A GREAT STEP FORWARD



Angela Ahrendts
Chief Executive Officer

Completing a record year in 2010/11, Burberry entered 2011/12 with excellent momentum – and a less certain external outlook. Following a strong rebound for luxury in 2010, the sector's prospects were less predictable amid the macro uncertainty. In this context, management planned to drive near-term results by concentrating on core strategies, while committing significant investment to benefit the years ahead, ever watchful of a changing environment. In the final analysis, the luxury consumer broadly remained healthy and the team successfully navigated the uncertainties realised – Eurozone sovereign debt crisis, natural disaster in Japan and sluggish US recovery – to advance its long-term objectives: great brand, great growth, great company.

Great brand

Great brands stand for clearly defined attributes which are projected to provide a pure, uniform experience across all consumer touch points. Our strategies are aimed at reinforcing the Burberry brand's digital luxury positioning, ensuring consistency of experience and enriching the depth and accessibility of that experience in keeping with evolving consumer expectations.

♦ Correcting legacy issues

We continued to correct legacy practices inconsistent with target positioning. In the wholesale channel, Burberry exited doors not aligned with brand status and invested in presentation through both enhanced assortments and dedicated, customised real estate in key doors. Although the outlet store format is primarily an inventory management tool, our objective is fewer stores located in the top outlet centres in each market. Accordingly, selected outlet stores were closed or relocated in the year.

♦ Transitioning Japan

We continued efforts to integrate Japan with the modern British brand. As part of upgrading today's premium positioning, an additional seven licensed categories were exited or downsized during the year, while we continued to invest in our early stage retail operation. Refining merchandising and marketing strategies to convert this legacy market, the team achieved solid sales gains in the year in this initial phase of building the brand's future platform in Japan.

♦ **Launching Burberry Body**

Fragrance is the most widely encountered product in the Burberry portfolio. With the creation of Burberry Body, the brand added its most elevated proposition in this category. Launched simultaneously across digital and traditional platforms, the global media campaign, featuring the iconic trench coat within a new sensual context, communicated the brand's modern luxury positioning to a wide consumer audience.

♦ **Presenting Burberry Bespoke**

Burberry Bespoke also debuted during the year. This interactive online experience allows consumers to explore the full possibilities of Burberry's iconic trench coat – silhouettes, fabrics, colours, hardware – and design a completely personalised edition made at our facility in England for delivery within eight weeks. Offering over 12 million combinations and the most luxurious of features, Bespoke is the highest expression of the brand.

♦ **Integrating the physical and digital**

Burberry's stores and digital platforms both offer distinct consumer advantages. Stores, for example, provide the immediacy of physical product, while Burberry World, the brand's digital headquarters, can conjure a product's image from the runway or place it within a customer's purchase history. As part of a seamless brand experience, we are working to integrate the benefits of both arenas – brand essence to product knowledge to selection to service – through a range of activities, including digital trunk shows, synchronised product presence, 360 degree video view, 24/7 click-to-chat in 14 languages and use of iPads in store, blurring the lines between the physical and digital. During the year we incorporated our most up to date thinking in the London Regent Street store project. Scheduled to open in summer 2012, this is Burberry's store of the future. This is Burberry World Live.

Great growth

In serving as stewards of this 156 year old heritage brand, management defines great growth in both qualitative and quantitative dimensions. The goal is sustained, profitable growth over the long-term fully consistent with the brand vision, values and positioning.

♦ **Driving productivity**

During the year, management focused on several operational initiatives to drive store productivity – among the most potent levers of profitable growth. Consistent execution ensured new product flowed to reset selling floors across all mediums monthly to continuously engage consumers. Investment in replenishment inventory improved availability of core product. Continued commitment to sales training and the addition of new modules tailored to high growth markets enhanced consumer responsiveness globally. For the year, comparable store sales increased 14% on top of an 11% gain in 2010/11.

♦ **Accelerating retail investment**

The Group accelerated retail expansion with the opening of 48 mainline stores and concessions. By strengthening the brand's position in flagship cities around the world, we see opportunity to increase sales and mindshare in these high potential markets which offer a concentration of both sophisticated local and travelling luxury consumers. Retail capital investment increased 60% in the year with approximately half concentrated in these markets. Larger format stores opened in Hong Kong, Paris and Sydney. Store renovation activity also accelerated, with emphasis on flagship markets.

♦ **Engaging China**

Mainland China is among the world's largest and fastest growing luxury markets today. As the economic trends and cultural dynamics indicate that its importance will continue to grow, Burberry is investing in China for the long-term. Ten mainline and concession stores were opened, for a total of 63 stores at year end. At the country level, we are adding senior management and talent. Marketing efforts intensified with the brand staging one of its most prominent events of the year in Beijing in April 2011 and the customisation of content to gain a leading position in the local social media arena. In stores, we continue to refine formats, assortments and develop a targeted service proposition.

Growth in adjusted diluted EPS (Year to 31 March)
is a key valuation metric for Burberry's shareholders

61.6P 2011/12 +26%



Adjusted diluted EPS is stated before exceptional items. Reported diluted EPS 59.3p (2011: 46.9p). 2008 and 2009 include the results of discontinued Spanish operations.

♦ Investing in growth markets

Burberry is also investing in the smaller markets of the future. From regional headquarters in Brazil, the Group opened two stores in Central and Latin America, in São Paulo and Guadalajara. In India, two stores were opened and the Middle East region also added seven stores in the year.

♦ Intensifying product

Outstanding product is the soul of the brand and the object of passionate attention – whether to set a new luxury standard in our core outerwear category with the creation of Bespoke or to elevate the brand's position in fragrance with Burberry Body. In addition to these, menswear received intensive focus during the year. At origin Burberry is a male brand, and with rising prominence of the male luxury consumer, particularly in growth markets, the brand sees further opportunity to capitalise on this heritage. During the year, the menswear division intensified efforts in tailoring through new product development, sourcing arrangements, marketing activities and in-store merchandising and service. The tailoring initiative was piloted in selected stores with expansion planned for 2012/13. Men's non-apparel categories are among the fastest growing in luxury. Accordingly, the team invested significantly to elevate and expand assortments in this area. In the year, men's non-apparel was Burberry's fastest growing business.

♦ Building customer centricity

In an increasingly digital world, businesses have ever greater opportunity to understand their target customer. During the year, we accelerated investment in this area with the addition of dedicated expertise and technology solutions. These are early steps on a multi-year path to gaining greater customer insight from which to develop the foresight that informs our decision and service processes.

♦ Leveraging information investment

While substantial investment in core information systems has improved Burberry's fundamental operating capability and enabled rapid growth in recent years, we continue to refine and expand use of these tools. In 2011/12, this core was further leveraged across the supply chain to enhance procurement processes and more precisely time the flow of product capsules to stores. In the merchandising sphere, intelligence gained from consistent global data and reporting sharpened both pre-season buying and assortment decisions and in-season responsiveness.

Great company

A truly great company is great beyond its customers. For employees, it is an inspiring, rewarding place to work. While society broadly benefits from the commercial contribution of a healthy business, a great company more actively applies its resources in favour of greater social value. And, if a company achieves these, it should also deliver attractive financial returns for shareholders.

♦ **Enabling creative thinking**

Today, innovation is vital to every business – and essential to luxury. At Burberry, we organise ourselves to maximise cross-functional, collaborative interaction – reporting relationships that integrate traditionally segregated silos (Marketing and IT), governing bodies that pair seasoned executives with the next generation of talent (a council to dream), and a willingness to deconstruct and evolve our structure as needs arise and the business grows (a new mobile commerce department). The unconventional interaction within this network drives the rich innovation – the Tweetwalk (a pioneering fashion show on Twitter), Bespoke, the addition of weather to a runway show – that fuels our business.

♦ **Building the social enterprise**

Connecting through constant communication is a key aspect of this culture. During the year, we undertook development of a sophisticated communications platform built around social media architecture to more closely connect our nearly 9,500 employees. Incorporating interactive tools to enhance access to people and information globally, this will be the focal point of communication and knowledge internally – and extend to external partners next year.

♦ **Investing in Britain**

As home of the brand, Britain is a special place for Burberry. We continue to build the team at our global headquarters in London, committing to a second building in Westminster during the year. The Group further invested in its trench coat manufacturing facility in Yorkshire in our effort to build a world-class operation. As part of this, we are also funding a training academy and apprentice programme to develop skills in the next Burberry generation.

♦ **Enhancing social value**

Supporting the Burberry Foundation – dedicated to helping young people realise their dreams through the power of creativity – is also an integral part of our culture.

During the year, the Foundation, which receives the large majority of the Group's annual contribution of 1% of pre-tax profits – composed of both cash and products, such as British-made trench coats and other outerwear, small leather goods, handbags, totes and mufflers – to philanthropic causes, continued to support organisations in key communities in which Burberry operates, and facilitated Burberry's first global staff volunteering day. The Foundation's success has further raised our aspirations. We recognise that constrained governments increasingly need businesses with their expertise and other resources to play a larger role in society. So we ask ourselves, given a brand, talent and culture able to engage the interests of consumers around the world, what else can we do? What is Burberry's larger role? This is work for the future.

Great financial results

These activities have positioned Burberry well for the years ahead, while delivering record financial results in the present. Revenue increased 23% underlying to £1,857m. A 14% comparable store sales gain combined with 11% space expansion and a 6% contribution from the China acquisition to produce 31% underlying retail revenue growth to £1,270m. Wholesale revenue increased 8% underlying (14% excluding the China transition) to £478m. Licensing revenue increased 5% underlying driven by strong performances in fragrance, timepieces and eyewear. The business achieved double-digit gains across all product divisions and regions. Adjusted operating profit increased 25% to £377m with retail/wholesale operating profit growing 31% on a 25% revenue gain – achieving an historical high 16.4% retail/wholesale operating margin. Capital investment totalled £153m and the Group ended the year with £338m of cash.

A great year

In concluding a great year, I once again thank the global Burberry community. This starts with the internal Burberry team, and extends equally to our external relationships – suppliers, customers and licensing and franchise partners. Burberry's excellent performance springs from the work of this amazing community with all its expertise, passion, dedication and loyalty. It's exciting and an honour to work alongside all of you on this mission – the opportunity has never been clearer. With a solid, balanced foundation in place, we can continue to create a great brand with great growth, resulting in a truly great company relevant for another 150 years. I look forward to Burberry's exciting years ahead.





BRAND

Founded in 1856, Burberry today remains quintessentially British, with outerwear at its core.

Digital luxury positioning and the optimisation across innovative mediums of the trench coat, trademark check and Prorsum knight heritage icons make the brand purer, more compelling and more relevant globally, across genders and generations.



BUSINESS

Disciplined execution, constant evolution and balance across channels, regions and products underpin the management of the business.

Innovative product design, digital marketing initiatives and dynamic retail strategies drive consistent performance.



CULTURE

A closely connected, creative thinking culture encourages cross-functional collaboration, intuition and a meritocratic ethos.

United by open communication and a pure brand vision, and inspired by the company's core values – Protect, Explore and Inspire – compassionate global teams give back to their communities through the Burberry Foundation and socially responsible initiatives.







DELIVERING SUSTAINED PROFITABLE GROWTH

Burberry is a global luxury brand with a distinctive British heritage, core outerwear and large leather goods base and some of the most recognised icons in the world. Burberry designs and sources apparel and accessories, selling through a diversified network

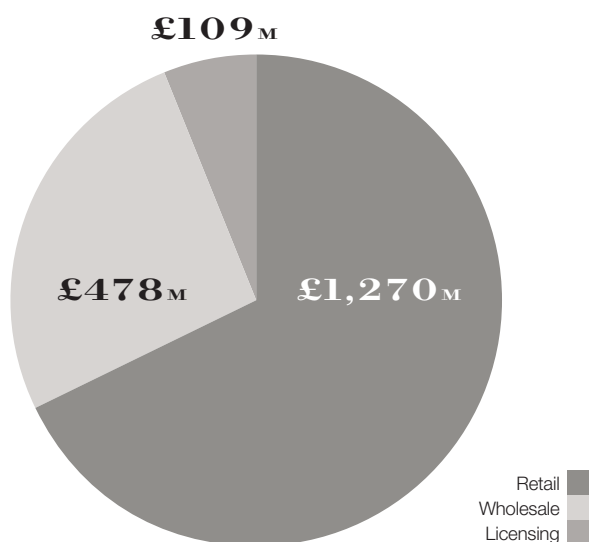
of retail (including digital), wholesale and licensing channels worldwide. The business is structured by channel, region and product division, supported by corporate functions.

CHANNEL MIX

Burberry sells its products to the end consumer through both retail (including digital) and wholesale channels. For 2011/12, retail accounted for 68% of revenue and wholesale 26%. Burberry also has licensing agreements in Japan and globally, leveraging the local and technical expertise of its licence partners.

REVENUE BY CHANNEL

Underlying is calculated at constant exchange rates



RETAIL

Includes 192 mainline stores, 208 concessions within department stores, digital commerce and 44 outlets

- 31% underlying growth
- 14% comparable store growth
- 11% growth from new space
- Acquired stores in China contributed 6% to growth
- 23 mainline store openings in the year, including the first large format stores in Taipei, Paris, Sydney and Hong Kong

WHOLESALE

Includes sales to department stores, multi-brand specialty accounts, Travel Retail, and franchisees who operate 57 Burberry stores, mainly in Emerging Markets

- 8% underlying growth
- 14% growth excluding sales made to China
- Growth driven by Emerging Markets, Travel Retail and US department stores
- New franchise stores opened in markets such as Croatia, Romania, South Africa and Thailand

LICENSING

Includes income from Burberry's licensees, approximately two-thirds from Japan and the balance from global products (fragrance, eyewear and timepieces) and the European wholesale childrenswear licensee

- 5% underlying growth
- Increased income from Japan apparel licence offset the termination of short-term non-apparel licences
- 20% growth in royalty income from global product licences

BROAD GEOGRAPHIC PORTFOLIO

Burberry operates in four regions: for 2011/12, Americas represented 25% of retail /wholesale revenue, Europe 32%, Rest of World 6% and Asia Pacific 37%.

RETAIL AND WHOLESALE REVENUE BY DESTINATION

Underlying is calculated at constant exchange rates



DIVERSIFIED PRODUCT MIX

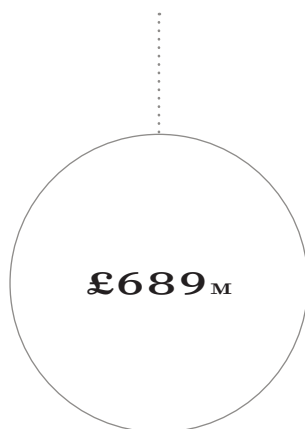
Burberry has a structured product offering and has seen growth across each of these business areas.

RETAIL AND WHOLESALE REVENUE BY PRODUCT DIVISION

Underlying is calculated at constant exchange rates

NON-APPAREL

- 22% underlying growth
- Large leather goods accounted for around half of mainline non-apparel sales
- Men's non-apparel increased by over 50% in mainline retail



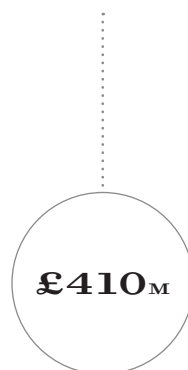
WOMENSWEAR

- 27% underlying growth
- Core outerwear the main growth driver
- Tailoring outperformed, with London ending the year at 45% of women's apparel



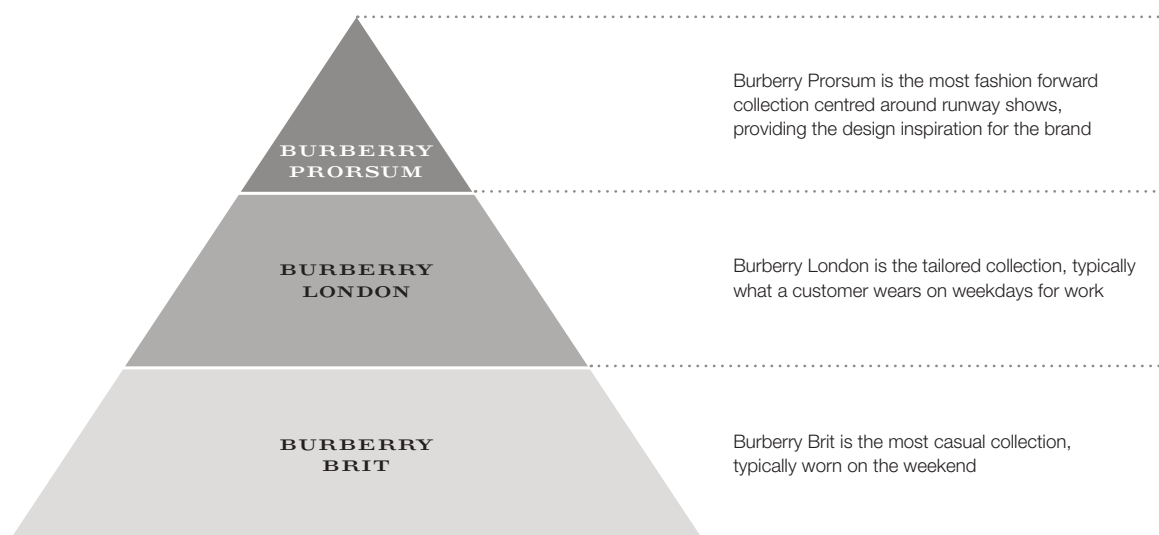
MENSWEAR

- 26% underlying growth
- Outperformance in core outerwear
- Men's tailoring doubled in the year from a low base



CHILDRENSWEAR

- 19% underlying growth
- Majority of growth driven by Asia Pacific
- Eight new childrenswear stores opened





**AN ICONIC BRITISH LUXURY
BRAND ESTABLISHED IN 1856,
BURBERRY LEVERAGES ITS PROVEN
STRATEGIES AND TALENTED
TEAM TO ASSURE SUSTAINABLE,
PROFITABLE GROWTH**

STRATEGIC THEMES



The following pages outline the company's five key strategic themes and selected highlights during the year. These themes underpin the connected culture, brand momentum and consistent performance.



LEVERAGE THE FRANCHISE

Through more coordinated use of brand assets and greater integration of its global organisation, Burberry has the opportunity to enhance consumer responsiveness and operate more efficiently and effectively. This potential lies in both the front and back-of-house operations.

In 2011/12, Burberry was named the fourth-fastest growing brand globally by both Interbrand and WPP/BrandZ, behind Apple, Google and Amazon. It was included in Interbrand's 'Top 100 Global Brands' for the third consecutive year, received the Luxury Briefing 'Inspiring Luxury Loyalty' award and was recognised as one of six best practice advertising case studies by Asia's largest search engine, Baidu.

Brand momentum, marketing innovation and product excellence underpin this performance.

Brand momentum

The momentum of the Burberry brand lies in pure and consistent global articulation. Initiatives underpinning this momentum include:

Digital synchronisation

- ♦ Burberry.com – or 'Burberry World' – enabled more consistent brand projection across all customer touchpoints.
- ♦ Monthly coordination of design, marketing and retail activities resulted in seamless brand communication.
- ♦ Retail Theatre technology was rolled out to 87 stores, enabling distribution of brand content and events, while the roll out of iPads to all mainline stores globally was completed.
- ♦ Burberry World supported retail sales as a global inventory pool.

Brand integration

- ♦ Discussions continued with Interparfums, the company's fragrance and beauty partner, regarding a potential new operating structure for the business to unlock the brand's potential in these introductory categories.
- ♦ Saudia Arabia became the latest business to transition from a franchise model with the formation of a new subsidiary with a local partner.

Marketing innovation

Burberry continued to extend its reach and impact through innovative marketing, leveraging its brand content to engage and connect consumers globally.

Burberry World

- ♦ Burberry World hosted an increasingly immersive suite of content-rich experiences, attracting millions of visitors during the year.
- ♦ Burberry Bespoke, the most luxurious expression of the brand's iconic outerwear product launched digitally, enabling customers to design, share and purchase customised trench coats, for delivery within eight weeks.
- ♦ The runway show experience evolved on Burberry World, with live Twitter and Instagram social feeds connecting the brand's virtual communities and motion-reactive 360-degree technology enhancing customers' ability to explore the collection online.
- ♦ Recognising the increasingly central role that technology plays in the success of its marketing activities, investment in the integrity and efficiency of IT systems continued.

JCDecaux

22:18

BURBERRY

WOMENSWEAR SHOW



twitter

Tailored cotton riding jacket
#LFW

Follow @Burberry

33
RETWEETS

12
FAVOURITES

Social media

- Burberry continued to advance its leading position on social media in the luxury sector, more than doubling Facebook fans and YouTube views, while tripling its followers on Twitter. Visits to the Art of The Trench social media site increased by more than 60%.
- Brand content was further leveraged across Chinese social media platforms Sina Weibo, Kaixin001, Douban and YouKu, and through 10 regional Twitter accounts.
- Tweetwalk, launched in partnership with Twitter, enabled followers to see images of the menswear and womenswear collections first, before they went down the runway.

Events

- Burberry leveraged digital technology to increase reach and engagement around key brand events. New initiatives included the streaming of the AW12 womenswear show to iconic outdoor sites at London's Liverpool Street station and Heathrow Terminal 5, and a collaboration with Sina Weibo that resulted in nearly 70 million impressions for a major brand event in Beijing.

Product excellence

At Burberry everything begins and ends with great product, combining a focus on core categories with continuous innovation.

Outerwear core

- Leveraging the brand's unique heritage, together with design innovation and excellence, outerwear continued as the company's predominant apparel category and primary growth driver.
- Outerwear represented more than half of mainline retail apparel sales, underpinned by a robust replenishment programme.

Menswear focus

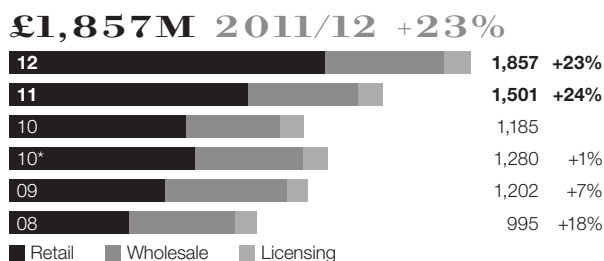
- Burberry made significant progress towards reclaiming the brand's menswear foundation by leveraging its core strategies across the high-potential men's apparel and non-apparel categories.
- The division relaunched with a tailoring test, diversified outerwear offer, non-apparel extensions and dedicated marketing initiatives. Men's tailoring doubled in the year from a low base and men's non-apparel increased by 50% in mainline retail.

Large leather goods

- Innovation in design, materials and shapes drove continued strength in large leather goods, particularly in the brand's iconic check, luxury leather and Prorsum handbags.

Total revenue growth (Year to 31 March)

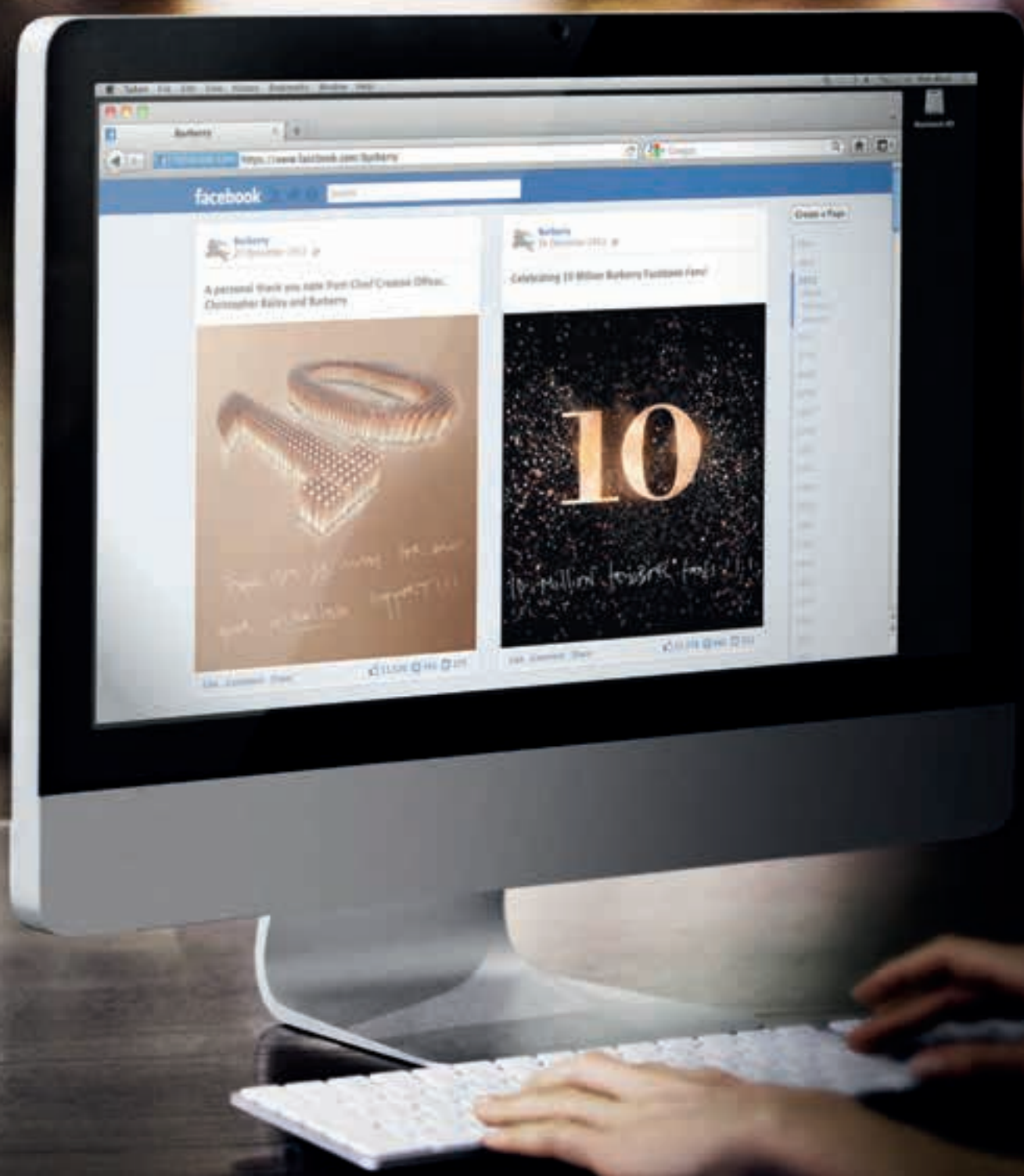
measures the appeal of the brand to consumers, be it through Burberry stores or those of its department store or specialty retail customers.



Growth rate is year-on-year underlying change i.e. at constant exchange rates. 2008, 2009 and 2010* include the result of the discontinued Spanish operations. 2010 has been represented to exclude the discontinued Spanish operations.

In 2011/12, Burberry's revenue was £1,857m – a 23% underlying increase on the previous year.

2011/12 saw the continuation of efforts to correct the diminishing number of legacy issues that are inconsistent with the global luxury positioning of the Burberry brand. There was significant investment during the year in upgrading the brand's wholesale presence, through the addition of shop-in-shops, the closure of accounts and exiting from outerwear departments. In Japan, where the majority of the Burberry business is still under licence, the company continued to terminate various non-apparel licences while implementing merchandising and marketing activities focused on the global collection.



INTENSIFY NON-APPAREL

Intensify and focus on under-penetrated non-apparel categories to leverage Burberry design and merchandising expertise and iconic branding further through investment in product development, marketing and supply chain.

In 2011/12, non-apparel was the company's largest product division, contributing 39% of retail/wholesale revenue and recording growth of 22%. At around half of non-apparel mainline retail sales, large leather goods remain the backbone of this category, underpinned by a robust replenishment programme.

Men's accessories

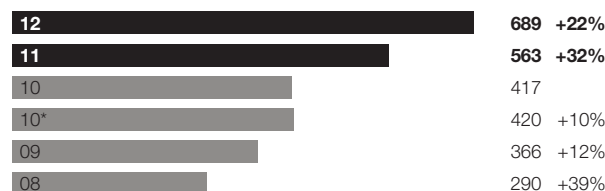
- Men's accessories was the largest growth driver in non-apparel, accounting for over a third of growth. Investment in product development and focused marketing initiatives resulted in revenues increasing by over 50%.

Soft accessories

- Continued growth in iconic cashmere and innovation in fabrications and prints drove strong double-digit growth in both ladies' and men's scarves.

Growth in non-apparel revenue (Year to 31 March) measures the success of Burberry's initiatives to expand in this category, which includes large and small leather goods, scarves, shoes, belts and jewellery.

£689M 2011/12 +22%



Revenue is retail/wholesale only. Growth rate is year-on-year underlying change i.e. at constant exchange rates.

2008, 2009 and 2010* include the result of the discontinued Spanish operations.

2010 has been represented to exclude the discontinued Spanish operations.

In 2011/12, non-apparel revenue increased by 22% underlying and accounted for 39% of retail/wholesale revenue. Large leather goods are core to non-apparel, representing about half of non-apparel revenue, while men's accessories contributed the largest part of the growth in this category.

Global licences

Burberry has three global licensing agreements: fragrance and beauty (Interparfums), watches (Fossil) and eyewear (Luxottica). The company continued to work closely with these partners on product development, marketing and distribution activities, and conducted regular reviews to ensure compliance with the terms of its licence agreements.

By more closely aligning these products to the Burberry brand image, the company continued to unlock their potential in 2011/12.

Fragrance and beauty

- The new Burberry Body women's fragrance launched, supported by a synchronised global marketing campaign across all platforms and regions, including iconic outdoor advertising, high-impact store presentations, television advertising and sampling activity launched through a partnership with Facebook. Body was the brand's most successful fragrance launch to date, enabling the Burberry fragrance portfolio to move from 19th to 9th in the United States.
- The distribution for Burberry Beauty, launched in 2010/11, was extended following an encouraging early performance. Now available in over 70 wholesale doors worldwide and through burberry.com, the range was introduced to the first Burberry store with the opening of Taipei.

Eyewear

- A heightened focus on eyewear development and distribution resulted in good sales growth over the year and a stronger platform for future growth.

Watches

- Further progress was made towards aligning product and distribution activities with the brand's luxury positioning, with a strong consumer response to the enhanced product offer.



ACCELERATE RETAIL-LED GROWTH

Shift company culture and processes from a static wholesale model to a dynamic retail model. Retail-led growth refers not only to the operation of Burberry's own stores, but also to a fundamental shift in the Group's operating structure.

Burberry was honoured to receive three prestigious retail awards when it was named 'International Retailer of the Year' at both the National Retail Federation of America and the Oracle World Retail Awards, and 'Retailer of the Year' at the UK's Retail Week Oracle Awards. Burberry was also recognised for the industry's best in-store and online customer experience by the Luxury Institute.

Highlights from 2011/12 include:

Driving productivity

- Burberry continued to invest in all aspects of the retail experience during the year, substantially increasing productivity in its mainline stores.
- Further integration of physical and digital real estate, including through monthly floorsets, drove consistent brand messaging across all mediums.
- Retail disciplines were improved, including in replenishment execution and inventory management.

Customer centricity

- Burberry continued to focus on customer service, driving consistency and productivity by better connecting with customers and cultivating personalised relationships.

- The Customer Service team grew considerably with the opening of a new centre in Hong Kong to complement the existing centres in London and New York. Together these specialist facilities support the needs of luxury customers 24/7 by phone, email and live chat in 14 languages.
- The extension of a specialised sales and service programme to China was completed, alongside training to deliver exceptional service to Chinese customers internationally.
- Client Services, dedicated to the most loyal Burberry customers, grew to a team of 50 worldwide, with customised sales programmes across all regions. There was further investment in elevating the in-store experience for these customers through the increased provision of private areas tailored to their elevated service needs.

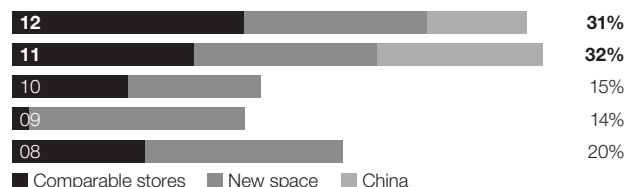
Real estate investment

- The Burberry retail footprint was further expanded, with a heightened focus on flagship cluster investment. Flagship cities are characterised by high net worth local populations, above average GDP and strong tourism flows. Together, these characteristics provide some insulation against global macroeconomic volatility.
- A 19% increase in average selling space included the opening of new larger format stores in Hong Kong's Canton Road, the Rue Faubourg St-Honoré in Paris, and George Street in Sydney. 23 mainline stores were opened and there was a continued focus on upgrading the Burberry retail presence in key locations, including 13 major renovations.

Growth in retail revenue (Year to 31 March)

includes comparable store sales growth (measuring growth in productivity of existing stores), plus revenue from new space.

31% 2011/12



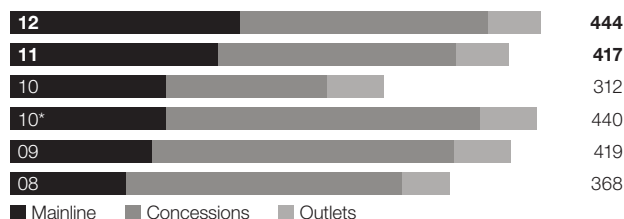
Growth rate is year-on-year underlying change i.e. at constant exchange rates. Comparable store sales growth is defined as the annual percentage increase in sales from stores that have been opened for more than 12 months, adjusted for closures and refurbishments.

Total retail sales increased by 31% underlying in the year. Comparable store revenue growth increased by 14% (H1: 16%; H2: 12%). Average selling prices increased again in mainline stores driven by an increased penetration of London in women's and men's apparel. The acquired stores in China contributed 6% of the 31% underlying growth, up to the anniversary of the acquisition from September 2010. The balance of growth of 11% came from new space.

Number of stores (As at 31 March)

measures the reach of Burberry directly-operated stores around the world.

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2008, 2009 and 2010* include the stores of the discontinued Spanish operations. 2010 has been represented to exclude the discontinued Spanish operations.

The number of stores directly operated by Burberry increased by 27 in 2011/12. These included 28 new mainline stores and 10 closures, with a net two new stores in the Americas, one in Europe, six in Asia Pacific and nine in Rest of the World (including five stores in Saudi Arabia that were converted from franchise to retail through a subsidiary with a local partner in June 2011).



INVEST IN UNDER - PENETRATED MARKETS

Focus on and invest in under-penetrated markets. For Burberry, these consist of both developed markets like the United States and Emerging Markets including China, India and the Middle East. All distribution channels and a variety of business models are used to optimise these opportunities.

Highlights from 2011/12 include:

Engaging China

- The integration of the company's China operation was finalised and enhanced merchandising, marketing and store service initiatives were leveraged to increase comparable store sales by well over 20%.
- An intensified marketing focus extended reach and relevance. Burberry achieved a leading luxury position on Chinese social media platforms, launched a simplified Chinese version of burberry.com and was named the brand with the second-highest 'digital IQ' in China by the influential L2 think tank.
- The capabilities of the team were further developed, cultivating full regional functions and expertise. In stores, assortments were further elevated and refined to cater to the needs of the country's emerging luxury consumer, while the service proposition benefited from intensified investment.

Developing India and the Middle East

- This sub-region was developed further during the year, with the opening of two new stores in India and the formation of a new subsidiary with a local partner in Saudi Arabia.

Building Central and Latin America

- Two new stores opened in Central and Latin America as Burberry continued to build its presence in this high-potential region. The stores, in the key luxury hubs of São Paulo and Guadalajara, brought the total number in the region to eight.

Entering new markets

- Recognising the potentially more volatile conditions in emerging markets, Burberry continued to work with franchisees and partners in countries where it has more limited experience, benefiting from local expertise.
- Burberry signed new franchise agreements, including to take the brand into the emerging luxury markets of the Baltic states.

Elevating wholesale presence

- Burberry made significant investment in its luxury brand presence through the wholesale channel, with an intense focus to improve real estate and upgrade assortments.
- In the United States, over 30 new women's, men's, accessories and children's shop-in-shops were opened in key department stores. Upgrading of specialty store distribution in Europe continued.
- Burberry continued to build its presence in the high growth travel retail channel, particularly with its travel retail partner in the Asia region. New Burberry stores opened in Macau's City of Dreams and in the East and West terminals at Taiwan's Kaohsiung airport.

Number of stores in Emerging Markets (As at 31 March)
measures the reach of the Burberry brand in these high potential countries.

154 31 MARCH 2012



Emerging Markets include: China, the Middle East, Eastern Europe, Russia, Brazil, India and other parts of South East Asia, South Africa and Central and Latin America.

Burberry added net 18 stores in Emerging Markets, of which ten stores were in China and two each in Thailand, the Middle East, India and Central and Latin America. Of the 154 stores, 97 are directly operated, of which 63 are in China, five in Central and Latin America, 22 in the Middle East and seven in India. The balance are franchise stores.



PURSUE OPERATIONAL EXCELLENCE

Burberry continues to pursue its goal to be recognised as much for operational excellence as for product and marketing excellence.

Burberry drove further operational improvements during 2011/12, with a particular emphasis on merchandising, supply chain and information technology.

Merchandising

Technology investment

- Burberry continued to prioritise and leverage technology investments across the business. A centralised business intelligence team was established with global responsibility for data management and reporting, resulting in enhanced visibility of metrics including sales, margins and inventory.

Replenishment and planning

- An ongoing focus on replenishment capability and practices saw the penetration of replenishment styles remain at about half of mainline revenue. Assortment planning and execution was further improved. A more consistent global buy provided increased supply chain efficiency and a cohesive brand statement across the store base, whilst allowing regional flexibility to respond to local preferences.

Supply chain

Investing in UK manufacturing

- Apprenticeship schemes were established at Castleford, which produces the brand's heritage trench coats, and Woodrow, which weaves the gabardine fabric used in their construction. Together with a new training school at Castleford, this will develop the future skill base in both locations.

- Additional investment was made at Castleford to support the production of Burberry Bespoke trench coats, the majority of which are made in Britain.

Progressing logistics

- Logistics execution and capabilities were further enhanced. European logistics activities were reconfigured with a new regional distribution hub in Piacenza, Italy designed to bring significant speed, cost and energy efficiency benefits.

Information technology

Social enterprise

- Burberry partnered with Salesforce.com to implement tools and processes to enable the development of a social enterprise, better connecting all constituencies around the brand. This included the launch of Burberry Chat, a global digital platform dynamically linking associates and partners.

Completing SAP

- The global implementation of SAP was largely completed with the installation of China and the Middle East. This major multi-year project forms the foundation for the company's global IT infrastructure.

The Group continues to monitor closely all key supplier relationships across its global operations. Governance processes are in place for all major strategic initiatives, supplemented by regular reviews of operational progress and performance by senior management. These structures are regularly reviewed to ensure they can effectively support Burberry's global growth.

Retail/wholesale gross margin (Year to 31 March)
measures, among other things, how efficiently Burberry sources its products.

68.1% 2011/12



2008, 2009 and 2010* include the result of the discontinued Spanish operations. 2010 has been represented to exclude the discontinued Spanish operations.

Gross margin in retail/wholesale increased by 320 basis points to 68.1% in 2011/12 compared to the 64.9% margin in the prior year due to the shift from wholesale to retail coupled with the benefits of sourcing, pricing and the geographic shift to Asia Pacific.

Adjusted retail/wholesale operating profit margin (Year to 31 March)
measures how Burberry's initiatives and its investment to improve its business processes, including sourcing, IT and logistics are impacting its profit margin.

16.4% 2011/12



Adjusted operating profit margin is stated before exceptional items. 2008, 2009 and 2010* include the result of the discontinued Spanish operations. 2010 has been represented to exclude the discontinued Spanish operations.

Burberry's adjusted retail/wholesale operating profit margin increased from 15.6% in 2010/11 to 16.4% in 2011/12. Modest operating margin expansion was achieved after investment in additional space, new markets and central functions.







GROUP FINANCIAL HIGHLIGHTS

Revenue of £1,857m, up 24%
(2011: £1,501m)

£1,857M +24%

Year-end net cash of £338m
(2011: £298m)

£338M

Adjusted retail/wholesale operating margin of 16.4%
(2011: 15.6%)

16.4% +0.8%

Adjusted diluted earnings per share of 61.6p, up 26%
(2011: 48.9p)

61.6P +26%

Adjusted profit before tax of £376m, up 26%
(2011: £298m)

£376M +26%

Full year dividend per share of 25.0p, up 25%
(2011: 20.0p)

25.0P +25%

£ million	Year to 31 March		% change	
	2012	2011	reported FX	underlying
Revenue	1,857.2	1,501.3	24	23
Cost of sales	(558.3)	(491.6)	(14)	
Gross margin	1,298.9	1,009.7	29	
Operating expenses*	(922.0)	(708.6)	(30)	
Adjusted operating profit	376.9	301.1	25	23
Net finance charge*	(0.7)	(3.2)	–	
Adjusted profit before taxation	376.2	297.9	26	24
Exceptional items	(10.2)	(2.2)		
Profit before taxation	366.0	295.7	24	
Taxation	(100.6)	(83.2)		
Discontinued operations#	(0.3)	(6.2)		
Non-controlling interest	(1.8)	2.1		
Attributable profit	263.3	208.4		
Adjusted EPS (pence)~	61.6	48.9		
EPS (pence)~	59.3	46.9		
Weighted average number of ordinary shares (millions)~	444.3	444.0		

Adjusted measures exclude restructuring costs, the China put option liability finance charge and discontinued operations

* Operating expenses in the table above exclude restructuring costs of nil in 2012 (2011: £1.0m credit) included in the reported expenses of £922.0m (2011: £707.6m). The net finance charge in the table above excludes a £10.2m China put option liability finance charge (2011: £3.2m) included in the reported finance charge of £10.9m (2011: £6.4m)

Discontinued operations in Spain in 2012 delivered a loss of £0.3m (2011: £6.2m)

~ EPS is calculated on a diluted basis

Revenue analysis

Revenue by channel

£ million	Year to 31 March		% growth	
	2012	2011	reported FX	underlying
Retail	1,270.3	962.3	32	31
Wholesale	478.3	440.6	9	8
Licensing	108.6	98.4	10	5
Revenue – continuing operations	1,857.2	1,501.3	24	23
Discontinued Spanish operations	–	49.3		
	1,857.2	1,550.6		

Revenue from continuing operations was £1,857m, an increase of 23% on an underlying basis.

Retail

68% of revenue (2011: 64%); generated from 192 mainline stores, 208 concessions within department stores, digital commerce and 44 outlets

- ♦ Retail sales increased by 31% on an underlying basis (32% at reported FX)
- ♦ Comparable store sales growth was 14% (H1: 16%; H2 12%)
- ♦ The acquired stores in China contributed 6% of the 31% underlying growth, up to the anniversary of their acquisition from 1 September 2010
- ♦ The balance of growth (11%) came from new space
- ♦ Average retail selling space increased by 14%, with the acquired Chinese stores contributing an additional 5% space

In mainline stores in the year, growth was balanced, with double-digit increases in all regions and product divisions, underpinned by core outerwear and large leather goods, which accounted for about half of sales. The penetration of replenishment styles remained at about 50% of mainline revenue. New merchandising strategies gained traction, including knitwear and men's tailoring (doubling in the year from a small base).

Burberry London and Prorsum accounted for around 45% of mainline apparel revenue (2011: 40%). Average selling prices continued to increase due to product mix, pricing increases and better full price sell-through. Digital commerce sales, including via iPads in store, continued to outperform.

There was double-digit growth in mainline comparable store sales in all four regions.

Asia Pacific

Retail accounted for about 85% of Asia Pacific revenue, including a full year's contribution from the Chinese stores acquired in September 2010.

There was double-digit comparable store sales growth in China, Hong Kong, Singapore and Taiwan, while the Korean market was soft. Burberry's small retail operations in Japan selling the global non-apparel collection made solid progress.

Europe

Retail accounted for about two-thirds of Europe revenue. There was double-digit mainline comparable stores sales growth in the UK, France and Germany, especially in flagship markets. Southern Europe, especially Italy, remained weak.

Americas

Retail accounted for about two-thirds of Americas revenue, with double-digit comparable store sales growth in the year. Space was added mainly in Brazil and Mexico, while continuing to rationalise and upgrade US outlets.

Rest of World

Retail accounted for just over half of revenue for Rest of World. The largest contributor was Burberry Middle East with 17 stores in the United Arab Emirates, Kuwait and Qatar. These delivered double-digit comparable store sales growth during the year, with some slowdown in the fourth quarter. Five franchise stores in Saudi Arabia were transferred into a subsidiary in which Burberry has a 60% stake. The business in India, which has seven stores, continued to perform strongly.

Wholesale

26% of revenue (2011: 29%); generated from sales to department stores, multi-brand specialty accounts, Emerging Market franchisees and Travel Retail

- Wholesale revenue increased by 8% underlying (9% at reported FX)
- Excluding China, underlying growth was 14% (H1: 20%; H2: 7%)
- Outerwear and consistent execution of monthly floorsets drove growth

Wholesale revenue growth was affected by the conversion from wholesale to retail of the China operations, the five Saudi Arabia stores and Spanish menswear; as well as the acceleration of the planned rationalisation of the brand's distribution in the United States and Europe, especially in the second half of the year. Adjusting for all these factors, underlying growth for the year would have been over 20% rather than 8%.

Asia Pacific

The majority of wholesale revenue in Asia Pacific is Travel Retail which had another year of good growth, partly reflecting increased tourism within flagship markets in the region.

Europe

Europe remains Burberry's largest wholesale region, accounting for about 40% of group wholesale revenue. Outperformance with key department store and other partners has more than compensated for the continued rationalisation of small, non brand-enhancing specialty accounts.

Americas

Wholesale growth in the Americas exceeded 20% in the year, excluding the impact of the accelerated rationalisation of the brand's distribution. With the move from generic outerwear departments near completion, upgrading real estate within the key department stores to support the brand's segmentation is a core strategy. Around 30 dedicated shop-in-shops were opened, bringing the total to over 80.

Rest of World

Wholesale revenue in Rest of World, which is mainly to franchise partners, saw strong growth, especially in the two largest markets of Turkey and Russia.

At the year end, Burberry had 57 franchise stores, up by a net one during the year. Five stores in Saudi Arabia were transferred to retail, with franchise stores opened in markets as diverse as Thailand, South Africa and Croatia.

Licensing

6% of revenue (2011: 7%); of which approximately two-thirds from Japan (split roughly three-quarters apparel and one-quarter from various short-term, mainly non-apparel licences), with the balance from global product licences (fragrance, eyewear and timepieces) and European wholesale childrenswear

- Licensing revenue in the year increased by 5% on an underlying basis (up 10% at reported FX)
- Consistent with full year guidance

At constant exchange rates, royalty income from Japan was broadly unchanged from last year. Income from the apparel licence increased in line with the 2009 renegotiation. This enabled further non-renewals of short-term non-apparel licences, reducing profit by about £7m.

Burberry continued to unlock the potential of its global licence products, with 20% growth in royalty income. This was led by Burberry Body – Burberry's most successful fragrance launch to date. The innovative global digital and outdoor advertising campaign that supported the fragrance gave the brand unprecedented visibility across all its major markets. Further progress was also made on aligning the product and distribution of eyewear and watches more closely with Burberry's luxury positioning.

Discussions continue between Burberry and Interparfums regarding the potential establishment of a new operating model for the Burberry fragrance and beauty business.

Operating profit analysis

Adjusted operating profit

£ million	Year to 31 March		% growth	
	2012	2011	reported FX	underlying
Retail/wholesale	286.9	219.5	31	31
Licensing	90.0	81.6	10	4
Adjusted operating profit	376.9	301.1	25	23
Adjusted operating margin	20.3%	20.1%		

Adjusted operating profit increased by 25% to £376.9m, including a £5.4m translation benefit from exchange rates.

Retail/wholesale adjusted operating profit

£ million	Year to 31 March		% change reported FX
	2012	2011	
Revenue	1,748.6	1,402.9	25
Cost of sales	(558.3)	(491.6)	(14)
Gross margin	1,190.3	911.3	31
Gross margin	68.1%	64.9%	
Operating expenses	(903.4)	(691.8)	(31)
Adjusted operating profit	286.9	219.5	31
Operating expenses as % of sales	51.7%	49.3%	
Adjusted operating margin	16.4%	15.6%	

Retail/wholesale adjusted operating profit grew by 31% to £286.9m. Burberry, as guided, dynamically managed gross margin and operating expenses to enable further investment in the business while modestly improving the operating margin – up 80 basis points to 16.4%.

The improvement in the operating margin was second half weighted (H1: up 10bp; H2 up 130bp) reflecting the phasing of investment and costs and the higher absolute revenue base in the second half than the first half.

Gross margin for the year increased by 320 basis points to 68.1%. The key drivers were the conversion of China from wholesale to retail, its subsequent outperformance, benefits from pricing and sourcing and further channel and regional mix shifts.

Operating expenses as a percentage of revenue were 51.7%, reflecting the shift to retail. As well as general inflation, the increase in operating expenses is attributable to investment in three key areas:

- ♦ New space;
- ♦ New markets, especially China until the anniversary of the acquisition in September 2011, as well as Saudi Arabia, Central and Latin America and India; and
- ♦ Central functions to support the growth and momentum in the business. Investment was increased in areas such as marketing, client services, customer insight and IT.

Licensing operating profit

£ million	Year to 31 March		Year to 31 March 2012
	2012	2011	underlying
Revenue	108.6	98.4	103.2
Cost of sales	–	–	–
Gross margin	108.6	98.4	103.2
Gross margin	100.0%	100.0%	
Operating expenses	(18.6)	(16.8)	(18.7)
Operating profit	90.0	81.6	84.5
Operating margin	82.9%	82.9%	

Licensing revenue increased by 5% on an underlying basis (up 10% at reported FX). With slightly higher operating expenses as Burberry strengthened its in-house team, operating margin was unchanged at 82.9%, giving operating profit of £90.0m, including a £5.5m FX benefit.

Exceptional items

£ million	Year to 31 March	
	2012	2011
Restructuring credit	–	1.0
China put option liability finance charge	(10.2)	(3.2)
	(10.2)	(2.2)

The restructuring credit of £1.0m in 2011 relates to the release of a provision held in respect of the cost efficiency programme announced in January 2009.

The China put option liability finance charge relates to the fair value movement on the put option liability over the non-controlling interest in the acquired Chinese business. In 2012, the charge was £10.2m (2011: £3.2m) which has been treated as an exceptional item.

Discontinued operations

£ million	Year to 31 March	
	2012	2011
Spain operating profit/(loss)	2.5	(2.1)
Restructuring costs	(2.8)	(4.1)
Loss for discontinued Spanish operations	(0.3)	(6.2)

In 2012, the £2.5m operating profit from the discontinued Spanish operations was offset by restructuring costs, including a further write-down of freehold assets held for sale.

Total restructuring cash spend was £8.6m.

Taxation

In FY 2011/12, Burberry had a tax charge of £101m (2011: £83m), giving a tax rate on adjusted profit of 26.7% (2011: 27.9%).

The tax rate on adjusted profit for FY 2012/13 is currently expected to be between 25-26%.

Net cashflow

Net cash at 31 March 2012 was £338m, up from £298m at 31 March 2011. The Group funded £153m of capital expenditure and £24m relating to the China and Saudi Arabia acquisitions. Other major outflows were tax (£108m), dividends (£99m) and the purchase of shares by the Employee Share Option Plan (ESOP) Trust to satisfy historic share scheme awards (£61m).

Capital expenditure at £153m (2011: £108m) was below guidance, reflecting the timing of payments especially on the larger projects. The spend was biased towards larger format new stores and refurbishments, which accounted for about 25% of the total in 2012, compared to around 10% for 2011.

Inventory at 31 March 2012 was £311m (2011: £248m), an increase of 25% year-on-year. Over half of the growth was to support new stores, with the balance largely reflecting increased replenishment and stock in transit due to shipping by sea.

2012/13 outlook

Retail

In the year to 31 March 2013, Burberry plans a 12-14% increase in average retail selling space, with a shift from smaller to larger format stores. Burberry expects to open about a net 15 mainline stores, biased towards Emerging Markets and flagship markets with high tourist inflows.

Wholesale

In the six months to 30 September 2012, Burberry projects underlying wholesale revenue to increase by a mid single-digit percentage, despite further rationalisation of the brand's distribution in both Europe and the United States. Double-digit percentage growth is again expected in key US department store doors, Emerging Markets franchise partners and Asia Travel Retail.

Licensing

In the year to 31 March 2013, Burberry expects licensing revenue at constant and reported exchange rates to be broadly unchanged year-on-year. The global product licences are again expected to deliver double-digit percentage underlying growth. This will be offset by the planned termination and downsizing of Japanese non-apparel licences.

Retail/wholesale operating margin

In FY 2012/13, Burberry plans to continue to invest in areas such as new stores, marketing and IT to drive growth. While the phasing of revenue and investment is expected to lead to retail/wholesale operating margin being lower in the six months to 30 September 2012 than in the same period last year, Burberry expects to deliver a further modest improvement in the retail/wholesale operating margin in the year to 31 March 2013.

Capital expenditure

For FY 2012/13, Burberry is planning capital expenditure of between £180-200m. This will be focused on retail expansion, with about one-third of the spend planned in larger format stores, including Regent Street, London, Chicago and Pacific Place, Hong Kong.

Store portfolio

	Directly-operated stores			Total	Franchise stores
	Mainline stores	Concessions	Outlets		
At 31 March 2011	174	199	44	417	56
Additions	23	25	7	55	9
Closures	(10)	(16)	(7)	(33)	(3)
Transfers*	5	–	–	5	(5)
At 31 March 2012	192	208	44	444	57

* Transfers are the five stores in Saudi Arabia

Store portfolio by region

	Directly-operated stores			Total	Franchise stores
	Mainline stores	Concessions	Outlets		
At 31 March 2012					
Asia Pacific	54	152	10	216	17
Europe	38	53	16	107	23
Americas*	74	1	17	92	3
Rest of World	26	2	1	29	14
Total	192	208	44	444	57

* Three franchise stores in the Americas are in Mexico







PRINCIPAL RISKS

Effective management of risks is essential to the execution of the Group's five strategic themes, the achievement of sustainable shareholder value, the protection of the Brand and meeting corporate governance requirements.

The Board has overall responsibility for ensuring that risks are effectively managed by the Group. The Board has delegated to the Audit Committee responsibility for reviewing the effectiveness of the Group's systems of internal control and risk management methodology.

As part of this review, the Audit Committee considers the principal risks facing the Group and the nature and extent of these risks. The Group's Internal Audit and Risk Assurance function facilitate a risk assessment process in each key business area and global support function to review the significant risks facing its operations and to record the relevant controls and actions in place to mitigate risks. The detailed assessments are then consolidated to provide input into the overall Group risk assessment. Please refer to the Corporate Governance section for further details of the Group's risk management processes and internal controls.

There are areas of the Group's business where it is necessary to take risks to achieve a satisfactory return for shareholders. The Board has considered the nature and extent of the significant risks it is willing to take in achieving the Group's strategic objectives.

The risks set out on the following pages represent the principal risks and uncertainties which may adversely impact the management of the Group and the execution of its five key strategic themes. The key steps the Group takes to address these risks, where they are matters within its control, are also described. Such steps will mitigate but not eliminate risks. Some of the risks relate to external factors which are beyond the Group's control.

The order of the principal risks is in no way an indication of their relative importance, and each of the risks should be considered independently. If more than one of the events contemplated by the risks set out below occur, it is possible that the combined overall effect of such events may be compounded.

When evaluating the Group's principal risks during the financial year under review, the following changes have been identified:

- ♦ the inability of the Group to absorb commodity price increases is no longer viewed as a principal risk due to the activities of the Group's sourcing teams during the year;
- ♦ the failure by the Group to realise the benefits of acquisitions or operations with partners is no longer viewed as a principal risk due to the successful integration of the Group's China business and its positive performance during the year; and
- ♦ in the current macro-economic climate where many country economies and financial institutions have continued to experience severe financial difficulties particularly in the Eurozone, the risk to the Group of a major economic downturn has increased. The key steps which the Group has taken to mitigate this risk are described overleaf.



Risk	Impact	Mitigation
Economic downturn.	The Group's performance remains strong; however, reduced consumer wealth driven by adverse economic conditions could lead to a reduction in demand, disrupt its supply chain or lead to an increase in bad debts, all of which would impact sales and profitability.	The global reach of the Group helps to mitigate local economic risks. In addition, the Group's financial reporting and review processes are designed to highlight any on-going decrease in sales. Counterparty credit checks are in place for all key customers and suppliers, and flexible payment terms are used to assist suppliers as required. Group Treasury monitors the credit ratings of financial institutions which hold Group deposits to enable the Group to take appropriate action should there be a downgrade in their credit ratings.
Loss of key management or the inability to attract and retain key employees.	The loss of key individuals or the inability to recruit and retain individuals with the relevant talent and experience would disrupt the operation of the business and adversely impact the Group's ability to deliver its strategies.	Competitive incentive arrangements exist, with specific initiatives in place designed to retain key individuals. Recruitment is on-going and talent review and succession planning programmes are in place and have been updated during the year.
The Group's operations depend on IT systems and operational infrastructure in order to trade efficiently. Increasingly technology is also being used to stream major events and to communicate through social media.	A failure in these systems or a denial of service could have a significant impact on the Group's operations and reputation, and potentially result in the loss of sensitive information. Negative social media campaigns could impact on the Group's reputation.	A number of controls to maintain the integrity and efficiency of the Group's IT systems are in place, including recovery plans which would be implemented in the event of a major failure. The IT disaster recovery plans are tested on a regular basis. IT security is continually reviewed and updated and third party IT security specialists are used to regularly test these controls.
Over-reliance on key vendors.	The Group relies on a small number of vendors in key product categories, and for specialist digital and IT services. Failure of one of these businesses to deliver products or services would have a significant impact on business operations.	The Group continues to strengthen its supply chain management function to enable it to evolve and develop its manufacturing base to reduce the dependency on key vendors. The Group has strengthened its internal Digital and IT teams during the year and continues to facilitate knowledge transfer to internal resources. Annual financial checks are carried out on all key vendors.
Major incidents such as natural catastrophes, global pandemics or terrorist attacks affecting one or more of the Group's key locations could significantly impact its operations.	A major incident at a key location could significantly impact business operations, the impact clearly varying depending on the location and its nature. The impact of the loss of a distribution hub would clearly differ from a global pandemic, but both would impact revenue and profits.	Business continuity plans are in place to mitigate operational risks, but cannot ensure the uninterrupted operation of the business, particularly in the short term. The regional spread of the Group's three key distribution hubs also helps to mitigate risk. There is a Group incident management framework in place that addresses the reporting and management of major incidents, and this is tested each year using third party specialists in this field. Tailored plans have also been produced during the year for a number of high impact events.
Failure by the Group or associated third parties to act in accordance with ethical and environmental standards.	A failure to act appropriately could result in penalties, adverse press coverage and reputational damage with a resulting drop in sales and profit.	A number of initiatives are in place, led by the Corporate Responsibility function. These include undertaking ethical trading audits and the Ethical Trading Initiative, further details of which are set out in the Great Brand, Great Company section.

Risk	Impact	Mitigation
The Group's operations are subject to a broad spectrum of regulatory requirements in the various jurisdictions in which the Group operates. The pace of change and the consistency of application of legislation can vary significantly across these jurisdictions, particularly in an environment where public sector debt is often high and tax revenues are falling.	Failure to comply with these requirements could leave the Group open to civil and/or criminal legal challenge, significant penalties and reputational damage.	<p>The Group continually monitors and seeks to improve its processes to gain assurance that its licensees, suppliers, franchisees, distributors and agents comply with the Group's contractual terms and conditions, its ethical and business policies and relevant legislation.</p> <p>Specialist teams at Group and regional level, supported by third-party specialists where required are responsible for ensuring employees are aware of regulations relevant to their roles. A number of these teams have been strengthened during the year. Assurance processes are in place to monitor compliance with results being reported to the Group Risk and Audit Committees.</p>
The significant growth and pace of change within the business puts pressure on both internal and external resources.	Failure to effectively manage the pace of change will inevitably adversely impact the Group's operations and return on investment.	Governance processes are in place for each major strategic initiative and these are supplemented by monthly meetings with senior management to review operational performance. Management and operational structures are continually reviewed to ensure that these support the Group's growth.
A substantial proportion of Group profits is reliant upon its licensed business in Japan and other key licensed product categories.	The Group expects licensees to maintain operational and financial control over their businesses. Should licensees fail to manage their operations effectively or be affected by a major incident, the royalty income may decline directly impacting the profits of the Group.	To minimise risks in Japan the Group has established its own operations in Tokyo, and there are minimum royalty payments specified in its licence agreements, including the apparel licence with Sanyo Shokai and Mitsui & Company. Under its licence agreements, the Group can control product development, marketing and distribution. Regular licensee royalty reviews take place to monitor compliance with licence terms, which can manage but not eliminate non-compliance.
The Group operates in a number of emerging markets which are typically more volatile than developed markets, and are subject to changing economic, regulatory, social and political developments that are beyond the Group's control. Infrastructure and services also tend to be less developed.	Seizure of assets or staff. Related party business practice that is inconsistent with the Group's ethical standards and the UK regulatory environment. Increased operational costs due to country specific processes driven by the regulatory environment.	The Group uses the services of professional consultants to advise on legal and regulatory issues when entering new markets, to undertake due diligence and to monitor on-going developments. The Group has continued to strengthen the teams responsible for its emerging markets operations and works with franchisees or partners who compensate for its relative lack of experience in a number of these markets.
Unauthorised use of the Group's trademarks and other proprietary rights.	Trademarks and other intellectual property (IP) rights are fundamentally important to the Group's reputation, success and competitive position. Unauthorised use of these, as well as the distribution of counterfeit products, damages the Burberry brand image and profits.	<p>The Group's global Brand Protection team has continued to expand during the year to enable the Group to strengthen its brand protection efforts in a number of high risk markets. Where infringements are identified (often by working in partnership with other luxury brands) these are addressed through a mixture of criminal and civil legal action and negotiated settlement.</p> <p>Given the Group's emphasis on digital innovation the team place a particular focus on this area.</p> <p>IP rights are driven largely by national laws which afford varying degrees of protection and enforcement priorities depending on the country. Consequently, the Group cannot necessarily be as effective in all jurisdictions in addressing IP issues.</p>



BURBERRY BELIEVES THAT TO BE A GREAT BRAND, IT MUST ALSO BE A GREAT COMPANY

Commitment to, and investment in, its extended global community is at the heart of the Burberry core values to Protect, Explore and Inspire, and the global team is constantly working to evolve business practices in line with these principles.

Burberry is leveraging the energy of its creative thinking culture to influence positive outcomes at all levels from its own organisation, to its business partnerships, wider community engagement and global societal and environmental impact.

1%

1% of Group profit before tax donated to charitable causes, the majority to the Burberry Foundation

750

Over 750 audits, visits and trainings conducted in the global supply chain

32%

32% points increase in primary transport shipped by sea

70%

Over 70% increase in uptake of global Sharesave Scheme

148

148 tonnes of sample and raw material waste recycled for use in the automotive and construction industries

3,000

3,000 Burberry coats donated to disadvantaged young people worldwide

1,500

1,500 Burberry employees volunteered over 5,500 hours

70%

Over 70% of Burberry Foundation employability programme graduates obtained employment or re-entered education

People

Burberry recognises that its people are its greatest asset and constantly strives to attract the best talent worldwide, to provide meaningful development opportunities at all levels and to reward and recognise high performance.

Recruit

- Mid-year, Burberry established a new Resourcing Centre of Expertise, with a clear set of immediate and long-term targets. By evolving recruitment through a world-class resourcing team and leveraging digital across its recruitment activities, Burberry now has the potential to fill positions faster and to reduce agency fees significantly.
- Burberry maintained its commitment to diversity and equal opportunities in recruitment. Nationals of over 100 countries are now employed across all continents, with an age span from 16 to 76. The diversity within the Burberry community underpins its energy, vibrancy and connectedness.
- Burberry continued to help talented young people from all backgrounds onto the career ladder, with a new policy for work experience and internships supporting the professional development of young people in and after education.

Retain

- Initiatives launched to enhance the development of the company's highest potential associates through international networking opportunities, global strategy offsites, access to senior executives and leadership training workshops, all with the ultimate objective of creating next generation leaders for the business. A new Retail Exchange Programme enabled high achieving sales associates from different countries to temporarily swap roles and work locations, enhancing cultural understanding and service standards in Burberry stores, whilst providing unparalleled career development opportunities.

- The company's innovative wellbeing programme was extended, with associates receiving benefits ranging from additional annual leave, to free lunch, daily fruit bowls and health and sporting activities. Additional initiatives were designed and implemented by local teams, ensuring the programme offering was sensitively tailored to fit the various cultural needs and expectations of nearly 9,500 associates in 31 countries.
- As part of its commitment to promoting health, safety and wellbeing, Burberry continued using a third party to undertake audits at its locations throughout the world. This was supplemented by the global deployment of an incident reporting system during the year that incorporated accident and near miss reporting, and a series of control processes.

Reward

- Burberry continued to strengthen the link between reward and performance across the organisation. All associates are now in a bonus or incentive plan and share ownership was expanded through the global Free Share Plan, through which all associates are eligible to become shareholders in the company. Global take up of the Sharesave Scheme increased by 70%.
- The Icon Awards programme, which recognises exceptional performance at all levels of the company, reached its fifth anniversary, with over 7,500 nominations received and 81 awards made globally, across categories inspired by the Burberry brand, heritage and core values.
- The Long Service Awards programme recognised 481 associates celebrating milestone five-year service anniversaries with Burberry. Eleven associates celebrated anniversaries of 30 years' service or more.

Reinvent

- The company launched a full transformation of the global Human Resources organisational structure, centralising the operations team and creating global Centres of Expertise to move the value proposition from the purely functional to the strategic and transformational. This more integrated structure is enabling the company to develop consistent, scalable ways of working across functions and regions.

Ethical trading

Burberry expects all its suppliers to comply with local labour and environmental laws and the Burberry Ethical Trading Code of Conduct; to provide their workers with safe working conditions and fair pay; and to allow them to exercise their right to freedom of association and collective bargaining. Burberry is working with its suppliers to make meaningful improvements to workers' employment and workplace conditions globally. Further information about Burberry's commitment to good labour practices can be found at burberryplc.com.

Engage

- ♦ Burberry continued to engage with suppliers through its ethical trading programme, including announced and unannounced audits; continuous improvement programmes; and training and confidential worker hotline services. Burberry once again recognised suppliers demonstrating leadership in ethical trading through awards at its annual Vendor Conference.
- ♦ Over 750 audits, supplier visits and training sessions were conducted globally.

Develop

- ♦ Burberry continued to provide suppliers with practical and classroom-based training on the Burberry Ethical Trading Code of Conduct and related activities, supported by human resource and management system improvement programmes. A new approach of 'Supplier Ownership' further supported suppliers in building their own capacity to take greater responsibility for ethical standards in their supply chains.

- ♦ Ethical trading was further integrated into Burberry teams' daily decision making, with the Ethical Trading Initiative delivering training across the global sourcing and product development functions on ethical trading awareness and purchasing practices.

Connect

- ♦ Burberry extended its rollout of NGO-run confidential worker hotlines to select suppliers, complementing its ongoing support of functioning and mature industrial relations as a sustainable way to protect rights in the workplace. Currently, around 18,000 workers globally have access to confidential hotlines.
- ♦ In partnership with International Resources for Fairer Trade and the Centre for Child Rights and Corporate Social Responsibility, Burberry introduced new programmes to improve working conditions for migrant workers, including training in living and communication skills and local labour law.
- ♦ Burberry continued to connect and collaborate with peers and stakeholders, including through its membership of the tri-partite Ethical Trading Initiative, Business for Social Responsibility and the UN Global Compact.

Number of audits, supplier visits, training sessions, improvement programme and hotline training visits

756 +5%



Community

Investing and engaging in the communities where Burberry employees live and work, while leveraging core business competences and values, remains a key objective.

Invest

- Burberry donated 1% of Group profits before tax to charitable causes, the majority to the Burberry Foundation (UK registered charity number 1123102). The Foundation helps young people develop their skills, confidence and connections, and since its establishment in 2008 has supported 21 charity partners in 12 cities globally. In addition to financial support, the Foundation made in-kind donations ranging from one-off gifts of non-trademark fabric and materials to assist young people enrolled in art and design courses, to the annual Christmas Coat Donation programme, benefiting 3,000 disadvantaged young people around the world.
- To support the next generation of creative talent, two multi-year scholarship funds were launched with the Royal College of Art in the UK and Ball State University in the United States.
- Following the severe drought affecting East Africa in 2011, Burberry and its employees contributed to the Disasters Emergency Committee to support the provision of life-saving aid. Burberry also continued to support Japan in the wake of the March 2011 earthquake and tsunami through a donation to the Burberry Foundation to be used specifically to assist young people in the most impacted areas.

Engage

- Burberry continued to encourage its associates to dedicate up to four hours of paid leave per month in support of Burberry Foundation charity partners. Approximately 40% of employees based in locations with active volunteering programmes lent their personal talents, business skills and experience to inspire young people through more than 5,500 hours of volunteering support.
- Employability programmes were established in Hong Kong, New York and London, as well as in Yorkshire in the UK, where Burberry manufactures its heritage rainwear and weaves its traditional gabardine fabric. Delivered and supported by Burberry associates, the programmes heighten the creative confidence, skills and aspirations of unemployed young people through an intensive training curriculum followed by up to 6 weeks of practical work experience. Already 70% of programme graduates have achieved positive outcomes, finding employment, enrolling in training or re-entering education.
- Burberry associates in 27 locations participated in the company's first Global Volunteer Day, dedicating over 2,000 hours to improving the lives of disadvantaged young people in their communities. Projects ranged from career workshops to community revitalisation activities.

Inspire

- The company continued to leverage its associates' talents, passions, skills and experience to help young people achieve their full potential. More than 200 young students globally were mentored by a Burberry associate over the last year, in programmes ranging from three months to three years. Through these mainly one-on-one mentoring relationships, young people broadened their horizons, raised their aspirations and were inspired to realise their dreams.

Community donations £

Direct contributions made by Burberry

£3.7M +24%



Volunteering hours

Time volunteered by Burberry associates

5,500 +49%



Sustainability

Burberry is committed to driving more sustainable outcomes throughout its global operations and engages with the FTSE4Good Index, Carbon Disclosure Project, United Nations Conference on Trade and Development, Forest Footprint Disclosure and Forum for the Future.

Product

- ♦ Burberry extended its efforts to safeguard high welfare standards by taking an active role in wider industry efforts to improve visibility in the exotics supply chain; site visits to better understand traceability in the fur industry; and communication of its Animal Sourcing Principles to all tanneries.
- ♦ A tannery assessment project was launched in Italy using the Leather Working Group protocol, reflecting the company's increased focus on monitoring and improving the environmental management and traceability in its leather supply chain.
- ♦ Burberry continues to follow a policy of not knowingly using sandblasting for any of its denim products.
- ♦ 148 tonnes of European sample and raw material waste was shredded and reused in the automotive and construction industries.

Process

- ♦ A dedicated Sea Shipping Task Force worked with the Burberry supply chain to divert stock from air to sea, resulting in a 32% points increase in stock shipped by sea.
- ♦ Burberry reduced further the environmental impact of its supply chain activities. At the Castleford facility in Yorkshire, the energy used to produce each trench coat was reduced by 30%, while the newly-created European distribution hub will save an estimated 400 tonnes of carbon per year on key outbound lanes.

Property

- ♦ Burberry continues to increase its purchase of renewable electricity. All of its UK sites and 20% of those in the Americas are now powered in this way.
- ♦ Elevating the sustainability expertise of the Burberry Construction Team is crucial to the continued pursuit of more sustainable construction practices and more energy efficient buildings. More than 40% of this team now holds a sustainable building certification.

Governance

A global governance system enables connection and integration across Burberry's global community on people, ethical trading, community investment and sustainability policies and initiatives.

The Chief Corporate Affairs Officer is responsible for all ethical trading, community and sustainability matters and reports on these to the Group Risk Committee and the Board. He also chairs the Global Sustainability Committee and sits on the Supply Chain Risk Committee.

The Chief People Officer supports the continued evolution of Burberry's unique corporate culture in line with its core values.

Occupational health and safety compliance is reviewed tri-annually in stores and annually in offices and supply chain sites. All improvement plans are monitored by the Global Health and Safety Committee, which is chaired by the Executive Vice President, Chief Financial Officer.

Global buildings energy CO₂

CO₂ kgs per £1,000 of turnover

18 -14%



18
21
20

Primary transport shipped by sea %

Based on sea vs. air freight comparison; road data has been excluded

44% +32% POINTS



44
12
20

DEFRA 2011 conversion factors used throughout





Sir John Peace (63)^{††} Chairman

Sir John Peace has been Chairman of the Board since June 2002 and is also Chairman of the Nomination Committee. He is Chairman of Standard Chartered PLC and Experian plc. Previously he was Group Chief Executive of GUS plc from 2000 until 2006. He has been appointed Lord-Lieutenant of Nottinghamshire with effect from July 2012. Sir John was knighted in 2011 for services to business and the voluntary sector.

EXECUTIVE DIRECTORS

Angela Ahrendts (51)[†] Chief Executive Officer

Angela Ahrendts became Chief Executive Officer in July 2006, having served as an executive director since January 2006. Angela previously held various senior appointments, including the position of Executive Vice President at Liz Claiborne Inc between 1998 and 2006, Executive Vice President of Henri Bendel from 1996 to 1998 and President of Donna Karan International from 1989 to 1996.

Stacey Cartwright (48) Executive Vice President, Chief Financial Officer

Stacey Cartwright joined as Chief Financial Officer in March 2004 and was appointed Executive Vice President, Chief Financial Officer in June 2008. She had previously been Chief Financial Officer at Egg plc between 1999 and 2003, and from 1988 to 1999 she held various finance-related positions at Granada Group plc. Stacey was appointed a non-executive director of GlaxoSmithKline plc in April 2011.

NON-EXECUTIVE DIRECTORS

Philip Bowman (59)^{††} Senior Independent Director

Philip Bowman was appointed as a non-executive director in June 2002 and is the Senior Independent Director and Chairman of the Audit Committee. He was appointed Chief Executive of Smiths Group plc in December 2007. He previously held the positions of Chief Executive at Scottish Power plc from early 2006 until mid 2007 and Chief Executive at Allied Domecq plc between 1999 and 2005. His earlier career included five years as a director of Bass plc. He was previously Chairman of Liberty plc and Coral Eurobet plc and a non-executive director of Scottish & Newcastle plc and British Sky Broadcasting Group plc.

Ian Carter (50)^{††} Non-Executive Director

Ian Carter was appointed as a non-executive director in April 2007. He is currently President of Hilton Hotels Corporation Global Operations. He was previously CEO of Hilton International Company and Executive Vice President of Hilton Hotels Corporation, and was a director of Hilton Group plc until the acquisition of Hilton International by Hilton Hotels Corporation in February 2006. He previously served as an Officer and President of Black & Decker Corporation between 2001 and 2004.

Stephanie George (55)^{††} Non-Executive Director

Stephanie George was appointed as a non-executive director in March 2006. She is currently Executive Vice President and Chief Marketing Officer at Time Inc., with responsibility for the Company's overall positioning and promotion, and for managing and growing Time Inc.'s Marketing Services capabilities. Before this, Stephanie spent 12 years at Fairchild Publications, first as publisher of W magazine and then as President, Women's Wear Daily Media Worldwide. Stephanie also sits on the Board of Lincoln Center.

John Smith (54)^{††} Non-Executive Director

John Smith was appointed as a non-executive director in December 2009. He is currently Chief Executive of BBC Worldwide. John joined the BBC in 1989, where he held the positions of Chief Operating Officer, Director of Finance, Property & Business Affairs and Finance Director. John joined BBC Worldwide in July 2004. He previously served as a non-executive director of Severn Trent plc and Vickers PLC, and on the Accounting Standards Board from 2001 to 2004.

David Tyler (59)^{††} Non-Executive Director

David Tyler was appointed as a non-executive director in June 2002, having been a director of the Company since 1997. He was appointed Chairman of the Remuneration Committee in March 2007. David was Group Finance Director of GUS plc from 1997 until its demerger in October 2006. He is currently Chairman of J Sainsbury plc and Logica plc and a non-executive director of Experian plc. Earlier in his career, David worked at Unilever plc, County NatWest Limited and Christie's International plc. He has an MA in Economics from Cambridge, is a fellow of the Chartered Institute of Management Accountants and a Member of the Association of Corporate Treasurers.

Key to membership of committees

* Audit Committee

† Nomination Committee

‡ Remuneration Committee



Back row: Stephanie George, John Smith, Ian Carter, David Tyler, Philip Bowman
Front row: Angela Ahrendts, Sir John Peace, Stacey Cartwright

The directors present their Annual Report and the audited consolidated financial statements of the Company for the year to 31 March 2012.

Business review

Burberry Group plc is required to set out in this report a fair review of the business of the Group during the year to 31 March 2012 and of the position of the Group at the end of the financial year and a description of the principal risks and uncertainties facing the Group (known as a 'business review'). The purpose of the business review is to enable shareholders to assess how the directors have performed their duty under section 172 of the Companies Act 2006 (duty to promote the success of the company). The Chairman's letter on page 8, the Chief Executive Officer's letter on pages 12 to 15, the Group overview and Strategy sections on pages 26 to 42 and the Financial review on pages 46 to 52 report on the activities and results for the year and give an indication of the Group's future developments. The corporate responsibility and people report is set out in the Great Brand, Great Company section on pages 61 to 65. A description of the principal risks and uncertainties facing the Group is included on pages 56 to 59. The Corporate Governance report is set out on pages 74 to 82 and the Directors' Remuneration Report is on pages 83 to 92. The sections of the annual report referred to above fulfil the requirements of the business review and are incorporated by reference and shall be deemed to form part of this report.

Principal activities

Burberry Group plc is a holding company. The Group designs, sources, and markets luxury men's, women's and children's clothing and non-apparel accessories globally through a diversified network of retail (including digital), wholesale and franchise channels worldwide. Burberry also licenses third parties to manufacture and distribute products using the 'Burberry' trademarks.

Revenue and profit

Revenue from the continuing business during the period amounted to £1,857.2m (2011: £1,501.3m). The profit for the year attributable to equity holders of the Company was £263.3m (2011: £208.4m).

Dividends

The directors recommend that a final dividend of 18.0p per ordinary share (2011: 15.0p) in respect of the year to 31 March 2012 be paid on 2 August 2012 to those persons on the Register of Members as at 6 July 2012.

An interim dividend of 7.0p per ordinary share was paid to shareholders on 27 January 2012 (2011: 5.0p). This will make a total dividend of 25.0p per ordinary share in respect of the financial year to 31 March 2012. The aggregate dividends paid and recommended in respect of the year to 31 March 2012 total £109.5m (2011: £87.1m).

Directors

The names and biographical details of the directors holding office at the date of this report are set out on page 68 and are incorporated by reference into this report.

At the 2012 Annual General Meeting all of the directors will retire and, being eligible, will offer themselves for re-election.

The Notice of this year's Annual General Meeting sets out why the Board believes the directors should be re-elected. Details of the directors' service agreements and letters of appointment are given in the Directors' Remuneration Report on pages 83 to 92.

Directors' share interests

Interests of the directors holding office at 31 March 2012 in the shares of the Company are shown within the Directors' Remuneration Report on page 92. There were no changes to the beneficial interests of the directors between the period 31 March 2012 and 22 May 2012.

Directors' insurance and indemnities

The Company maintains directors' and officers' liability insurance which gives appropriate cover for any legal action brought against its directors. In accordance with section 236 of the Companies Act 2006, qualifying third-party indemnity provisions are in place for the directors in respect of liabilities incurred as a result of their office, to the extent permitted by law. Both the insurance and indemnities applied throughout the financial year ended 31 March 2012 and through to the date of this report.

Share capital

Details of the issued share capital, together with details of movements in the issued share capital of Burberry Group plc during the year are shown in note 21 which is incorporated by reference and deemed to be part of this report.

The Company has one class of ordinary share which carries no right to fixed income. Each share carries the right to one vote at general meetings of the Company. The ordinary shares are listed on the Official List and traded on the London Stock Exchange. As at 31 March 2012, the Company had 438,768,108 ordinary shares in issue, of which 30,027 were held as treasury shares.

In order to retain maximum flexibility, the Company proposes to renew the authority granted by ordinary shareholders at the Annual General Meeting in 2011, to repurchase up to just under 10% of its issued share capital. Further details are provided in the Notice of this year's Annual General Meeting.

At the Annual General Meeting in 2011, shareholders approved resolutions to allot shares up to an aggregate nominal value of £72,000 and to allot shares for cash other than pro rata to existing shareholders. Resolutions will be proposed at this year's Annual General Meeting to renew these authorities.

No person has any special rights of control over the Company's share capital and all issued shares are fully paid. There are no specific restrictions on the size of holding nor on the transfer of shares which are both governed by the general provisions of the Articles of Association and prevailing legislation. The directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or voting rights. The directors have no current plans to issue shares other than in connection with employee share schemes.

Details of employee share schemes are set out in note 25. The Burberry Group plc ESOP Trust has waived all dividends payable by the Company in respect of the ordinary shares held by it. In addition, the Burberry Group plc SIP Trust has waived all dividends payable by the Company in respect of the unappropriated ordinary shares held by it.

The total dividends waived in the year to 31 March 2012 were in aggregate £0.2m (2011: £0.05m).

With regard to the appointment and replacement of directors, the Company follows the UK Corporate Governance Code and is governed by its Articles of Association, the Companies Act 2006 and related legislation. The Articles of Association may be amended by special resolution of the shareholders.

Substantial shareholdings

As at 31 March 2012, the Company had been notified under Rule 5 of the Disclosure and Transparency Rules of the following major interests in its issued ordinary share capital:

	Number of ordinary shares	% of total voting rights
Blackrock Inc.	43,198,349	9.92
Capital Research and Management Company	22,016,085	5.05
Schroders plc	21,666,352	4.99
JP Morgan Chase & Co	21,578,580	4.99
FMR LLC	21,867,513	4.98
Ameriprise Financial, Inc.	21,664,800	4.97
Massachusetts Financial Services Company	20,073,645	4.61
Legal and General Group plc	17,483,873	3.98

As at 22 May 2012, the Company had not received any further notifications under Rule 5 of the Disclosure and Transparency Rules of major interests in its issued ordinary share capital.

Interests in own shares

Details of the Company's interests in its own shares are set out in note 21 to the financial statements.

Charitable donations

During the year to 31 March 2012, the Group donated £3.7m (2011: £3m) for the benefit of charitable causes. These donations principally comprised cash. Further information regarding the charitable donations made during the year are contained in the Great Brand, Great Company section on pages 61 to 65.

Political donations

The Company made no political donations during the year in line with its policy. In keeping with the Company's approach in prior years, shareholder approval is being sought at the forthcoming Annual General Meeting, as a precautionary measure, for the Company and its subsidiaries to make donations and/or incur expenditure which may be construed as 'political' by the wide definition of that term included in the relevant legislation. Further details are provided in the Notice of this year's Annual General Meeting.

Employment policies

Diversity and inclusion

The Group takes a very inclusive approach to diversity. As a global business, we value people of all cultures, nationalities, races, religions, and ethnicities, regardless of characteristics such as gender, gender identity and/or expression, age, disability, or sexual orientation. Burberry is passionate about attracting, developing and rewarding the most talented and skilled individuals, regardless of background. The Group encourages its employees to work across functions, geographies and cultures to enhance understanding and create a connected global community. As the Group continues to grow globally, it is building on its long-term commitment to diversity and inclusion – embracing the cultures of all the countries where we do business. Burberry is committed to making the necessary adjustments to support the employment of people with disabilities and provide training and development to ensure they have the opportunity to achieve their potential. In a situation where an employee becomes disabled during their employment, the Group will endeavour to assist the employee by offering additional training, adapting the job if appropriate or by offering a transfer to another position.

Health and safety

The Group has a health and safety policy approved by the Board and a Global Health and Safety Committee which is chaired by the Executive Vice President, Chief Financial Officer. Each region has a local Committee which reports into the Global Committee. There have been a number of internal and external audits carried out to provide assurance. There has been no enforcement action following a routine visit by inspectors.

Further information regarding the Group's employment policies are provided in the Great Brand, Great Company section on pages 61 to 65.

Employee involvement

Employee communication

The Group believes that employee communication is important in building strong relationships with, and in motivating and retaining, employees. The Group makes use of various methods and channels, all of which are implemented globally, including, face-to-face briefings, open discussion forums with senior management, email and a corporate intranet as well as a new internal social media platform, Burberry Chat. These enable all employees to connect, consult and collaborate globally, to ensure that matters of interest and importance are conveyed to employees quickly and effectively. In addition, quarterly updates which highlight the Group's performance and its ongoing strategic initiatives are webcast globally. Furthermore, development of content such as videos and digital webpages to communicate key initiatives, events and other brand messages has further enhanced internal communication and the Burberry culture.

Employee share ownership

The Group recognises the importance of good relationships with employees of all levels and runs incentive schemes and share ownership schemes for the benefit of employees. Further details of these schemes are set out in the Directors' Remuneration Report on pages 83 to 92.

The Group again intends to grant during 2012/13 free share awards or cash-based awards to all eligible employees. The Group also intends, where possible, to invite employees to take part in the Sharesave Scheme.

Further details on the Group's approach to employee involvement and communications are provided in the Great Brand, Great Company section on pages 61 to 65.

Financial instruments

The Group's financial risk management objectives and policies are set out within note 24 to the financial statements. Note 24 also details the Group's exposure to foreign exchange, share price, interest, credit and liquidity risks. These notes are incorporated by reference and are deemed to form part of this report.

Creditor payment policy

For all trade creditors, it is the Company's policy to:

- ♦ agree and confirm the terms of payment at the commencement of business with that supplier;
- ♦ pay in accordance with contractual and other legal obligations; and
- ♦ continually review the payment procedures and liaise with suppliers as a means of eliminating difficulties and maintaining a good working relationship.

The Company had no trade creditors at 31 March 2012 (2011: £nil).

Significant contracts – change of control

Pursuant to the Companies Act 2006, the directors disclose that in the event of a change of control in the Company, the Group's £300m Revolving Credit Facility (dated 28 March 2011) could become repayable.

In circumstances of change of control of the Company, Angela Ahrendts may terminate her employment. Her entitlement in respect of remuneration in such circumstances is set out on pages 87 to 88 of the Directors' Remuneration Report and is the same as it would be if her service agreement is terminated where the Remuneration Committee determines that Angela Ahrendts' performance does not meet the financial expectations of the Board or shareholders.

In circumstances where the Company's shares cease to be listed, Stacey Cartwright may terminate her employment on three months' notice and would be entitled to her base salary for a period of nine months following termination.

Details of the service agreements of the executive directors are set out on pages 87 to 88 of the Directors' Remuneration Report.

The provisions of the Company's employee share plans may cause options and awards granted under such plans to vest upon a change of control.

Essential contracts

The Group has a number of contractual arrangements with suppliers (both of goods and services), wholesale customers, licensees who manufacture and distribute products using the Burberry trademarks, subsidiary partners and franchisees. In addition, the Group occupies leasehold premises for the purpose of conducting its business. Whilst these arrangements are important to the business of the Group, individually none of them are essential to the business of the Group and do not require disclosure under section 417(5)(c) of the Companies Act 2006.

Independent Auditors

In accordance with section 418(2) of the Companies Act 2006, each of the Company's directors in office as at the date of this report confirms that:

- ♦ so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- ♦ he or she has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The Group's auditors are PricewaterhouseCoopers LLP. A resolution to re-appoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the forthcoming Annual General Meeting.

Note 5 in the financial statements states the auditors' fees both for audit and non-audit work.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Financial review on pages 46 to 52, along with details of the Group's cash flows, liquidity position and borrowing facilities. Financial risk management objectives, details of financial instruments and hedging activities, and exposures to credit risk and liquidity risk are described in note 24.

The directors have reviewed the Group's forecasts and projections. These include the assumptions around the Group's products and markets, expenditure commitments, expected cash flows and borrowing facilities. Taking into account reasonably possible changes in trading performance, and after making enquiries, the directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. Accordingly the directors consider it appropriate to continue to adopt the going concern basis in preparing the financial statements.

Annual General Meeting

The Annual General Meeting of the Company will be held at the offices of Slaughter and May, One Bunhill Row, London, EC1Y 8YY commencing at 9.30am on Thursday, 12 July 2012. The Notice of this year's Annual General Meeting will be available to view on the Company's website at burberryplc.com.

The directors consider that each of the proposed resolutions to be considered at the Annual General Meeting are in the best interests of the Company and its shareholders as a whole and are most likely to promote the success of the Company for the benefit of its shareholders as a whole. The directors unanimously recommend that shareholders vote in favour of each of the proposed resolutions, as the directors intend to do in respect of their own shareholdings.

By order of the Board

Catherine Sukmonowski

Company Secretary

22 May 2012

Registered Office:
Horseferry House
Horseferry Road
London
SW1P 2AW

Registered Number: 03458224

Dear Shareholder,

Good corporate governance is important to support the delivery of the Group's five key strategic themes and ensure long term sustainable value for our shareholders. However as a Board we believe that good governance is also about being a great company and that our role is to support and encourage the evolution of the business in ways which reflect our core values of Protect, Explore and Inspire – both for those within the Company and those with whom we connect.

The growth of the Group's business continues to be dynamic despite the current uncertain global economic and political climate. Consequently the Board's focus during the year has been on the execution of the Group's strategy, identification and mitigation of risk, ensuring that the Group's controls and infrastructure are appropriate in the context of the Group's continuing growth, and that the Group attracts and retains the right senior talent (including on the Board) to secure the future of the Company.

The Board welcomed Lord Davies' report entitled "Women on Boards". We are proud of the fact that the Company is diverse and not only in terms of gender. Diversity is at the heart of our culture and brand which is characterised by a democratic and meritocratic ethos. Our Board succession planning is focused on ensuring the right mix of skills and experience for the Board with due regard for the benefits of diversity, including gender.

The debate over good corporate governance continues at a national, EU and international level. I believe that this dialogue is important and that as a global company it is our responsibility to practice high standards of corporate governance and to promote such standards wherever we operate.

This report sets out the Board's approach and work during the financial year 2011/12 and, together with the Directors' Remuneration Report on pages 83 to 92, includes details of how we applied and complied with the principles and provisions of the UK Corporate Governance Code. The Group complied with the provisions of the Code throughout the year.

The Board and I will endeavour to ensure the Group's continued success as a dynamic and well governed business over the coming year.

Sir John Peace

Chairman

Governance

"The Board is collectively responsible for promoting the success of the Company, and is accountable to shareholders for ensuring that the Company achieves its strategic objectives and is appropriately managed."

Our Board

The Board currently consists of eight members – the Chairman, the Chief Executive Officer, the Chief Financial Officer and five independent non-executive directors. A list of individual directors and their biographies is set out on page 68.

The Chairman, Sir John Peace, has led the Board as Chairman since 2002. The Chairman is responsible for leading and managing the business of the Board and ensuring its effectiveness. He sets the agenda for Board discussions and ensures that the Board receives accurate, timely and clear information, particularly in relation to the Company's performance. He promotes an open culture which allows for debate and constructive challenge of the executive directors.

The Chairman works collaboratively with the Chief Executive Officer, Angela Ahrendts, in setting the Board agenda and ensuring any actions agreed by the Board are effectively implemented.

During the year, the Chairman maintained regular contact and met with the Senior Independent Director and other non-executive directors outside of formal board meetings. The Chairman also met with the non-executive directors without the executive directors being present.

The Chairman is also responsible for the Company's performance to shareholders and has frequent discussions with the Company's main institutional shareholders.

The major commitments of the Chairman are detailed in his biography on page 68 and have not changed during the year.

The Senior Independent Director, Philip Bowman, supports the Chairman in his role and leads the non-executive directors in the oversight of the Chairman. The Senior Independent Director is also available as an additional point of contact for shareholders.

The Non-Executive Directors provide strong experience and independent support to the Board. They assist in the development of strategy and provide constructive challenge and support to management.

The Chief Executive Officer, Angela Ahrendts, is responsible for the management of the business, developing the Group's strategic direction for consideration and approval by the Board and implementing the agreed strategy. The Chief Executive Officer is assisted by members of her senior management team who meet regularly. Members of the senior management team are identified on page 153.

Role of the Board

"Developing and refining our strategy is key to our future success. As a Board we need to understand the competitive landscape, monitor emerging trends and keep updated on the Group's operations.

The Company has experienced – and is continuing to experience – a period of considerable growth. With this success comes a responsibility for the Board to ensure we grow in a controlled and sustainable way for our shareholders and wider stakeholders, and that we understand the risks to achieving this objective."

The Board is ultimately responsible for the activities of the Group – its governance, strategy, risk management and performance. The Chief Executive Officer is accountable for, and reports to the Board on, the performance of the business.

The Board has a formal schedule of matters reserved for its decision which includes:

- ♦ the Group's business strategy;
- ♦ the annual budget and operating plans;
- ♦ matters materially affecting the reputation or financial position of the Group;
- ♦ major capital expenditure, acquisitions and divestments, licensing and franchise transactions above defined thresholds;
- ♦ the systems of corporate governance, internal control and risk management;
- ♦ the approval of the interim and annual financial statements; and
- ♦ the determination of any interim dividend and the recommendation of the final dividend.

The Board monitors the performance of the Group:

- ♦ through reports from the Chief Executive Officer and Chief Financial Officer who are responsible for reporting to the Board on the performance of the business;

- ♦ through discussion at Board meetings where management are challenged on the performance of the Group;
- ♦ by evaluating the Group's progress on achieving its five strategic objectives; and
- ♦ by monitoring, including through the Board Committees, the significant risks facing the Group.

The matters reserved for the Board's decision are set out in writing and available on the Company's website at burberryplc.com.

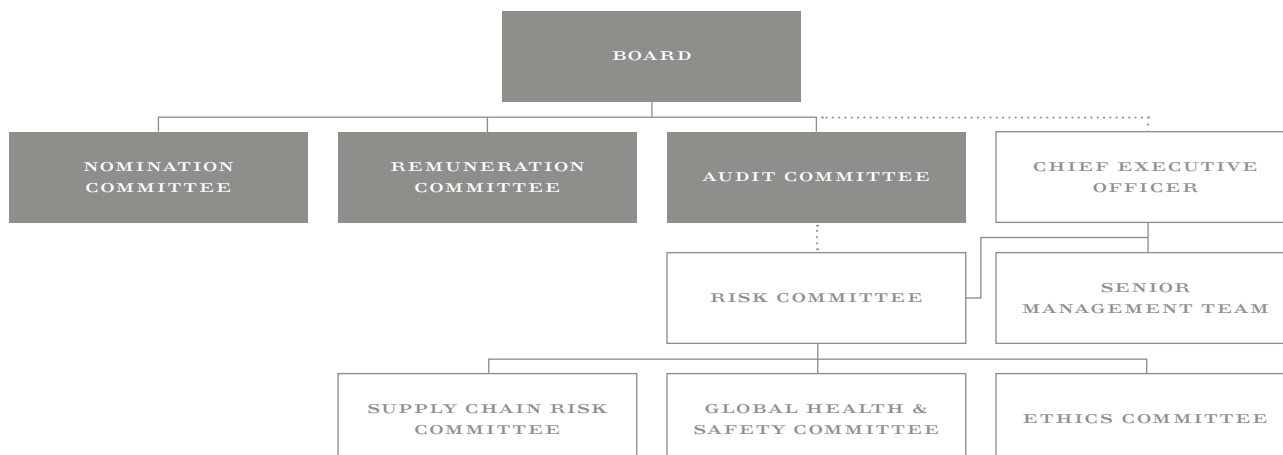
Role of the Board Committees

The Board is supported in the activities set out above by a number of committees including the following principal committees: Audit Committee, Nomination Committee and Remuneration Committee. All the non-executive directors are members of each of the principal committees of the Board. The Board believes this to be appropriate as the Board remains relatively small and ensures the linkage between the work of the Committees and the Board.

The terms of reference of each of the principal committees can be viewed on the Company's website at burberryplc.com.

The Committees, if they consider it necessary, can engage third-party consultants and independent professional advisors and can call upon other resources of the Group to assist them in developing their respective roles. In addition to the relevant committee members and the Company Secretary, external advisors and, on occasion, other directors and members of the senior management team attend committee meetings but only at the invitation of the Chairmen of the Committees.

Set out on pages 80 to 82 are reports from the Audit and Nomination Committees. The report of the Remuneration Committee is set out on pages 83 to 92.



Highlights of Board and Committee activities

The Board has spent time on the following matters (amongst others) during the year:

- Continued evolution of the Board's oversight of the strategic plan – the Board participated in a two day interactive session with management on strategy. Strategic updates are regularly included on the Board agenda giving the Board the opportunity to discuss progress against the strategic plan and new strategic opportunities.
- Continued focus on balancing the prevailing external conditions and the achievement of the strategic plan and budget objectives – the Board considered the particular risks which could impact on the strategy and/or business model.
- Continued focus on the evolution of the Company's risk management systems and internal control framework, largely through the work of the Audit Committee.
- Monitoring of policies and procedures in relation to the UK Bribery Act, health and safety and governance.
- Continued improvement in understanding of the business, the competitive landscape and emerging trends – the Board engaged with senior management below Board level on key areas of the business such as its digital evolution and product and licensing development. It also obtained external expert perspectives on issues facing the business such as the current political and economic outlook. In April 2012 the Board visited Asia, one of the Company's key strategic markets, to view its operations and better understand the market.
- Continued focus on the retention and incentivisation of executive directors and senior management through the work of the Remuneration Committee.
- Continued consideration of Board and Committee composition and senior executive succession.

Time allocation

Each of the non-executive directors has a letter of appointment which sets out the terms and conditions of his or her directorship. The Chairman and the non-executive directors are expected to devote such time as is necessary for the proper performance of their duties. This is expected to be approximately 20 days each year for basic duties. The Chairman and Senior Independent Director are expected to spend additional time over and above this to discharge their added responsibilities.

During the year the Board held six scheduled meetings and one additional meeting, including an in depth two day session on strategic matters. The Board spent five days visiting Asia in April 2012. Between meetings directors spend a significant amount of time on Board and Committee related matters. The Board considers that it met sufficiently often to enable the directors to discharge their duties effectively.

The table below gives details of directors' attendance at Board and Committee meetings during the financial year ended 31 March 2012.

	Board		Audit	Nomination	Remuneration
	Scheduled	Ad hoc			
Sir John Peace	6/6	1/1	–	2/2	2/2
Angela Ahrendts	6/6	1/1	–	2/2	–
Philip Bowman	6/6	0/1	3/3	2/2	2/2
Ian Carter	6/6	0/1	3/3	2/2	2/2
Stacey Cartwright	6/6	1/1	–	–	–
Stephanie George	6/6	1/1	3/3	2/2	2/2
David Tyler	6/6	1/1	3/3	2/2	2/2
John Smith	6/6	0/1	3/3	2/2	2/2

Any absences were due to unavoidable prior commitments.

External directorships

The Board's executive directors are permitted to hold only one non-executive directorship of a FTSE 100 company. Details of the directors' other directorships can be found in their biographies on page 68.

Board effectiveness

"As a Board we strive to provide effective leadership that supports the Company's five strategic themes and accords with the Company's core values – to protect, explore, and inspire. To do this we must remain an open, dynamic, connected and collaborative team."

Composition and succession

The non-executive directors are drawn from a wide range of industries and backgrounds, including banking and financial services, hotels and hospitality, marketing, broadcast and media. They have appropriate experience of complex organisations with global reach including experience of the Group's key markets of Europe, the Americas and Asia. Their varied yet relevant experience brings a wealth of insight to Board discussions and important support to the management team. All the directors will stand for re-election at the upcoming Annual General Meeting on 12 July 2012.

The Board aims to continuously refresh its membership to ensure that it reflects the growth profile of the business. However this needs to be balanced over time to ensure that it can draw on the valuable experience of its longer serving directors, particularly given the significant continuing growth of the business and the current volatile macro-economic and global environment.

In relation to Board Committee succession matters, on 22 May David Tyler resigned as Chairman of the Remuneration Committee, with effect from the close of the Group's upcoming Annual General Meeting. Sir John Peace has also resigned as a member of the Committee with effect from the close of the Annual General Meeting. The Board has appointed Ian Carter as the new Chairman of the Remuneration Committee. David Tyler will continue to serve as a member of the Committee.

During the recent independent investor audit (as referred to in “Engagement with shareholders” on page 78 below), the view was expressed that the current Board provides a good balance and support to the management team.

During the year, the Board (through the Nomination Committee) focused on its future composition in relation to both executive and non-executive succession planning. It concluded that whilst the current composition of the Board remained appropriate, the Board should continue to build on its relevant skills and competencies for the future. It was identified that the future addition of a director with experience of operating in Asia and/or Emerging Markets would be beneficial and this is something the Board will focus on in the coming months.

Diversity and inclusion

The Board welcomed Lord Davies’ report entitled “Women on Boards”. The Company is proud of the fact that it is diverse, not only in terms of gender. Diversity is at the heart of the culture and brand which is characterised by a democratic and meritocratic ethos.

At our Group headquarters in London, 54 different nationalities are represented and approximately 70% of the total workforce is female. Of the eight directors on the Board, three are women including both of the executive directors. Approximately 35% of management are female.

The Company continues to focus on its recruitment strategies and cultural values to ensure it recruits and retains a talented workforce operating in an inclusive and diverse environment. Board succession planning is focused on ensuring the right mix of skills and experience for the Board with due regard for the benefits of diversity, including gender.

Evaluating our performance

The Board undertakes a formal review of its performance and that of its committees each financial year, with an external evaluation once every three years. During the year an internally facilitated review by way of an online questionnaire was undertaken. Feedback from the evaluation was provided in the form of a written report to the Board followed by a discussion of the outcomes, led by the Chairman. In 2010/11 an externally facilitated review of the Board’s effectiveness was facilitated by Dr Tracy Long of Boardroom Review.

Consistent with Dr Long’s findings last year, the review concluded that the Board was highly effective, the size and continuity of the Board was felt to encourage open and, where necessary, robust debate. The review identified that the Board had a number of key strengths, including:

- ♦ the small size and open culture of the Board encouraged discussion and debate, fostered by the Chairman who is viewed as a strong and positive influence and a great ambassador for the Group;
- ♦ the Board operated effectively as currently composed with a diversity of skills and very good knowledge of the business and management;

- ♦ the Board’s role in overseeing the strategic plan was rated highly and had improved significantly over the last few years;
- ♦ the increased use of informal meetings, presentations from senior management and the visit to the businesses in Asia, were all positive developments;
- ♦ the annual cycle of Board and Committee work and information provided was appropriate and well planned; and
- ♦ Board and Committee performance in managing principal risks was rated highly.

Following its discussion the Board agreed the following recommendations:

- ♦ whilst the current composition of the Board was considered appropriate, the Board should plan for the next few years to build on its relevant skills and competencies. It was identified that the future addition of a director with experience of operating in Asia and/or Emerging Markets would be beneficial;
- ♦ the Board should continue to strengthen its contribution and impact on overseeing strategy including by affording more opportunities throughout the year to engage with senior management responsible for key elements of the business and strategy; and
- ♦ the Board should continue to consider its approach to assessing Board and Committee effectiveness to ensure that the Group’s approach to this remained meaningful and reflective of the unique and collaborative nature of the Board.

The non-executive directors, led by the Senior Independent Director, also considered the performance of the Chairman without the Chairman present. They confirmed that the Chairman’s leadership, performance and overall contribution were of a high standard.

Information flow and professional development

The Chairman works closely with the Company Secretary to ensure that the Board is supplied in a timely manner with information in a form and of a quality appropriate to enable it to effectively discharge its duties. During the year the Company introduced the provision of Board papers and additional information via iPad to allow for easy and instant access to a wide range of information.

The Board is kept up to date on legal, regulatory and governance matters through advice and regular papers from the Company Secretary, the General Counsel and other advisers. During the year the Board was briefed on boardroom diversity, various developments in narrative and risk reporting and executive remuneration, compliance with the UK Bribery Act 2010, and other developments in corporate governance reporting.

The Company Secretary assists the Chairman in designing and facilitating a tailored induction programme for new directors and their on-going training. The Chairman reviews training needs with directors on an annual basis as part of the performance evaluation process.

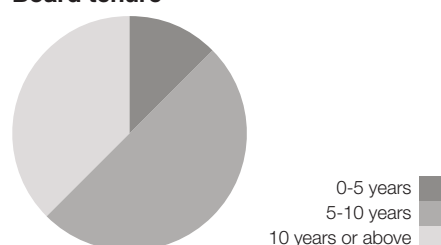
The Board have direct access to the advice and services of the Company Secretary and the appointment and removal of the Company Secretary is a matter reserved for the Board as a whole. Directors may also obtain, in the furtherance of their duties, independent professional advice, if necessary, at the Group's expense.

Re-election of directors

At the Annual General Meeting in 2011, all directors offered themselves for re-election. Each director was re-elected and no director received less than 94% in favour of the votes cast. At the Annual General Meeting in 2012, all of the directors will again retire and all will offer themselves for re-election.

The Board believes that each of the directors standing for re-election continue to be effective and accordingly, the Board recommends that shareholders approve the resolutions to be proposed at the 2012 Annual General Meeting relating to the re-election of the directors.

Board tenure



The balance of tenure of service of the directors is set out in the diagram above. At the time of the 2012 Annual General Meeting, Sir John Peace, Philip Bowman and David Tyler will have served on the Board for ten years. The performance of Philip Bowman and David Tyler has been subject to a rigorous review including with regard to their independence. The Board has concluded that they continue to provide independent and constructive challenge to the executive directors and remain effective non-executive directors. As discussed under "Board Composition and Succession" above, these directors bring valuable insight, experience and balance to the Board's deliberations.

Managing conflicts of interest

All directors have a duty under the Companies Act 2006 to avoid a situation in which they have, or could have, a direct or indirect conflict of interest or possible conflict of interest with the Group.

Under the Group's Articles of Association, the Board has the authority to approve such "situational" conflicts of interest and has adopted procedures to manage and, where appropriate, to approve such conflicts. Authorisations granted by the Board are recorded by the Company Secretary in a register and are noted by the Board at its next meeting.

A review of situational conflicts which have been authorised is undertaken by the Board annually. Following the last review, the Board concluded that the conflicts had been appropriately authorised and that the process for authorisation continued to operate effectively.

Engagement with shareholders

The Board believes that effective leadership also involves maintaining an open and constructive dialogue with shareholders and other stakeholders, and seeks to achieve this in various ways including at the Annual General Meeting.

The Chief Executive Officer and Executive Vice President, Chief Financial Officer give live presentations to institutional shareholders and analysts immediately following the release of the half and full year results which are then made available on the Group's website at burberryplc.com. The Group's Investor Relations department acts as the centre for ongoing communications with investors and analysts.

The Chairman also maintains a regular dialogue with major shareholders to hear their views and discuss issues of mutual importance and communicates their views to the other members of the Board. The Senior Independent Director and all the other non-executive directors are available to meet with shareholders. The Group also carried out an independent investor audit of its major investors through Makinson Cowell, a capital markets advisory firm, to gauge investor perception.

Effective internal controls

The Group has a clear and consistent strategy as reflected in its five key strategic themes. The strategy has been developed to exploit identified opportunities through a diversified business model. Where material risks have been identified within our business, the Group has implemented an appropriate internal control environment to endeavour to mitigate such risks.

The Board is ultimately responsible for the Group's system of internal controls and risk management, and it discharges its duties in this area by:

- ♦ determining the nature and extent of the significant risks it is willing to take in achieving the Group's strategic objectives; and
- ♦ ensuring that management implement effective systems of risk identification, assessment and mitigation.

The Audit Committee has been delegated the responsibility for reviewing the effectiveness of the Group's internal controls. The Audit Committee uses information drawn from a number of different sources to carry out this review including;

- ♦ Internal Audit provides objective assurance through its annual work plan which is approved by the Audit Committee and focuses on the principal risks identified in the risk assessment and key internal controls;
- ♦ regular reports to the Audit Committee from executive management and key Group support functions detailing their risk management and compliance approaches and highlighting any significant issues;
- ♦ key outcomes from discussions at the Group Risk Committee; and
- ♦ further objective assurance is provided by external auditors.

The internal control framework has been in operation for the whole of the year under review and continues to operate up to the date of approval of the Annual Report and Accounts. The system of internal controls is designed to manage rather than eliminate the risk of not achieving business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

There are areas of the Group's business where it is necessary to take risks to achieve a satisfactory return for shareholders so long as such risks reflect the Board's overall appetite for risk. It is the Group's objective to apply expertise to prudently manage rather than eliminate such risks including keeping them under constant review.

The Board, through the Audit Committee, has reviewed the assessment of risks and the Group's internal control framework and has considered the effectiveness of the system of internal control in operation in the Group for the year covered by the Annual Report and up to the date of its approval by the Board. The process followed by the Board in reviewing the system of internal controls accords with the Turnbull guidance. It also accords with the provisions of the UK Corporate Governance Code.

For details of the principal risks which may adversely impact the management of the Group and the execution of its growth strategies and the steps the Group takes to address these risks (where they are matters within Group control), see the Principal Risks section on pages 56 to 59.

Managing risks

The Group has an integrated approach to risk management and internal controls to ensure that its review of risk is used to inform the internal audit process and the design of internal controls.

A detailed three year strategic plan and annual budget process provides the principal metrics against which the performance of the Group is measured. The strategic plan

and budget are agreed with the Board together with defined performance targets and risks to delivery. The plan and the principal risks for delivering the strategy also form part of the Board's annual review of Group strategy. The Audit Committee also plays a key role by reviewing the effectiveness of the Group's internal controls and risk management.

Executive management assess risk on a regular basis through the Group Risk Committee which meets at least three times per year and reports any key findings to the Audit Committee. The Group Risk Committee evaluates risk through reports made to it by Internal Audit and Risk Assurance and other assurance teams and management committees. The Committee benefits from cross functional membership encompassing senior management of key areas such as IT, Finance, Legal, Brand Protection, Company Secretariat, Corporate Responsibility, Human Resources, Supply Chain and a number of assurance functions. These meetings are attended by the Chief Financial Officer and/or the Chief Executive Officer as well as the Director of Audit and Risk Assurance.

The executive directors also meet with senior management on a monthly basis to discuss performance, operational and budget issues to identify any emerging risks to achieving the strategic plan.

All internal audit activity is conducted by the Internal Audit team under the leadership of the Director of Audit and Risk Assurance, who reports to the Executive Vice President, Chief Financial Officer, but also has an independent reporting line to the Chairman of the Audit Committee. In the light of Internal Audit's recommendations, management agrees and implements corrective action plans, which are tracked to completion by Internal Audit, with the results reported to executive management, the Audit Committee and the Board.

As part of the Board's consideration of the principal risks facing the Group, Internal Audit and Risk Assurance facilitate a risk assessment process in each key business area and global support function to review the significant risks facing its operations and to record the relevant controls and any actions in place to mitigate the risks. The materiality of the risk is measured based on financial and non-financial criteria, and the probability of the risk arising is also mapped. The detailed assessments are then consolidated to provide input into the Group risk assessment. This process also enables Internal Audit and Risk Assurance to engage with senior management throughout the business on risk monitoring and management.

Financial reporting

Management is responsible for establishing and maintaining adequate internal controls over financial reporting. These controls are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes.

The Group has comprehensive planning, budgeting, forecasting and monthly reporting processes in place. A summary of Group financial results supported by commentary and performance measures is provided to the Board each month.

In relation to the preparation of the Group financial statements, the controls in place include:

- a centre of expertise responsible for reviewing new developments in reporting requirements and standards to ensure that these are reflected in Group accounting policies;
- a dedicated finance governance team who are responsible for developing the Group's financial control processes and procedures and implementing them across the Group; and
- a global finance structure consisting of employees with the appropriate expertise to ensure that Group policies and procedures are correctly applied. Effective management and control of the finance structure is achieved through the finance leadership team, consisting of key finance employees from the regional and corporate centre.

The reporting process is supported by transactional and consolidation finance systems. Reviews of the applications of controls for external reporting purposes are carried out by senior finance management. The results of these reviews are considered by the Board as part of its monitoring of the performance of controls around financial reporting.

The Audit Committee reviews the application of financial reporting standards and any significant accounting judgements made by management.

Control environment

The Group's business model is based on a central design, supply chain and distribution operation to source products to global markets, via retail and wholesale channels. This is reflected in the internal control framework which includes central direction, resource allocation, oversight and risk management of the key activities of marketing, inventory management, brand and technology development. This includes central support in relation to legal, human resources, information systems and financial practice.

The Group has established procedures for the delegation of authorities to ensure that approval for matters that are considered significant is considered at an appropriate level, either because of their value or the impact on the Group. In addition the Group has policies and procedures in place that are designed to support risk management across the Group. These authorities, policies and procedures are being kept under review as the Group continues to grow. These include policies relating to treasury, the conduct of employees and third parties with which the Group conducts business and prohibiting bribery and corruption, amongst others.

Accountability and audit

The Board is required to present a balanced and understandable assessment of the Group's position and prospects in the Annual Report and in interim and other public reports. The Board is satisfied that it has met this obligation. A summary of the directors' responsibilities for the financial statements is set out on page 94 and includes a statement regarding the Group's status as a going concern as required by the UK Corporate Governance Code. The Report of the Auditors on page 95 includes a statement by the auditors concerning their reporting responsibilities.

Report of the Audit Committee

Dear Shareholder,

The role of the Audit Committee is to monitor the integrity of financial information and to provide assurance to the Board that the Company's internal controls and risk management systems are appropriate and regularly reviewed.

The Committee continues to focus on ensuring that the Group's systems and controls are operating effectively, are evolving in line with the Group's growth and are responsive to the demands of the external operating environment. This will remain a priority for the coming year.

In addition to the usual work of the Committee (as set out below), during the year the Committee focused on other matters, including:

- evaluating and taking into account any movements in Group risks when considering budgets and forecasts that support going concern and impairment assessments;
- monitoring and seeking assurance that any effects on the Group's business arising from the volatility in the economic environment (including supply of credit, bad debtors and reliance on key vendors) are being closely monitored;
- monitoring and seeking assurance of the continual improvement of the risk and control environment across the Group;
- considering Internal Audit and Risk Assurance findings and recommendations, and monitoring management responses and progress on implementing remedial actions;
- monitoring the establishment of the Group's anti-bribery and anti-corruption policies and procedures and the on-going evolution of these against best practice; and
- considering the risks of the Group's dependency on digital technology and Group policies to mitigate these risks.

As a Committee we are fortunate that we benefit from a constructive and open relationship with management and we thank them for their assistance during the year.

Philip Bowman

Chairman, Audit Committee

Committee membership

The following directors served as members of the Committee throughout the financial year ending 31 March 2012:

Members	Appointment Date
Philip Bowman (Chairman)	21 June 2002
Ian Carter	18 May 2007
Stephanie George	19 May 2006
John Smith	2 February 2010
David Tyler	21 June 2002

The Audit Committee met three times during the year. The attendance record of Committee members is recorded in the table on page 76. In addition to the scheduled meetings the Chairman of the Committee meets separately with the Chief Financial Officer and the Director of Audit and Risk Assurance on a regular basis including prior to each meeting.

Other regular attendees at Committee meetings include: the Chairman of the Board, the Chief Executive Officer, the Chief Financial Officer, the Director of Audit and Risk Assurance, the Chief Corporate Affairs Officer & General Counsel, the Company Secretary, the Senior Vice President – Group Finance, the Group Financial Controller, the Director of Tax and the External Auditors.

The Board is satisfied that Philip Bowman as Chairman has recent and relevant financial experience and that all other Committee members have past employment experience in either finance or accounting roles or broad experience and knowledge of financial reporting and international businesses. Details of their experience can be found in their biographies on page 68.

Role of the Committee

The main roles and responsibilities of the Audit Committee are set out in written terms of reference which are available on the Company's website at burberryplc.com. The Committee reviews its terms of reference annually.

These responsibilities include (among others):

- ♦ the integrity of the Group's financial statements and formal announcements of the Group's performance;
- ♦ the Group's internal financial, operational and compliance controls and risk identification and management systems;
- ♦ recommending the appointment of external auditors, approving their remuneration and overseeing their work;
- ♦ developing and implementing policies on the engagement of the external auditors for the supply of non-audit services; and
- ♦ reviewing arrangements whereby employees may, in confidence, raise concerns about possible improprieties in matters of financial reporting and other matters.

External auditors

The Committee oversees the work undertaken by PricewaterhouseCoopers. During the year the Committee met with the external auditors without members of management being present.

Appointment and fees

The Committee has primary responsibility for making a recommendation on the appointment, re-appointment and removal of the external auditors. The Committee assesses on an annual basis the qualifications, expertise, resources and independence of the external auditors and the effectiveness of the previous audit process. Over the course of the year, the Committee has reviewed the audit process and the quality and experience of the audit partners engaged in the audit.

The Committee also reviewed the proposed audit fee and terms of engagement for the 2011/12 financial year. Details of the fees paid to the external auditors during the financial year can be found in note 5 in the financial statements.

PricewaterhouseCoopers have remained in place as auditors since prior to the IPO of the Company in 2002. They were re-appointed following an audit tender process undertaken by the Group for the 2010/11 financial year. The external auditors are required to rotate the audit engagement partner every five years. The current audit partner commenced his engagement for the 2010/11 financial year and is not subject to rotation until after the audit of the Group's financial statements for the 2014/15 financial year has been concluded.

During the year, the Committee approved the re-appointment, remuneration and terms of engagement of PricewaterhouseCoopers as the Group's statutory auditor. The Committee recommended to the Board that it proposes to shareholders that PricewaterhouseCoopers be re-appointed as the Group's external auditors at the Group's forthcoming Annual General Meeting.

Non-audit services

The Committee recognises that the independence of the auditors is an essential part of the audit framework and the assurance that it provides. The Committee has adopted a policy which sets out certain principles which the Group should follow in relation to the engagement of the Group's auditors for non-audit services.

Under the policy, the auditors may provide non-audit services that do not conflict with their independence, subject to prior approval as set out in the policy. Proposed fees above a certain level must be approved by the Audit Committee. Such fees must be activity based and not success related. At the half year and year end, the Audit Committee reviews all non-audit services provided by the auditors during the period and the fees relating to such services. If during the year Group expenditure for non-audit services exceeds £1m, all further requests for work must be referred to the Chairman of the Committee.

During the year, the Group spent £0.5m on non-audit services provided by PricewaterhouseCoopers. Further details can be found in note 5.

Report of the Nomination Committee

Dear Shareholder,

The role of the Nomination Committee is to review the balance and composition of the Board and its committees, ensuring that they remain fit for purpose.

Our focus during the year has been on:

- reviewing Board and committee succession to ensure that the Board continues to build on its relevant skills and competencies for the future;
- executive and senior management succession planning; and
- consideration of diversity issues including in the context of Lord Davies' report entitled "Women on Boards".

These will remain a priority for the coming year. Set out below is more detail on the role of the Committee and its activities during the year.

Sir John Peace

Chairman, Nomination Committee

Committee membership

The following directors served as members of the Committee throughout the financial year ended 31 March 2012:

Members	Appointment Date
Sir John Peace (Chairman)	21 June 2002
Angela Ahrendts	23 March 2007
Philip Bowman	21 June 2002
Ian Carter	18 May 2007
Stephanie George	23 March 2007
John Smith	2 February 2010
David Tyler	23 March 2007

Role of the Committee

The main roles and responsibilities of the Nomination Committee are set out in written terms of reference which are available on the Company's website at burberryplc.com. The Committee reviews its terms of reference annually.

The Nomination Committee is responsible for reviewing the balance and composition of the Board and its committees and for identifying and recommending appointments or renewal of appointments to the Board. These regular reviews ensure that the Group and the Board are able to draw from a complementary balance of skills and experience and that there is in place an appropriate plan for orderly succession to the Board. The procedure for appointments is set out in the Committee's terms of reference.

Activities during the year

The Nomination Committee met twice during the year under review. The table on page 76 gives details of directors' attendance at these meetings.

Other regular attendees at Committee meetings include: the Executive Vice President Corporate Resources, the Chief Corporate Affairs Officer and the Company Secretary.

All directors have, since the 2011 Annual General Meeting, offered themselves for annual re-election in accordance with the UK Corporate Governance Code. The directors will do so again at the 2012 Annual General Meeting.

The biographical details of the directors can be found on page 68 of this Annual Report. The Board confirms that, following the internal evaluation during the year led by the Chairman, the performance of each of the directors standing for re-election continues to be effective and demonstrates commitment to their roles, including commitment of time for Board and committee meetings and any other duties.

The terms and conditions of appointment of non-executive directors, including the expected time commitment, are available for inspection at the Company's registered office.

Other governance disclosures

Annual General Meeting

As required by UK Corporate Governance Code, the Notice of the 2011 Annual General Meeting was sent to shareholders at least 20 working days before the Meeting. A poll vote was taken on each of the resolutions put before shareholders. All directors attended the 2011 Annual General Meeting and the Chairman of the Board and the chairmen of each of the committees were available to answer shareholders' questions.

Voting at the upcoming 2012 Annual General Meeting will be by way of poll. The results of the voting at the Annual General Meeting will be announced and details of the votes will be available to view on the Group's website at burberryplc.com as soon as possible after the meeting.

It is the intention that all directors, including the Chairmen of the Audit, Remuneration and Nomination Committees, will attend the Annual General Meeting and will be available to answer shareholders' questions.

Share capital

Further information about the Company's share capital, including substantial shareholdings, can be found in the Director's Report on pages 70 to 73.

Dear Shareholder,

I am pleased to introduce the Directors' Remuneration Report for the year ended 31 March 2012 which has been prepared by the Remuneration Committee (the "Committee") and approved by the Board.

2011/12 has presented a challenging external environment for Burberry given economic conditions and world events. The global economic outlook remains uncertain. The level of executive pay has been under intense scrutiny with various reform proposals made across the political spectrum. The Committee understands the public concern where pay is awarded in the absence of good performance, but it believes that management should be rewarded where there has been genuine achievement and exceptionally where there has been exceptional performance. We believe that this approach is in the best interests of Burberry and its shareholders.

Against this backdrop, Burberry has continued its strong growth trajectory, with another year of record profits. This sustained growth is the result of our strategic investment in the Brand.

Shareholders have had exceptional returns. In the five years to 31 March 2012, Burberry's share price has increased by 129% and Adjusted Profit Before Tax grew by £192m. An investor with 100 Burberry shares worth £653 on 1 April 2007 would at 31 March 2012 have a shareholding worth £1,676 which represents a 157% return on investment (assuming dividends are reinvested in Burberry shares).

The Committee aims to ensure that directors' and senior executives' remuneration is globally competitive so as to attract and retain high calibre individuals and is strongly aligned to performance and a sustainable increase in shareholder value. Taking all the factors into account and the overall levels of reward delivered in the year, the Committee did not make grants to senior executives under the Burberry Senior Executive Restricted Share Plan (the "RSP") in 2011/12, nor did it increase the Chief Executive Officer's base salary. In addition, the performance condition for the vesting of the matching shares under the Burberry Co-Investment Plan (the "CIP") was increased so as to be made more challenging.

The Group's remuneration policy is set out on page 85 and the current intention is that this will continue to be the policy for the coming year. However, the Committee reviews the policy on a regular basis, taking into account the performance and growth of the business and the global luxury goods sector. The Committee also considers the Group's policy against regulatory developments, shareholder expectations and global market practice.

I have decided to step down as Chairman of the Committee, after five years in that position. I believe that it is important for the Committee to be refreshed from time to time to continue to demonstrate its ongoing independence. While I will continue to serve as a member of the Committee, Ian Carter will succeed me as Chairman with effect from the close of the Group's Annual General Meeting in July. I would like to thank shareholders for their support and I am sure that under Ian's chairmanship the Committee will continue its responsive and responsible approach to remuneration which has served shareholders well.

David Tyler

Chairman, Remuneration Committee

2011/12 remuneration highlights

- ♦ Performance over the five years to 31 March 2012 has been outstanding
 - Adjusted Profit Before Tax doubled to £376m
 - £4bn of value was delivered to shareholders through share price growth and dividends
 - Burberry rose from 104 to 53 in the FTSE
- ♦ The Committee took into account the challenging operating environment and strong performance by the Company when determining overall level of remuneration
 - The Chief Executive Officer's base salary was not increased
 - 2011/12 annual bonuses paid out in full, as Adjusted Profit Before Tax exceeded the maximum target set at the start of the year
 - The Chief Executive Officer and Chief Financial Officer intend to invest 100% of their 2011/12 cash bonus in Burberry shares under the CIP
 - Share incentives vested in full
 - No grants were made to executive directors under the RSP
 - The performance condition under the CIP was increased

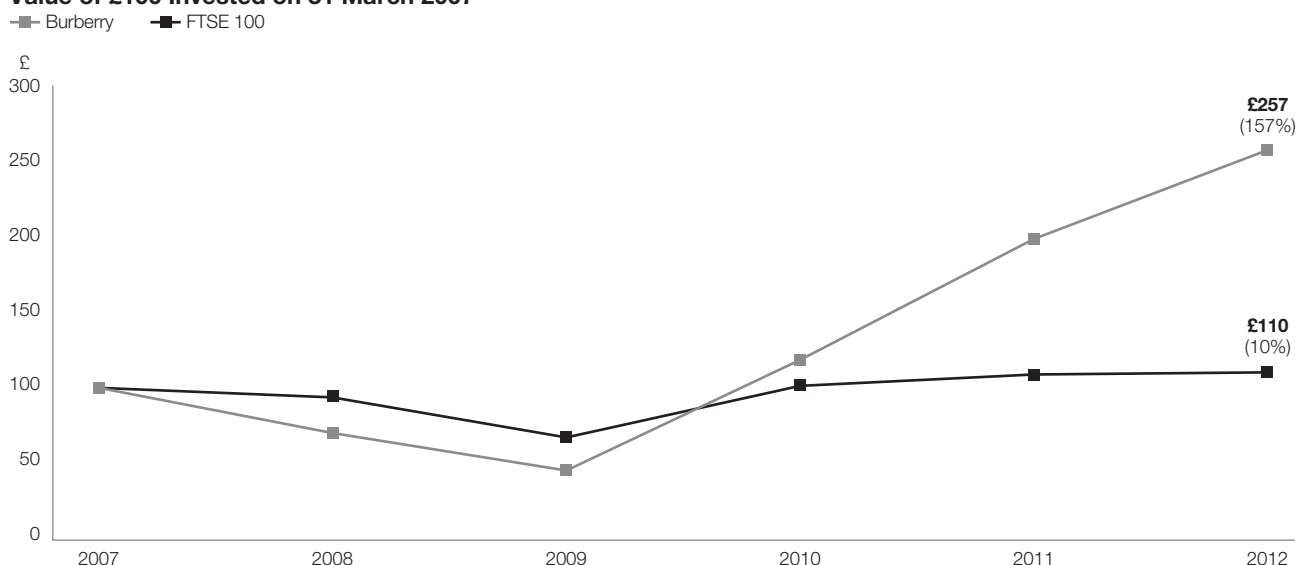
Directors' Remuneration Report

This report has been prepared on behalf of the Board by the Remuneration Committee. It has been prepared in accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (the "Regulations") issued under the Companies Act 2006 (the "Act") and it meets the relevant requirements of the Financial Services Authority's Listing Rules.

Performance graph

The following graph shows the Total Shareholder Return ('TSR') for Burberry Group plc compared to the companies in the FTSE 100 Index assuming £100 was invested on 31 March 2007. Burberry became a constituent of the FTSE 100 index on 10 September 2009 and prior to that had a market capitalisation close to that of companies at the lower end of the FTSE 100 index.

Value of £100 Invested on 31 March 2007



Source: DataStream

Committee Membership

The following directors served as members of the Committee throughout the financial year ending 31 March 2012:

Members

Appointment Date

David Tyler (Chairman)	23 March 2007
Philip Bowman	21 June 2002
Ian Carter	18 May 2007
Stephanie George	19 May 2006
Sir John Peace	21 June 2002
John Smith	2 February 2010

Role of the Committee

The Committee is responsible for setting the remuneration of the executive directors and the Chairman of the Board and monitors the level and structure of senior executive pay. The terms of reference of the Committee are available on the Group's website at burberryplc.com.

The Board reviewed the performance of the Committee in the year. This review concluded that the Committee operated independently and effectively. The Board believes that the collective experience of its members enables the Committee to give a balanced view on remuneration matters.

The remuneration of the non-executive directors is a matter for the Board as a whole. No director is involved in any discussions as to their own remuneration. During the year, the Committee met formally on two occasions. Details of attendance at those meetings are set out in the Corporate Governance report on page 76.

At the invitation of the Committee, except where their own remuneration was being discussed, Angela Ahrendts (Chief Executive Officer), Stacey Cartwright (Executive Vice President, Chief Financial Officer), Michael Mahony (Chief Corporate Affairs Officer & General Counsel), Anne-Soline Thorndike (Vice President – Reward and Recognition) and Catherine Sukmonowski (Company Secretary) attended Committee meetings during the period under review and provided advice that materially assisted the Committee.

In 2011, the Committee appointed Towers Watson as advisor. Towers Watson provides advice on the ongoing operation of employee and executive share plans together with advice on executive remuneration. A term of the engagement between the Committee and Towers Watson is that any additional consulting services provided by Towers Watson to management are reported on a regular basis to the Committee. Where an actual or potential conflict may occur, such work is agreed by the Chairman of the Committee prior to commencement. Since appointment, Towers Watson has provided market benchmarking information to management in relation to a small number of roles which fall below the remit of Committee review. Towers Watson is a member of the Remuneration Consultants' Group, which is responsible for the development and maintenance of the voluntary Code of Conduct that clearly sets out the role of executive remuneration consultants and the professional standards by which they advise their clients.

Remuneration Policy

The Committee believes the Group's remuneration should be internationally competitive and strongly linked to performance, taking into account the global markets in which it operates. The Group's remuneration policy is based on the following principles:

- ♦ **Shareholder value:** remuneration should be closely aligned with long term value creation for shareholders through thoughtful selection of performance measures (as described on the following pages), emphasis on variable pay and delivery of a significant proportion of remuneration in shares, some of which are expected to be retained in accordance with the Group's shareholding policy;
- ♦ **Linked to success of the business:** the overall remuneration framework should provide a balance between short and long term business objectives. Variable pay for executive directors includes (1) an annual cash bonus based on Adjusted Profit Before Tax as per the audited income statement ('Adjusted PBT'), and (2) long-term share-based incentives linked primarily to increases in shareholder value and growth in Adjusted PBT; and
- ♦ **Competitive in the global talent market:** total remuneration should be sufficient to attract, motivate and retain exceptional talent within the global luxury goods sector. Total remuneration for executive directors and other senior executives is therefore benchmarked against Burberry's main global competitors and comparable UK companies. The Committee recognises that, for each executive, the relative importance of each of these benchmarks may be different. Benefits are based on competitive market practice for each executive, depending on individual circumstances.

The principle of shareholder alignment is reflected throughout the organisation through our all employee share plans, which are where possible extended to all eligible Burberry employees globally.

During its deliberations on executive remuneration, the Committee considered the reward framework for all employees worldwide, ensuring that the principles stated therein are consistent with the executive remuneration policy. Merit increases awarded to executives also occur within the broader all employee structure, and executive share plans are extended through the organisation to senior executives and high potential employees where appropriate. Details of the remuneration policy for the Chairman and non-executive directors are set out on page 91.

Remuneration structure

Remuneration is structured such that for executive directors and other senior executives, performance-related elements represent the majority of total potential remuneration.

Key elements of senior executive remuneration

Purpose	Horizon	Policy
Base salary To recognise the responsibilities, experience and ability of our talent in a competitive environment, keeping our people focused on and passionate about the Brand.	1 year	<p>Salaries are benchmarked against global companies of similar size and/or global reach within the luxury goods sector and/or companies which have had a significant increase in brand perception, and to a lesser extent comparable UK companies.</p> <p>Increases for the executive directors and other senior executives are set within the same framework and same ranges as other employees, taking into account employees' individual performance and overall contribution to the business during the year, as well as the external economic climate.</p>
Annual bonus To reward senior executives for achieving financial targets linked to the strategic plans agreed by the Board.	1 year	<p>Targets are set by reference to internal budgets, external expectations and long-term financial goals. Bonuses for executive directors are currently based on Adjusted PBT. The Committee believes that linking incentives to profitability helps reinforce the Group's strategy and long term growth objectives. Targets are calibrated using benchmarks that include broker earnings estimates for Burberry and its competitors, latest projections for the then current year, budget, strategic plan, and long term financial goals. Actual bonus awards are subject to the discretion of the Committee.</p> <p>The maximum bonus for the Chief Executive Officer is 200% of base salary.</p> <p>The maximum bonus for the Chief Financial Officer is 150% of base salary.</p>
Co-Investment Plan To incentivise consistent performance and further align senior executives' interests with those of shareholders, by encouraging share ownership. This is a critical retention tool.	3 years	<p>Executives may voluntarily defer all or part of their annual bonus and invest in Burberry shares with a contingent award of matching shares.</p> <p>The ratio for matching shares depends on performance during the year:</p> <ul style="list-style-type: none"> • In a year of maximum performance, deferrals are matched at a ratio of 2:1 for executive directors. • In a year of target performance, the ratio is 1:1. • Below target performance, the match does not operate. <p>Matching shares are subject to a performance condition. 25% of the award may vest if growth in Adjusted PBT achieves 5% per annum over the three year period, with full vesting where Adjusted PBT exceeds 10% per annum over the three year period with vesting occurring on a straight line basis between these points.</p>
Restricted Share Plan To focus executives on sustainable long-term performance.	3, 4 and 5 years	<p>The level of vesting is determined at the end of a three year performance period:</p> <ul style="list-style-type: none"> • Adjusted PBT growth: currently 25% vesting for growth of 5% per annum through to 100% vesting for growth of 15% per annum. • For senior executives, TSR against a comparator group: 25% vesting for median TSR rising to 100% vesting for TSR equal to the upper quartile. The TSR group for this award comprised, Coach, Compagnie Financière Richemont, Estée Lauder, Fossil, Geox, Hermès International, Hugo Boss, Inditex, Liz Claiborne, Luxottica Group, LVMH Moët Hennessy Louis Vuitton, Nike, Nordstrom, Polo Ralph Lauren, PPR, Saks, Swatch, Tiffany & Co, and Tod's. <p>The Committee chose TSR relative to a group of Burberry's peers because it felt that this is an objective measure of the Group's success and aligns with shareholder interests. Growth in Adjusted PBT was chosen as it continues to be the primary measure used by management and the Committee believes strong growth in pre-tax profit is key to delivering superior shareholder returns.</p> <p>Once the level of performance has been determined, vesting is phased: half of the award vests on the third anniversary of grant, 25% on the fourth, and the remaining award on the fifth.</p>

Purpose	Horizon	Policy
All-Employee Share Plans To encourage employee share ownership at all levels.	Ongoing	Burberry operates two all employee share plans: <ul style="list-style-type: none"> • The Sharesave Scheme offers eligible executive directors and eligible employees an opportunity to enter into a three or five year savings contract to save a portion of their salary which can be used to purchase Burberry shares at up to a 20% discount to the market price at the date of invitation. • Grants of shares are made annually to all eligible employees under the Burberry Share Incentive Plan ("SIP") and International Freeshare Plans. The executive directors elected not to participate in these plans.
Shareholding Policy To ensure continued alignment with the interests of shareholders.	Ongoing	Senior executives are expected to achieve an interest in Burberry shares equivalent to at least: <ul style="list-style-type: none"> • three times base salary for the Chief Executive Officer • one and a half times base salary for the Chief Financial Officer • one times base salary for other senior executives Senior executives are expected to retain a proportion of the shares acquired on the exercise of options and awards until such guidelines are met.
Benefits To protect the well being of employees, allowing them to focus on the Brand.	Ongoing	Benefits for executive directors include pension, private medical insurance, life assurance, long-term disability insurance and clothing allowances.

A one-off award was granted to Angela Ahrendts following consultation with shareholders during 2010 and the details of this award are set out in detail on page 90.

The mix of fixed and variable pay at target and maximum performance is illustrated below for 2011/12:

Chief Executive Officer

Target



Max



0% 20% 40% 60% 80% 100%

■ Fixed = Base + Allowances ■ Variable Cash = Annual Bonus

■ Variable Shares = Matching Shares (assuming full co investment) + RSP (+ Annualised One-Off Award for Angela Ahrendts)

Executive Vice President, Chief Financial Officer

Target



Max



0% 20% 40% 60% 80% 100%

Service agreements

Angela Ahrendts

Angela Ahrendts relocated from the US to the UK and commenced her employment with Burberry as an executive director on 9 January 2006 under a service agreement dated 10 October 2005. She was appointed Chief Executive Officer on 1 July 2006 for an indefinite period.

The terms of her service agreement were negotiated when she was appointed. If Burberry terminates Angela Ahrendts' service agreement in circumstances other than for poor performance she would be entitled to 12 months' salary and 75% of her annual maximum bonus opportunity. She would also receive her pension contribution for 12 months together with overseas allowances and, if applicable, relocation expenses. Any unvested awards under the Restricted Share Plan and unvested Matching Share awards under the Co-Investment Plan will vest but only on a time apportioned basis and subject to the achievement of the relevant performance conditions.

If Burberry terminates the agreement without cause but in circumstances where the Committee determines that Angela Ahrendts' performance or that of the Group does not meet the financial expectations of the Board or shareholders, her entitlements in respect of salary and bonus will be reduced so that she will receive 12 months' salary and 37.5% of her maximum bonus opportunity. Angela Ahrendts may terminate the service agreement on six months' notice.

The Committee considered that these termination provisions were required to secure the appointment of a Chief Executive Officer of the calibre of Angela Ahrendts from the small pool of sufficiently specialised candidates from around the world.

Stacey Cartwright

Stacey Cartwright is employed by Burberry as Executive Vice President, Chief Financial Officer under a service agreement dated 17 November 2003. Her term of appointment commenced on 1 March 2004 for an indefinite period.

Burberry may terminate Stacey Cartwright's appointment by giving 12 months' notice. In such circumstances she will be entitled to payment of salary and other benefits for a period of 12 months. Stacey Cartwright may terminate the service agreement on six months' notice. Upon termination, all share awards would be treated in accordance with the rules of the relevant plan.

On 1 April 2011, Stacey Cartwright was appointed as a non-executive director of GlaxoSmithKline plc. It has been agreed that fees earned in connection with this appointment may be retained by her. From 1 April 2011 to 31 March 2012 this was £75,000.

Audited information

Directors' remuneration

Executive directors

The remuneration of the executive directors of Burberry Group plc in the period 1 April 2011 to 31 March 2012 is detailed below.

Aggregate emoluments for director

	Salary £'000	Pension cash supplement £'000	Allowances paid in cash £'000	Bonus £'000	Benefits £'000	Aggregate emoluments £'000
Angela Ahrendts						
Year to 31 March 2012	990¹	255²	387	1,980	76	3,688
Year to 31 March 2011	990	99 ²	386	1,980	69	3,524
Stacey Cartwright						
Year to 31 March 2012	600	147²	32	900	10	1,689
Year to 31 March 2011	575	140 ²	32	863	11	1,621

¹ During 2011/12, Angela Ahrendts made personal charitable donations totalling £99,000 to the Burberry Foundation.

² Angela Ahrendts and Stacey Cartwright receive a portion of their annual pension contribution as a cash supplement, further details of which are contained in the section below entitled "Pension entitlements".

For 2012/13 Angela Ahrendts' salary will be increased by 4% to £1,030,000 and Stacey Cartwright's salary will be increased by 3.3% to £620,000. These increases are consistent with those for the Group's employees generally.

Pension entitlements

Angela Ahrendts

Angela Ahrendts is entitled to an annual pension contribution equal to 30% of base salary. She has elected that a portion be paid as a cash supplement. For the year to 31 March 2012, the cash supplement was £255,333 (2011: £98,500). The contribution paid into the Burberry Defined Contribution Pension Plan was £41,667 (2011: £198,500).

Stacey Cartwright

Stacey Cartwright is entitled to an annual pension contribution equal to 30% of base salary. She has elected that a portion be paid as a cash supplement. For the year to 31 March 2012, the cash supplement was £147,420 (2011: £139,920). The contribution paid into her personal pension plan was £32,580 in the year to 31 March 2012 (2011: £32,580).

Share schemes and long-term incentive arrangements

The executive directors held the following interests in options under the Group's long-term incentive plans:

	Date of grant	Option price (p)	Number of ordinary shares				As at 31 March 2012	Vesting	Expiry date
			As at 1 April 2011	Granted during the year	Lapsed during the year	Exercised during the year			
Angela Ahrendts									
RSP	11/06/2007	nil	54,397	–	–	–	54,397	11/06/2011 to 11/06/2012	10/06/2017
	01/06/2009	nil	450,000	–	–	–	450,000	01/06/2012 to 01/06/2014	31/05/2019
CIP Matching Shares	03/06/2008	nil	416,086	–	–	416,086 ^{1,4}	–	03/06/2011	02/06/2013
	09/06/2010	nil	501,536	–	–	–	501,536	09/06/2013	08/06/2015
	07/06/2011	nil	–	300,252 ²	–	–	300,252	07/06/2014	06/06/2016
EPP	26/07/2007	nil	425,000	–	–	425,000 ^{3,5}	–	26/07/2011	26/07/2012
One-off grant	08/12/2010	nil	500,000	–	–	–	500,000	01/04/2015	31/03/2016
Sharesave	25/06/2010	557.0	2,773	–	–	–	2,773	01/09/2015	28/02/2016
Stacey Cartwright									
RSP	10/08/2006	nil	10,076	–	–	–	10,076	10/08/2011	09/08/2016
	27/11/2006	nil	2,521	–	–	–	2,521	27/11/2011	26/11/2016
	11/06/2007	nil	15,746	–	–	–	15,746	11/06/2011 to 11/06/2012	10/06/2017
	01/06/2009	nil	265,000	–	–	–	265,000	01/06/2012 to 01/06/2014	31/05/2019
	10/06/2010	nil	78,000	–	–	–	78,000	10/06/2013 to 10/06/2015	09/06/2020
CIP Matching Shares	03/06/2008	nil	185,036	–	–	185,036 ^{1,6}	–	03/06/2011	02/06/2013
	09/06/2010	nil	214,944	–	–	–	214,944	09/06/2013	08/06/2015
	07/06/2011	nil	–	130,791 ²	–	–	130,791	07/06/2014	06/06/2016
EPP	26/07/2007	nil	175,000	–	–	175,000 ^{3,7}	–	26/07/2011	26/07/2012
Sharesave	30/06/2009	321.0	2,827	–	–	–	2,827	01/09/2012	28/02/2013

1 The market value of Burberry shares on the date of exercise (7 June 2011) was 1,318p.

2 The market value of Burberry shares on the date of grant (7 June 2011) was 1,318p.

3 The market value of Burberry shares on the date of exercise (29 July 2011) was 1,514p.

4 A cash payment of £164,978, being the amount equivalent to the value of the dividends which would have been received as beneficial owner of the Matching Shares during the deferred period, was paid upon exercise.

5 A cash payment of £246,500, being the amount equivalent to the value of the dividends which would have been received as beneficial owner of the Award Shares during the deferred period, was paid upon exercise.

6 A cash payment of £73,367, being the amount equivalent to the value of the dividends which would have been received as beneficial owner of the Matching Shares during the deferred period, was paid upon exercise.

7 A cash payment of £101,500, being the amount equivalent to the value of the dividends which would have been received as beneficial owner of the Award Shares during the deferred period, was paid upon exercise.

8 The highest and lowest share prices in the year are set out on page 92.

The Burberry Senior Executive Restricted Share Plan

No awards were made to executive directors under the RSP in 2011/12.

The third and second tranches of awards made in 2006 and 2007 vested during the year. Their performance conditions were tested in 2009 and 2010 respectively (with 57.5% of each grant lapsing). Please see page 86 for details of the performance conditions.

The Burberry Co-Investment Plan

Awards made in 2008 vested in full during the year. For the year ended 31 March 2012, Angela Ahrendts and Stacey Cartwright intend to invest the whole of their bonus after the deduction of tax into Burberry shares under the Co-Investment Plan. 25% of an award may vest if growth in Adjusted PBT achieves 5% per annum over three years, 100% may vest if Adjusted PBT growth exceeds 10% per annum, with vesting occurring on a straight line basis between these points. None of the award will vest if Adjusted PBT growth is below 5% per annum.

The Burberry Exceptional Performance Share Plan

The EPP is a one off long term incentive plan introduced in 2007, the purpose of which was to incentivise senior management to achieve stretching goals and to help provide exceptional reward for exceptional performance. The second tranche of the EPP vested in the year. The award was subject to performance conditions, with maximum vesting occurring if:

- ♦ Burberry's TSR outperformed the median TSR of a group of luxury peers by at least 7% per annum over the four-year period to 31 March 2011; and
- ♦ Growth in Adjusted PBT exceeded 75% over the five-year performance period to 2011.

The TSR group for this award comprised Bulgari, Coach, Compagnie Financière Richemont, Estée Lauder, Fossil, Geox, Hermès International, Hugo Boss, Inditex, Liz Claiborne, Luxottica Group, LVMH Moët Hennessy Louis Vuitton, Nike, Nordstrom, Polo Ralph Lauren, PPR, Saks, Swatch, Tiffany & Co, and Tod's.

Both conditions were met in full for the tranche vesting in the year (in 2010/11, 69.5% of the first tranche of the award lapsed). No further awards will be made under the EPP.

One-Off Grant to Angela Ahrendts

Following consultation with the Company's largest shareholders in 2010, the Chief Executive Officer was granted an option over 500,000 shares which will vest on 1 April 2015 subject to strategic and financial objectives linked to the long-term growth of the Company being achieved including:

- ♦ the development of the business measured against the strategic plan approved by the Board;
- ♦ Burberry's Adjusted PBT performance;
- ♦ the personal contribution made by the Chief Executive Officer;
- ♦ shareholder value delivered in the context of the luxury goods market;
- ♦ and any other performance factors which are appropriate in assessing the fairness of vesting the award to the Chief Executive Officer and the shareholders.

The Committee considered the one-off grant to the Chief Executive Officer, in the context of:

- ♦ continued progress along the five strategic themes including:
 - Burberry continues to climb in Interbrand's Top 100 Global Brands;
 - launching Burberry Body;
 - growth in non-apparel revenue;
 - strong progress in building the Brand's retail presence globally;
 - the performance of the Burberry business in China following its acquisition; and
 - increases in gross margin through supply chain efficiencies and the introduction of monthly flow.
- ♦ Adjusted PBT growth of 26% in the 2011/12 year;
- ♦ The outstanding leadership demonstrated by the Chief Executive Officer; and
- ♦ the continuing share price outperformance compared to peers.

The Committee resolved that the objectives had been achieved in full during 2011/12.

The Sharesave Scheme

In order to encourage employee share ownership at all levels, the Group offers a Sharesave Scheme. The Sharesave Scheme offers eligible employees an opportunity to enter into a three or five year savings contract to save a portion of their salary which can be used to purchase Burberry shares at up to a 20% discount to the market price at the date of invitation.

Gains made by directors on share options and awards

The table below shows notional gains made by individual directors from the exercise of share options and awards during the year to 31 March 2012. The gains have arisen in respect of EPP and CIP awards granted in 2007 and 2008 and are calculated by reference to the market value of Burberry's shares on the date of exercise.

	No of ordinary shares		Value of awards at the date of grant £'000	Uplift due to increase in share price £'000	Total notional gain in the year to 31 March 2012 £'000
	Exercised during the year	Retained as at 31 March 2012			
Angela Ahrendts	841,086	–	4,700	7,221	11,921
Stacey Cartwright	360,036	–	2,003	3,086	5,089

Dilution Limits

The Group's share schemes contain limits that govern the quantum of awards that may be granted and the amount of newly issued shares that may be used to satisfy such awards. These limits are in line with the guidance of the Association of British Insurers.

Chairman and non-executive directors

The Chairman's remuneration is reviewed by the Committee. The fees for the non-executive directors are reviewed by the Board. The structure of remuneration for the Chairman and non-executive directors is set by reference to market practice within the limits set by the Articles of Association and was last reviewed during 2010. The Chairman and non-executive directors are not eligible for performance related bonuses or share awards and no pension contributions are made on their behalf.

The table below sets out the fee structure for the Chairman and non-executive directors as at 31 March 2012.

	Fee level £'000
Chairman ¹	350
Senior Independent Director ²	90
Board member	70
Audit Committee Chair	25
Remuneration Committee Chair	20
Attendance allowance ³	2

¹ The Chairman is not eligible for Committee Chairmanship fees or attendance allowances.

² The Senior Independent Director is eligible for Committee Chairmanship fees and attendance allowances.

³ Non-executive directors receive an attendance allowance for each meeting attended outside of their country of residence.

The non-executive directors serve under Letters of Appointment as detailed in the table below. Non-executive directors may continue to serve subject to the Board's discretion and annual re-election by shareholders at each Annual General Meeting of the Company, subject to six months' notice by either party. Fees paid to the Chairman and non-executive directors during the year are set out in the table below.

	Letter of appointment dated	Year to 31 March 2012 £'000			Year to 31 March 2011 £'000
		Fees	Allowances	Total	Total
Sir John Peace	20 June 2002	350	–	350	330
Philip Bowman	11 June 2002	115	2	117	109
Ian Carter	16 April 2007	70	12	82	75
Stephanie George	23 January 2006	70	12	82	77
John Smith	27 November 2009	70	2	72	67
David Tyler	20 June 2002	90	2	92	85
Total		765	30	795	743

Directors' interests

The beneficial interests of the directors in the ordinary shares of Burberry Group plc (in addition to interests in options and share awards) are shown below:

	Holding of ordinary shares as at 31 March 2012	Holding of ordinary shares as at 31 March 2011
Angela Ahrendts	237,590 ¹	351,466 ¹
Stacey Cartwright	450,210 ¹	499,041 ¹
Sir John Peace	175,738	175,738
Philip Bowman	65,000	65,000
Ian Carter	26,690	26,690
Stephanie George	24,600	15,000
John Smith	1,529	1,011
David Tyler	40,000	60,000

¹ Includes Invested Shares under the Co-Investment Plan.

As potential beneficiaries under the Burberry Group plc ESOP Trust (the 'Trust') Angela Ahrendts and Stacey Cartwright are deemed to have an interest in the Company's ordinary shares held by the Trust. The Trust held 3,094,792 ordinary shares as at 31 March 2012 (2011: 212,017).

There have been no further changes in the above interests between 31 March 2012 and 22 May 2012. There are no other non-beneficial interests.

As part of the Group's Shareholding Policy, the Chairman and non-executive directors are expected to hold shares with a market value of a minimum of £6,000 for each year of their appointment and have complied with this policy. The requirements that apply to executive directors are set out on page 87 and they have also complied with this policy.

Share Price

The market value of Burberry Group plc shares on 31 March 2012 was 1,497p. The highest and lowest market prices of an ordinary share in the year were 1,600p and 1,092p respectively.

Audit statement

In their audit opinion on page 95, PricewaterhouseCoopers LLP refer to their audit of the disclosures required by Schedule 8 to the Regulations. These comprise the following disclosures in this remuneration report: the disclosures under the headings 'Executive directors', 'Pension entitlements', 'Share Schemes and long-term incentive arrangements', 'The Burberry Senior Executive Restricted Share Plan', 'The Burberry Co-Investment Plan', 'The Burberry Exceptional Performance Share Plan', 'One-Off Grant to Angela Ahrendts', 'The Sharesave Scheme', 'Gains made by directors on share options and awards', 'Chairman and non-executive directors' and the disclosures under the heading, 'Directors' Interests' on pages 88 to 92.

Approved by the Board and signed on its behalf by:

David Tyler

Chairman, Remuneration Committee

22 May 2012

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STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (the EU), and the parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- ♦ select suitable applicable accounting policies and then apply them consistently;
- ♦ make judgements and accounting estimates that are reasonable and prudent;
- ♦ state whether IFRSs as adopted by the EU and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Group and parent Company financial statements respectively; and
- ♦ prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the directors, whose names and functions are listed on page 68 confirm that, to the best their knowledge:

- ♦ the Group financial statements, prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- ♦ the Directors' Report contained on page 70 includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BURBERRY GROUP PLC

We have audited the Group financial statements of Burberry Group plc for the year ended 31 March 2012 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group Balance Sheet, the Group Statement of Changes in Equity, the Group Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 94, the directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the Group financial statements:

- ♦ give a true and fair view of the state of the Group's affairs as at 31 March 2012 and of its profit and cash flows for the year then ended;
- ♦ have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- ♦ have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- ♦ certain disclosures of directors' remuneration specified by law are not made; or
- ♦ we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- ♦ the directors' statement, set out on page 73, in relation to going concern;
- ♦ the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- ♦ certain elements of the report to shareholders by the Board on directors' remuneration.

Other matter

We have reported separately on the parent Company financial statements of Burberry Group plc for the year ended 31 March 2012 and on the information in the Directors' Remuneration Report that is described as having been audited.

Andrew Kemp (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London, 22 May 2012

GROUP INCOME STATEMENT

	Note	Year to 31 March 2012 £m	Year to 31 March 2011 £m
Continuing operations			
Revenue	3	1,857.2	1,501.3
Cost of sales		(558.3)	(491.6)
Gross profit		1,298.9	1,009.7
Net operating expenses	4	(922.0)	(707.6)
Operating profit		376.9	302.1
Financing			
Interest income		2.9	1.9
Interest expense		(3.6)	(5.1)
Other financing charges		(10.2)	(3.2)
Net finance charge	6	(10.9)	(6.4)
Profit before taxation	5	366.0	295.7
Taxation	7	(100.6)	(83.2)
Profit for the year from continuing operations		265.4	212.5
Loss for the year from discontinued operations	27	(0.3)	(6.2)
Profit for the year		265.1	206.3
Attributable to:			
Equity holders of the Company		263.3	208.4
Non-controlling interest		1.8	(2.1)
Profit for the year		265.1	206.3
Earnings per share			
– basic	8	60.4p	47.9p
– diluted	8	59.3p	46.9p
Earnings per share from continuing operations			
– basic	8	60.4p	49.3p
– diluted	8	59.3p	48.3p
		£m	£m
Reconciliation of adjusted profit before taxation:			
Profit before taxation		366.0	295.7
Exceptional items:			
– restructuring credit relating to continuing operations	5	–	(1.0)
– put option liability finance charge	5	10.2	3.2
Adjusted profit before taxation – non-GAAP measure		376.2	297.9
Adjusted earnings per share – non-GAAP measure			
– basic	8	62.8p	49.9p
– diluted	8	61.6p	48.9p
Dividends per share			
– interim	9	7.00p	5.00p
– proposed final (not recognised as a liability at 31 March)	9	18.00p	15.00p

GROUP STATEMENT OF COMPREHENSIVE INCOME

	Note	Year to 31 March 2012 £m	Year to 31 March 2011 £m
Profit for the year		265.1	206.3
Other comprehensive income:			
– cash flow hedges	21	3.3	4.9
– foreign currency translation differences		(3.8)	(15.3)
Tax on other comprehensive income:			
– cash flow hedges		(0.8)	(1.4)
– foreign currency translation differences		(0.2)	2.0
Other comprehensive expense for the year, net of tax		(1.5)	(9.8)
Total comprehensive income for the year		263.6	196.5
Total comprehensive income attributable to:			
Equity holders of the Company		261.2	198.8
Non-controlling interest		2.4	(2.3)
		263.6	196.5

GROUP BALANCE SHEET

	Note	As at 31 March 2012 £m	As at 31 March 2011 £m
ASSETS			
Non-current assets			
Intangible assets	10	133.1	114.7
Property, plant and equipment	11	328.8	281.8
Investment properties	12	2.8	3.0
Deferred tax assets	13	84.1	70.4
Trade and other receivables	14	22.3	15.2
Derivative financial assets	16	14.7	9.2
		585.8	494.3
Current assets			
Inventories	15	311.1	247.9
Trade and other receivables	14	145.2	132.5
Derivative financial assets	16	3.2	1.6
Income tax receivables		10.1	8.3
Cash and cash equivalents	17	546.9	466.3
		1,016.5	856.6
Assets classified as held for sale	27	8.3	13.5
		1,024.8	870.1
Total assets		1,610.6	1,364.4
LIABILITIES			
Non-current liabilities			
Trade and other payables	18	(104.9)	(84.4)
Deferred tax liabilities	13	(1.4)	(1.8)
Derivative financial liabilities	16	(0.2)	–
Retirement benefit obligations		(0.8)	(0.6)
Provisions for other liabilities and charges	19	(15.1)	(9.6)
		(122.4)	(96.4)
Current liabilities			
Bank overdrafts and borrowings	20	(208.6)	(168.4)
Derivative financial liabilities	16	(1.9)	(3.9)
Trade and other payables	18	(324.4)	(283.4)
Provisions for other liabilities and charges	19	(8.2)	(18.6)
Income tax liabilities		(53.7)	(60.0)
		(596.8)	(534.3)
Total liabilities		(719.2)	(630.7)
Net assets		891.4	733.7
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Ordinary share capital	21	0.2	0.2
Share premium account		202.6	192.5
Capital reserve	21	33.9	28.9
Hedging reserve	21	4.9	2.4
Foreign currency translation reserve	21	118.6	123.2
Retained earnings		507.1	366.4
		867.3	713.6
Non-controlling interest in equity		24.1	20.1
Total equity		891.4	733.7

The consolidated financial statements of Burberry Group plc (registered number 03458224) on pages 96 to 142 were approved by the Board on 22 May 2012 and signed on its behalf by:

Sir John Peace
Chairman

Stacey Cartwright
Executive Vice President, Chief Financial Officer

GROUP STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to owners of the Company				Total £m	Non-controlling interest £m	Total equity £m
		Ordinary share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m			
Balance as at 1 April 2010		0.2	186.1	162.4	241.4	590.1	13.4	603.5
Profit/(loss) for the year		–	–	–	208.4	208.4	(2.1)	206.3
Other comprehensive income:								
Cash flow hedges	21	–	–	4.9	–	4.9	–	4.9
Foreign currency translation differences		–	–	(15.1)	–	(15.1)	(0.2)	(15.3)
Tax on other comprehensive income		–	–	0.6	–	0.6	–	0.6
Total comprehensive (expense)/income for the year		–	–	(9.6)	208.4	198.8	(2.3)	196.5
Transfer between reserves		–	–	1.7	(1.7)	–	–	–
Transactions with owners:								
Employee share incentive schemes								
– value of share options granted		–	–	–	28.3	28.3	–	28.3
– value of share options transferred to liabilities		–	–	–	(0.7)	(0.7)	–	(0.7)
– tax on share options granted		–	–	–	15.2	15.2	–	15.2
– exercise of share awards		–	6.4	–	(5.6)	0.8	–	0.8
Purchase of own shares by ESOP trusts		–	–	–	(6.6)	(6.6)	–	(6.6)
Sale of own shares by ESOP trusts		–	–	–	0.3	0.3	–	0.3
Business combinations		–	–	–	–	–	3.3	3.3
Liability on put option over non-controlling interest		–	–	–	(45.2)	(45.2)	–	(45.2)
Capital contribution by non-controlling interest		–	–	–	–	–	7.0	7.0
Dividends paid in the year		–	–	–	(67.4)	(67.4)	(1.3)	(68.7)
Balance as at 31 March 2011		0.2	192.5	154.5	366.4	713.6	20.1	733.7
Profit for the year		–	–	–	263.3	263.3	1.8	265.1
Other comprehensive income:								
Cash flow hedges	21	–	–	3.3	–	3.3	–	3.3
Foreign currency translation differences		–	–	(4.4)	–	(4.4)	0.6	(3.8)
Tax on other comprehensive income		–	–	(1.0)	–	(1.0)	–	(1.0)
Total comprehensive (expense)/income for the year		–	–	(2.1)	263.3	261.2	2.4	263.6
Transfer between reserves		–	–	5.0	(5.0)	–	–	–
Transactions with owners:								
Employee share incentive schemes								
– value of share options granted		–	–	–	31.8	31.8	–	31.8
– value of share options transferred to liabilities		–	–	–	(0.8)	(0.8)	–	(0.8)
– tax on share options granted		–	–	–	17.4	17.4	–	17.4
– exercise of share awards		–	10.1	–	(9.5)	0.6	–	0.6
Purchase of own shares by ESOP trusts		–	–	–	(60.7)	(60.7)	–	(60.7)
Sale of own shares by ESOP trusts		–	–	–	0.1	0.1	–	0.1
Capital contribution by non-controlling interest		–	–	–	–	–	4.9	4.9
Dividends paid in the year		–	–	–	(95.9)	(95.9)	(3.3)	(99.2)
Balance as at 31 March 2012		0.2	202.6	157.4	507.1	867.3	24.1	891.4

GROUP STATEMENT OF CASH FLOWS

	Note	Year to 31 March 2012 £m	Year to 31 March 2011 £m
Cash flows from operating activities			
Operating profit		376.9	302.1
Operating loss from discontinued operations	27	(0.3)	(6.2)
Depreciation		74.3	53.7
Amortisation		13.3	8.9
Net impairment charges		6.8	–
Write-down of assets held for sale	27	4.5	3.7
Loss on disposal of property, plant and equipment and intangible assets		0.3	1.1
Fair value gains on derivative instruments		(5.7)	(6.2)
Charges in respect of employee share incentive schemes		31.8	28.3
Increase in inventories		(61.8)	(58.9)
Increase in receivables		(17.6)	(11.4)
Increase in payables		60.0	51.3
Cash generated from operating activities		482.5	366.4
Interest received		2.7	1.9
Interest paid		(3.3)	(5.1)
Taxation paid		(108.2)	(98.1)
Net cash generated from operating activities		373.7	265.1
Cash flows from investing activities			
Purchase of property, plant and equipment		(126.1)	(86.5)
Purchase of intangible assets		(27.0)	(21.9)
Acquisition of subsidiaries, net of cash acquired	26	(23.5)	(51.9)
Net cash outflow from investing activities⁽¹⁾		(176.6)	(160.3)
Cash flows from financing activities			
Dividends paid in the year	9	(95.9)	(67.4)
Dividends paid to non-controlling interest		(3.3)	(1.3)
Capital contributions by non-controlling interest		4.9	7.0
Issue of ordinary share capital		0.6	0.8
Sale of own shares by ESOP trusts		0.1	0.3
Purchase of own shares by ESOP trusts		(60.7)	(6.6)
Proceeds from borrowings		–	24.0
Repayments of borrowings		–	(24.1)
Net cash outflow from financing activities⁽¹⁾		(154.3)	(67.3)
Net increase in cash and cash equivalents		42.8	37.5
Effect of exchange rate changes		(2.4)	(1.5)
Cash and cash equivalents at beginning of year		299.2	263.2
Cash and cash equivalents at end of year		339.6	299.2

ANALYSIS OF NET CASH

	Note	As at 31 March 2012 £m	As at 31 March 2011 £m
Cash and cash equivalents as per the Balance Sheet	17	546.9	466.3
Bank overdrafts	20	(207.3)	(167.1)
Cash and cash equivalents per the Statement of Cash Flows		339.6	299.2
Bank and other borrowings	20	(1.3)	(1.3)
Net cash		338.3	297.9

(1) Net cash outflows from investing and financing activities for the year to 31 March 2011 have been re-presented to reflect the reclassification of capital contributions by non-controlling interest.

1. Basis of preparation

Burberry Group plc and its subsidiaries (the Group) is a global luxury goods manufacturer, wholesaler and retailer. The Group also licenses third parties to manufacture and distribute products using the 'Burberry' trade marks. All of the companies which comprise the Group are owned by Burberry Group plc (the Company) directly or indirectly.

The consolidated financial statements of the Group have been prepared in accordance with EU endorsed International Financial Reporting Standards (IFRSs), IFRS Interpretations Committee (IFRS IC) interpretations and parts of the Companies Act 2006 applicable to companies reporting under IFRS. These consolidated financial statements have been prepared under the historical cost convention, except as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss.

There have been no new standards, amendments and interpretations issued and made effective for the financial period commencing on 1 April 2011 that have had a material impact on the financial statements of the Group.

As at 31 March 2012, the following new and revised standards, amendments and interpretations, which may be relevant to the Group's results, were issued but not yet effective:

IFRS 9 Financial instruments

This standard is the first step in the process to replace IAS 39 Financial instruments: Recognition and measurement, and introduces new requirements for classifying and measuring financial assets and financial liabilities. The standard is applicable for annual periods beginning on or after 1 January 2015 and has not currently been endorsed by the EU. Any potential impact of this new standard will be quantified closer to the date of adoption.

IFRS 10 Consolidated financial statements

This standard establishes the principles for the presentation and preparation of consolidated financial statements and replaces similar principles set out in IAS 27 Consolidated and separate financial statements. The standard is applicable for annual periods beginning on or after 1 January 2013 and has not currently been endorsed by the EU. Any potential impact of this new standard will be quantified closer to the date of adoption, but it is not considered likely to have a material impact.

IFRS 11 Joint arrangements

IFRS 11 updates the approach currently set out in IAS 28 Investments in associates by focusing on the rights and obligations of the arrangement rather than its legal form. The standard is applicable for annual periods beginning on or after 1 January 2013 and has not currently been endorsed by the EU. The adoption of this new standard is not considered likely to have a material impact on the financial position or financial performance of the Group.

IFRS 12 Disclosures of interests in other entities

This standard requires disclosure of information about the nature of, and risks associated with, the Group's interests in other entities, as well as the impact of these interests on the Group's financial position, financial performance and cash flows. The standard is applicable for annual periods beginning on or after 1 January 2013 and has not currently been endorsed by the EU. Any potential impact of this new standard will be limited to disclosure which will be assessed closer to the date of adoption.

IFRS 13 Fair value measurement

This standard aims to provide a precise definition of fair value and a single source of fair value measurement and disclosure requirements to be used across all IFRSs. The standard is applicable for annual periods beginning on or after 1 January 2013 and has not currently been endorsed by the EU. Any potential impact of this new standard will be quantified closer to the date of adoption, but it is not considered likely to have a material impact.

Basis of consolidation

The Group's annual financial statements comprise those of Burberry Group plc (the parent Company) and its subsidiaries, presented as a single economic entity. The results of the subsidiaries are prepared for the same reporting year as the parent Company, using consistent accounting policies across the Group.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Where there is a loss of control of a subsidiary, the consolidated financial statements include the results for the portion of the reporting period during which the Group had control. Intra-group transactions, balances and unrealised profits on transactions between Group companies are eliminated in preparing the Group financial statements. The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

1. Basis of preparation (continued)**Key sources of estimation and judgement**

Preparation of the consolidated financial statements in conformity with IFRS requires that management make certain judgements, estimates and assumptions that affect the reported revenues, expenses, assets and liabilities and the disclosure of contingent liabilities. If in the future such estimates and assumptions, which are based on management's best judgement at the date of the financial statements, deviate from actual circumstances, the original estimate and assumptions will be updated as appropriate in the period in which the circumstances change.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key areas where the estimates and assumptions applied have a significant risk of causing a material adjustment to the carrying value of assets and liabilities are discussed below:

Impairment of goodwill

The Group is required to test whether goodwill has suffered any impairment. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. The use of this method requires the estimation of future cash flows expected to arise from the continuing operation of the cash generating unit and the choice of a suitable discount rate in order to calculate the present value. Refer to note 10 for further details of goodwill balances.

Impairment of property, plant and equipment

Property, plant and equipment is reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount of an asset or a cash generating unit is determined based on value-in-use calculations prepared on the basis of management's assumptions and estimates. Refer to note 11 for further details of property, plant and equipment.

Income and deferred taxes

The Group is subject to income taxes in numerous jurisdictions. Judgement is required in determining the provision for income taxes in each territory. There are many transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final outcome of these matters is different from the amounts which were initially recorded, such differences will impact the income tax and deferred tax provisions and assets in the period in which such determination is made. Refer to notes 7 and 13 for further details of income and deferred tax balances.

Put option liability over non-controlling interest

The calculation of the fair value of the put option over the non-controlling interest in the Group's business in China is based on the contractual agreement and requires the application of key assumptions around both the future performance of the Group's business in China and the future performance of the Group, the Burberry Group plc market capitalisation at the date of exercise and the risk free rate in China. Refer to notes 18 and 24 for further details of the put option liability.

Inventory provisioning

The Group manufactures and sells luxury goods and is subject to changing consumer demands and fashion trends. As a result it is necessary to consider the recoverability of the cost of inventories and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability. Refer to note 15 for further details of the carrying value of inventory.

Impairment of trade receivables

The Group is required to make an estimate of the recoverable value of trade receivables. When assessing impairment of trade receivables, management considers factors including the ageing profile of debtors as well as any specific known problems or risks. Given global economic conditions and the range of countries the Group trades in, unanticipated future events may occur that could impact the appropriateness of the assessment made as to the recoverability of the Group's trade receivables. Refer to notes 14 and 24 for further details on the net carrying value and credit quality of trade receivables.

2. Accounting policies

The principal accounting policies of the Group are:

a) Revenue

Revenue, which is stated excluding Value Added Tax and other sales related taxes, is the amount receivable for goods supplied (less returns, trade discounts and allowances) and royalties receivable.

Wholesale sales are recognised when the significant risks and rewards of ownership have transferred to the customer, with provisions made for expected returns and allowances. Retail sales, returns and allowances are reflected at the dates of transactions with customers. Provisions for returns on retail and wholesale sales are calculated based on historical return levels. Royalties receivable from licensees are accrued as earned on the basis of the terms of the relevant royalty agreement, which is typically on the basis of production volumes.

In arrangements where the Group acts as a purchasing agent to facilitate the procurement of Burberry branded products on behalf of its licensees, the purchases and sales from the supplier to the licensee are not recorded as transactions by the Group. Any costs incurred by the Group are recorded as operating expenses and any agency fees receivable are recorded as operating income.

b) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker. The Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance, has been identified as the Board of Directors.

c) Business combinations

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Contingent payments are remeasured at fair value through the Income Statement. All transaction costs are expensed to the Income Statement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Income Statement.

d) Share schemes

The cost of the share based incentives received by employees (including executive directors) is measured with reference to the fair value of the equity instruments awarded at the date of grant. The Black-Scholes option pricing model is used to determine the fair value of the award made. The impact of performance conditions is not considered in determining the fair value on the date of grant, except for conditions linked to the price of Burberry Group plc shares i.e. market conditions. Vesting conditions which relate to non-market conditions are allowed for in the assumptions used for the number of options expected to vest. The estimate of the number of options expected to vest is revised at each balance sheet date.

The cost of the share based incentives is recognised as an expense over the vesting period of the awards, with a corresponding increase in equity.

The proceeds received from the exercise of the equity instruments awarded, net of any directly attributable transaction costs, are credited to share capital and share premium.

2. Accounting policies (continued)**e) Leases**

The Group is both a lessor and lessee of property, plant and equipment. Determining whether an arrangement is or contains a lease is based on the substance of the arrangement. Leases in which substantially all of the risks and rewards incidental to ownership of an asset are retained by the lessor are classified as operating leases.

Gross rental expenditure/income in respect of operating leases is recognised on a straight-line basis over the period of the leases. Certain rental expenses are determined on the basis of revenue achieved in specific retail locations and are accrued for on that basis.

Amounts paid to/received from the landlord to acquire or transfer the rights to a lease are treated as prepayments/accrued income on the lease contract. Lease incentives, typically rent free periods and capital contributions, are held on the Balance Sheet in accruals and deferred income and recognised over the term of the lease.

Finance leases where the Group is a lessee are capitalised at the commencement of the lease at the lower of fair value of the leased asset and the present value of the minimum lease payments. Interest is charged to the Income Statement and credited to the lease liability using the effective interest rate method. Lease liabilities are held in other creditors on the Balance Sheet. The capitalised leased assets are held in property, plant and equipment on the Balance Sheet, and are depreciated over the shorter of the lease term and the useful life of the leased asset.

f) Dividend distributions

Dividend distributions to Burberry Group plc's shareholders are recognised as a liability in the period in which the dividend becomes a committed obligation. Final dividends are recognised when they are approved by the shareholders. Interim dividends are recognised when paid.

g) Pension costs*Defined contribution schemes*

Eligible employees participate in defined contribution pension schemes, the principal one being in the UK with its assets held in an independently administered fund. The cost of providing these benefits to participating employees is recognised in the Income Statement and comprises the amount of contributions payable to the schemes in respect of the year.

Defined benefit schemes

Eligible employees of the Group participate in defined benefit schemes in France and Taiwan.

The liability recognised in the Balance Sheet in respect of defined benefit schemes represents the Group's share of the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the Projected Unit Credit method.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised directly in other comprehensive income.

h) Intangible fixed assets*Goodwill*

Goodwill is the excess of purchase consideration over the fair value of identifiable net assets acquired. Goodwill on acquisition is recorded as an intangible fixed asset. Fair values are attributed to the identifiable assets, liabilities and contingent liabilities that existed at the date of acquisition, reflecting their condition at that date. Adjustments are also made to align the accounting policies of acquired businesses with those of the Group.

Goodwill is assigned an indefinite useful economic life. Impairment reviews are performed annually, or more frequently if events or changes in circumstances indicate that the carrying value may not be recoverable. Impairment losses recognised on goodwill are not reversed in future periods.

Trade marks and other intangible assets

The cost of securing and renewing trade marks and the cost of acquiring other intangible assets such as key money is capitalised at purchase price and amortised by equal annual instalments over the period in which benefits are expected to accrue, typically ten years for trade marks, or the term of the lease. The useful economic life of trade marks and other intangible assets is determined on a case-by-case basis, in accordance with the terms of the underlying agreement and the nature of the asset.

Computer software

The cost of acquiring computer software (including licences and separately identifiable external development costs) is capitalised as an intangible asset at purchase price, plus any directly attributable cost of preparing that asset for its intended use. Software costs are amortised by equal annual instalments over their estimated useful economic lives, which are up to five years.

2. Accounting policies (continued)**i) Property, plant and equipment**

Property, plant and equipment, with the exception of assets under the course of construction, is stated at cost or deemed cost, based on historical revalued amounts, less accumulated depreciation and provision to reflect any impairment in value. Assets in the course of construction are stated at cost less any provision for impairment and transferred to completed assets when substantially all of the activities necessary for the asset to be ready for use have occurred. Cost includes the original purchase price of the asset and costs attributable to bringing the asset to its working condition for its intended use.

Depreciation

Depreciation of property, plant and equipment is calculated to write off the cost or deemed cost, less residual value, of the assets in equal annual instalments over their estimated useful lives at the following rates:

Land	Not depreciated
Freehold buildings	Up to 50 years
Leaseholds – less than 50 years expired	Over the unexpired term of the lease
Plant, machinery, fixtures and fittings	3 – 8 years
Retail fixtures and fittings	2 – 5 years
Office equipment	5 years
Computer equipment	Up to 5 years
Assets in the course of construction	Not depreciated

Profit/loss on disposal of property, plant and equipment

Profits and losses on the disposal of property, plant and equipment represent the difference between the net proceeds and net book value at the date of sale. Disposals are accounted for when the relevant transaction becomes unconditional.

j) Impairment of non-financial assets

Assets that have an indefinite useful economic life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

k) Investment properties

Investment properties are freehold properties held to earn rentals and/or for capital appreciation. Investment properties are stated at cost less accumulated depreciation and provision to reflect any impairment in value. Cost includes the original purchase price plus any directly attributable transaction costs. Investment properties are depreciated on a straight-line basis over an estimated useful life of up to 50 years.

l) Discontinued operations and assets classified as held for sale

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of, has been abandoned or meets the criteria to be classified as held for sale. Discontinued operations are presented on the Income Statement as a separate line and are shown net of tax.

Non-current assets are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction rather than through continued use, and a sale within the next twelve months is considered to be highly probable. Assets classified as held for sale cease to be depreciated and they are stated as the lower of carrying amount and fair value less cost to sell.

2. Accounting policies (continued)**m) Inventories**

Inventories and work in progress are valued on a first-in-first-out basis at the lower of cost (including an appropriate proportion of production overhead) and net realisable value. Where necessary, provision is made to reduce cost to no more than net realisable value having regard to the nature and condition of inventory, as well as its anticipated saleability.

n) Taxation

Tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Income Statement because it excludes items of income or expense which are taxable or deductible in other years and it further excludes items which are never taxable or deductible. The Group's liability for current tax is calculated using tax rates which have been enacted or substantively enacted by the balance sheet date.

Deferred tax liabilities are provided in full on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the temporary difference arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, no deferred tax will be recognised. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

o) Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and where the amount of the obligation can be reliably estimated. When the effect of the time value of money is material, provision amounts are calculated based on the present value of the expenditures expected to be required to settle the obligation. The present value is calculated using forward market interest rates as measured at the balance sheet reporting date, which have been adjusted for risks reflected in future cash flow estimates.

Property obligations

A provision for the present value of future property reinstatement costs is recognised where there is an obligation to return the leased property to its original condition at the end of an operating lease. Where a leased property is no longer expected to be fully occupied or where the costs exceed the future expected benefits, an onerous lease provision will be recognised for that portion of the lease excess to the Group's requirements and not fully recovered through sub-leasing, or through value-in-use.

Restructuring costs

Provisions for costs associated with restructuring programmes are recognised when a detailed formal restructuring plan has been approved and communicated. Examples of restructuring related costs include employee termination payments, contract termination penalties and onerous contract payments.

p) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs, is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

2. Accounting policies (continued)**q) Financial instruments**

A financial instrument is initially recognised at fair value on the Balance Sheet when the entity becomes a party to the contractual provisions of the instrument. A financial asset is derecognised when the contractual rights to the cash flow expire or substantially all risks and rewards of the asset are transferred. A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Subsequent to initial recognition, all financial liabilities are stated at amortised cost using the effective interest method except for derivatives, which are classified as held for trading, except where they qualify for hedge accounting and are held at fair value. Financial liabilities held at amortised cost include trade payables, accruals and borrowings.

The Group classifies its instruments in the following categories: financial assets at fair value through the profit or loss and loans and receivables. Loans and receivables include trade and other receivables and cash and cash equivalents. Derivatives are classified as held for trading, unless in a hedging relationship, and are held at fair value.

Financial instrument category	Note	Classification	Measurement
Cash and cash equivalents	17	Loans and receivables	Amortised cost
Trade and other receivables	14	Loans and receivables	Amortised cost
Trade and other payables	18	Other financial liabilities	Amortised cost
Borrowings	20	Other financial liabilities	Amortised cost
Put option over non-controlling interest	18	Derivative instrument	Fair value through profit and loss
Forward foreign exchange contracts ⁽¹⁾	16	Derivative instrument	Fair value through profit and loss
Equity swap contracts	16	Derivative instrument	Fair value through profit and loss
Onerous lease	19	Other financial liabilities	Amortised cost

(1) Hedge accounting is applied to cash flow hedges to the extent it is achievable.

The Group's primary categories of financial instruments are listed below:

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term deposits with an original maturity date of three months or less, held with banks and liquidity funds. Bank overdrafts are recorded under current liabilities on the Balance Sheet.

Trade and other receivables

Trade and other receivables are included in current assets, except for maturities greater than twelve months after the balance sheet date. Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is recognised in the Income Statement.

Trade and other payables

Trade and other payables are included in current liabilities, except for maturities greater than twelve months after the balance sheet date. Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings

Borrowings are recognised initially at fair value, inclusive of transaction costs incurred. Borrowings are subsequently stated at amortised cost and the difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Income Statement over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Put option liabilities over non-controlling interest

Put options over shares in subsidiaries held by non-controlling interests are recognised initially at fair value through equity when granted. They are subsequently re-measured at fair value at each reporting period with the change in fair value recorded in the Income Statement as other finance expenses and income.

2. Accounting policies (continued)**q) Financial instruments (continued)****Derivative instruments**

The Group uses derivative financial instruments to hedge its exposure to fluctuations in foreign exchange rates arising on certain trading transactions. The principal derivative instruments used are forward foreign exchange contracts taken out to hedge highly probable cash flows in relation to future sales, royalty receivables and product purchases. To manage interest rate risk the Group manages its proportion of fixed and floating rate borrowings to within limits approved by the Board using interest rate swap derivatives. It designates foreign currency borrowings in a net investment hedge of the assets of overseas subsidiaries.

When hedge accounting is applied the Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the hedging instruments that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Derivatives are initially recognised at fair value at the trade date and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either: (1) hedges of the fair value of recognised assets and liabilities or a firm commitment (fair value hedge); or (2) hedges of highly probable forecast transactions (cash flow hedges); or (3) classified as held for trading.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the Income Statement immediately, together with any changes in the fair value of the hedged item that is attributable to the hedged risk.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is deferred in other comprehensive income. The gain or loss relating to the ineffective portion of the gain or loss is recognised immediately in the Income Statement. Amounts deferred in other comprehensive income are recycled in the Income Statement in the periods when the hedged item affects the Income Statement. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at the time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Income Statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Income Statement within 'other gains/(losses) - net'. If a derivative instrument is not designated as a hedge, the subsequent change to the fair value is recognised in the Income Statement within operating expenses or interest depending upon the nature of the instrument.

Where the Group hedges net investments in foreign operations through foreign currency borrowings, the gains or losses on the retranslation of the borrowings are recognised in other comprehensive income and will be reclassified to the Income Statement when the foreign operation that was hedged is disposed of.

2. Accounting policies (continued)**r) Foreign currency translation****Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Sterling which is the Company's functional and the Group's presentation currency.

Transactions in foreign currencies

Transactions denominated in foreign currencies within each entity in the Group are translated into the functional currency at the monthly average exchange rate. Monetary assets and liabilities denominated in foreign currencies, which are held at the year end, are translated into the functional currency at the exchange rate ruling at the balance sheet date. Exchange differences on monetary items are recognised in the Income Statement in the period in which they arise, except where these exchange differences form part of a net investment in overseas subsidiaries of the Group, in which case such differences are taken directly to the foreign currency translation reserve.

Translation of the results of overseas businesses

The results of overseas subsidiaries are translated into the Group's presentation currency of Sterling each month at the weighted average exchange rate for the month according to the phasing of the Group's trading results. The weighted average exchange rate is used, as it is considered to approximate the actual exchange rates on the date of the transactions. The assets and liabilities of such undertakings are translated at the year end exchange rates. Differences arising on the retranslation of the opening net investment in subsidiary companies, and on the translation of their results, are taken directly to the foreign currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

The principal exchange rates used were as follows:

	Average rate		Closing rate	
	Year to 31 March 2012	Year to 31 March 2011	As at 31 March 2012	As at 31 March 2011
Euro	1.16	1.18	1.20	1.13
US Dollar	1.60	1.56	1.60	1.61
Chinese Yuan Renminbi	10.15	10.51	10.07	10.52
Hong Kong Dollar	12.38	12.11	12.41	12.49
Korean Won	1,775	1,786	1,811	1,763

The average exchange rate achieved by the Group on its Yen royalty income, taking into account its use of Yen forward foreign exchange contracts on a monthly basis approximately twelve months in advance of royalty receipts, was Yen 133.1: £1 in the year to 31 March 2012 (2011: Yen 143.7: £1).

s) Adjusted profit before taxation and exceptional items

Exceptional items include those items that are largely one-off and material in nature. The Group presents these items in note 5 to the accounts in profit before taxation. Fair value movements on options held over equity interests, which are held for the purpose of future business developments, rather than speculative purposes, are also considered to be exceptional items and are separately presented in the Income Statement. These items are added back/deducted from profit/loss before taxation to arrive at adjusted profit/loss before taxation. These items and their related tax impacts are added back/deducted from profit attributable to equity holders of the Company to arrive at adjusted earnings per share. These measures are disclosed in order to provide additional consideration of the underlying performance of the Group's ongoing business.

3. Segmental analysis

The Chief Operating Decision Maker has been identified as the Board of Directors. The Board reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on the reports used by the Board.

The Board considers Burberry's business through its two channels to market, being Retail/Wholesale and Licensing. Retail/Wholesale revenues are generated by the sale of luxury goods through Burberry mainline stores, concessions, outlets and digital commerce as well as Burberry franchisees, prestige department stores globally and multi-brand specialty accounts.

The flow of global product between Retail and Wholesale channels and across our regions is monitored and optimised at a corporate level and implemented via the Group's inventory hubs situated in Asia, Europe and the US. Licensing revenues are generated through the receipt of royalties from Burberry's partners in Japan and global licensees of fragrances, eyewear, timepieces and European childrenswear.

The Board assesses channel performance based on a measure of adjusted operating profit. This measurement basis excludes the effects of exceptional items. The measure of earnings for each operating segment that is reviewed by the Board includes an allocation of corporate and central costs. Interest income and charges are not included in the result for each operating segment that is reviewed by the Board.

	Retail/Wholesale		Licensing		Total	
	Year to 31 March 2012 £m	Year to 31 March 2011 £m	Year to 31 March 2012 £m	Year to 31 March 2011 £m	Year to 31 March 2012 £m	Year to 31 March 2011 £m
Retail	1,270.3	962.3	–	–	1,270.3	962.3
Wholesale	478.3	440.6	–	–	478.3	440.6
Licensing	–	–	118.9	116.5	118.9	116.5
Total segment revenue	1,748.6	1,402.9	118.9	116.5	1,867.5	1,519.4
Inter-segment revenue ⁽¹⁾	–	–	(10.3)	(18.1)	(10.3)	(18.1)
Revenue from external customers	1,748.6	1,402.9	108.6	98.4	1,857.2	1,501.3
Depreciation and amortisation	87.6	58.1	–	–	87.6	58.1
Net impairment charges	6.8	–	–	–	6.8	–
Other non-cash expenses						
– share based payments	25.4	22.6	6.4	5.7	31.8	28.3
Adjusted operating profit	286.9	219.5	90.0	81.6	376.9	301.1
Interest receivable and similar income					2.9	1.9
Interest payable and similar charges					(3.6)	(5.1)
Exceptional items ⁽²⁾					(10.2)	(2.2)
Profit before taxation					366.0	295.7

(1) Inter-segment transfers or transactions are entered into under the normal commercial terms and conditions that would be available to unrelated third parties.

(2) Refer to note 5 for details of exceptional items.

	Retail/Wholesale		Licensing		Total	
	Year to 31 March 2012 £m	Year to 31 March 2011 £m	Year to 31 March 2012 £m	Year to 31 March 2011 £m	Year to 31 March 2012 £m	Year to 31 March 2011 £m
Additions to non-current assets	150.7	123.1	–	–	150.7	123.1
Total segment assets	875.5	728.6	4.5	4.2	880.0	732.8
Goodwill					81.2	73.1
Cash and cash equivalents					546.9	466.3
Taxation					94.2	78.7
Assets held for sale					8.3	13.5
Total assets per Balance Sheet					1,610.6	1,364.4

3. Segmental analysis (continued)

	Year to 31 March 2012 £m	Year to 31 March 2011 £m
Revenue by product		
Non-apparel	689.4	563.3
Womenswear	582.5	456.6
Menswear	410.5	325.9
Childrenswear/Other	66.2	57.1
Retail/Wholesale	1,748.6	1,402.9
Licensing	108.6	98.4
Total	1,857.2	1,501.3
	Year to 31 March 2012 £m	Year to 31 March 2011 £m
Revenue by destination		
Asia Pacific	652.5	457.1
Europe	552.6	474.6
Americas	434.5	386.5
Rest of the world	109.0	84.7
Retail/Wholesale	1,748.6	1,402.9
Licensing	108.6	98.4
Total	1,857.2	1,501.3

Revenue to external customers originating in the UK totalled £471.2m for the year to 31 March 2012 (2011: £402.9m).

Revenue to external customers originating in foreign countries totalled £1,386.0m for the year to 31 March 2012 (2011: £1,098.4m). This amount includes £392.9m of external revenues originating in the US (2011: £357.6m) and £213.9m of external revenues originating in China (2011: £93.1m).

The total of non-current assets other than financial instruments and deferred tax assets located in the UK is £111.7m (2011: £90.2m). The remaining £375.3m of non-current assets are located in other countries (2011: £324.5m), with £146.8m located in the US (2011: £141.3m) and £67.0m located in China (2011: £57.6m).

4. Net operating expenses

	Note	Year to 31 March 2012 £m	Year to 31 March 2011 £m
Selling and distribution costs		459.4	333.5
Administrative expenses		463.4	375.9
Property rental income under operating leases		(0.8)	(0.8)
Exceptional items			
Restructuring costs	5	–	(1.0)
Total		922.0	707.6

5. Profit before taxation

	Year to 31 March 2012 £m	Year to 31 March 2011 £m
Profit before taxation is stated after charging/(crediting):		
Depreciation of property, plant and equipment		
– within cost of sales	0.3	0.3
– within distribution costs	13.4	7.6
– within administrative expenses	60.5	41.3
Amortisation of intangible assets (included within administrative expenses)	13.3	8.9
Loss on disposal of property, plant and equipment and intangible assets	0.3	1.1
Net impairment charge relating to retail assets	3.8	–
Net impairment charge relating to intangible assets	3.0	–
Employee costs	358.7	298.9
Operating lease rentals		
– minimum lease payments	112.0	88.5
– contingent rents	70.9	51.7
Net exchange loss/(gain) included in the Income Statement	3.3	(1.0)
Trade receivables net impairment charge	1.4	1.3
Exceptional items		
Put option liability finance charges	10.2	3.2
Restructuring costs	–	(1.0)

The above table excludes any amounts relating to the discontinued Spanish operations. Depreciation of property, plant and equipment in the discontinued Spanish operation was £nil for the current year (2011: £4.4m).

Exceptional financing charges

The exceptional financing charge for the years ended 31 March 2012 and 31 March 2011 relates to fair value movements and the unwinding of the discount on the put option liability over the non-controlling interest in Burberry (Shanghai) Trading Co., Ltd. Refer to note 18 for further details of the carrying value of the put option liability.

Exceptional operating items

The year to 31 March 2011 includes an exceptional credit for the release of £1.0m of the restructuring provision held in respect of the cost efficiency programme announced in the year to 31 March 2009.

Auditor remuneration

Fees incurred during the year in relation to audit and non-audit services are analysed below. All work performed by the external auditors is controlled by an authorisation policy agreed by the Audit Committee. The overriding principle precludes the auditors from engaging in non-audit services that would compromise their independence. Non-audit services are provided by the auditors where they are best placed to provide the service due to their previous experience or market leadership in a particular area.

	Year to 31 March 2012 £m	Year to 31 March 2011 £m
Audit services in respect of the accounts of the Company and consolidation	0.3	0.3
Audit services in respect of the accounts of subsidiary companies	1.1	0.9
	1.4	1.2
Audit related assurance services	0.2	0.1
Services relating to taxation		
– compliance services	0.1	0.3
– advisory services	0.3	0.3
Other non-audit related services	0.1	–
Total	2.1	1.9

The Group has early adopted the statutory changes in relation to the Group auditor's remuneration in line with the UK Companies' Regulations 2011 (Statutory Instrument 2011/2198) for the year ended 31 March 2012.

6. Net finance charge

	Note	Year to 31 March 2012 £m	Year to 31 March 2011 £m
Bank interest income		2.9	1.9
Interest income		2.9	1.9
Interest expense on bank loans and overdrafts		(3.6)	(5.1)
Interest expense		(3.6)	(5.1)
Other financing charges - put option liability	5	(10.2)	(3.2)
Net finance charge		(10.9)	(6.4)

7. Taxation

Analysis of charge for the year recognised in the Group Income Statement:

	Year to 31 March 2012 £m	Year to 31 March 2011 £m
Current tax		
UK corporation tax		
Current tax on income for the year to 31 March 2012 at 26% (2011: 28%)	79.9	69.5
Double taxation relief	(1.7)	(2.2)
Adjustments in respect of prior years	(1.7)	(5.2)
	76.5	62.1
Foreign tax		
Current tax on income for the year	36.8	39.7
Adjustments in respect of prior years	(1.5)	0.2
Total current tax	111.8	102.0
Deferred tax		
UK deferred tax		
Origination and reversal of temporary differences	(1.1)	(4.8)
Impact of changes to tax rates	1.3	1.0
Adjustments in respect of prior years	(0.4)	(1.7)
	(0.2)	(5.5)
Foreign deferred tax		
Origination and reversal of temporary differences	(16.0)	(11.0)
Impact of changes to tax rates	(0.1)	–
Adjustments in respect of prior years	5.1	(2.3)
Total deferred tax	(11.2)	(18.8)
Total tax charge on profit	100.6	83.2

7. Taxation (continued)

Analysis of charge for the year recognised in other comprehensive income and directly in equity:

	Year to 31 March 2012 £m	Year to 31 March 2011 £m
Current tax		
Recognised in other comprehensive income		
Current tax charge/(credit) on exchange differences on loans (foreign currency translation reserve)	0.1	(0.9)
Total current tax recognised in other comprehensive income	0.1	(0.9)
Recognised in equity		
Current tax credit on share options (retained earnings)	(13.8)	(2.1)
Total current tax recognised directly in equity	(13.8)	(2.1)
Deferred tax		
Recognised in other comprehensive income		
Deferred tax (credit)/charge on cash flow hedges deferred in equity (hedging reserve)	(0.6)	2.2
Deferred tax charge/(credit) on cash flow hedges transferred to income (hedging reserve)	1.4	(0.8)
Deferred tax charge/(credit) on exchange differences on loans (foreign currency translation reserve)	0.1	(1.1)
Total deferred tax recognised in other comprehensive income	0.9	0.3
Recognised in equity		
Deferred tax credit on share options (retained earnings)	(3.6)	(13.1)
Total deferred tax recognised directly in equity	(3.6)	(13.1)

The tax rate applicable on profit varied from the standard rate of corporation tax in the UK due to the following factors:

	Year to 31 March 2012 £m	Year to 31 March 2011 £m
Tax at 26% (2011: 28%) on profit before taxation	95.2	82.8
Rate adjustments relating to overseas profits	(8.9)	(8.0)
Permanent differences	8.3	11.8
Current year tax losses not recognised	3.2	4.6
Adjustments in respect of prior years	1.5	(9.0)
Adjustments to deferred tax relating to changes in tax rates	1.3	1.0
Total taxation charge	100.6	83.2

Total taxation recognised in the Group Income Statement arises on:

	Year to 31 March 2012 £m	Year to 31 March 2011 £m
Adjusted profit before taxation	100.6	83.0
Exceptional items	–	0.2
Total taxation charge	100.6	83.2

8. Earnings per share

The calculation of basic earnings per share is based on profit or loss attributable to equity holders of the Company for the year divided by the weighted average number of ordinary shares in issue during the year. Basic and diluted earnings per share based on adjusted profit before taxation are also disclosed to indicate the underlying profitability of the Group.

	Year to 31 March 2012 £m	Year to 31 March 2011 £m
Attributable profit for the year before exceptional items ⁽¹⁾ and discontinued operations	273.8	217.0
Effect of exceptional items ⁽¹⁾ (after taxation)	(10.2)	(2.4)
Attributable profit for the year from continuing operations	263.6	214.6
Attributable loss from discontinued operations⁽²⁾	(0.3)	(6.2)
Attributable profit for the year	263.3	208.4

(1) Refer to note 5 for details of exceptional items.

(2) Refer to note 27 for details of basic and diluted earnings per share from discontinued operations.

The weighted average number of ordinary shares represents the weighted average number of Burberry Group plc ordinary shares in issue throughout the year, excluding ordinary shares held in the Group's employee share option plan trusts (ESOP trusts).

Diluted earnings per share is based on the weighted average number of ordinary shares in issue during the year. In addition, account is taken of any options and awards made under the employee share incentive schemes, which will have a dilutive effect when exercised.

	Year to 31 March 2012 Millions	Year to 31 March 2011 Millions
Weighted average number of ordinary shares in issue during the year	435.9	435.0
Dilutive effect of the employee share incentive schemes	8.4	9.0
Diluted weighted average number of ordinary shares in issue during the year	444.3	444.0

9. Dividends paid to owners of the Company

	Year to 31 March 2012 £m	Year to 31 March 2011 £m
Prior year final dividend paid 15.00p per share (2011: 10.50p)	65.4	45.7
Interim dividend paid 7.00p per share (2011: 5.00p)	30.5	21.7
Total	95.9	67.4

A final dividend in respect of the year to 31 March 2012 of 18.00p (2011: 15.00p) per share, amounting to £79.0m (2011: £65.4m), has been proposed for approval by the shareholders at the Annual General Meeting subsequent to the balance sheet date. The final dividend to Burberry Group plc shareholders has not been recognised as a liability at the year end and will be paid on 2 August 2012 to shareholders on the register at the close of business on 6 July 2012.

10. Intangible assets

Cost	Goodwill £m	Trade marks and other intangible assets £m	Computer software £m	Total £m
As at 1 April 2010	34.9	17.1	38.2	90.2
Effect of foreign exchange rate changes	(1.9)	0.1	(0.4)	(2.2)
Additions	–	6.6	14.4	21.0
Disposals	–	–	(0.4)	(0.4)
Business combination	40.1	–	–	40.1
As at 31 March 2011	73.1	23.8	51.8	148.7
Effect of foreign exchange rate changes	1.5	(0.9)	(0.1)	0.5
Additions	–	1.1	22.7	23.8
Disposals	–	(0.2)	(5.8)	(6.0)
Reclassification from assets under construction (note 11)	–	1.9	1.3	3.2
Business combinations (note 26)	6.6	–	–	6.6
As at 31 March 2012	81.2	25.7	69.9	176.8
Accumulated amortisation and impairment				
As at 1 April 2010	–	9.0	16.6	25.6
Effect of foreign exchange rate changes	–	0.1	(0.2)	(0.1)
Charge for the year	–	1.9	7.0	8.9
Disposals	–	–	(0.4)	(0.4)
As at 31 March 2011	–	11.0	23.0	34.0
Effect of foreign exchange rate changes	–	(0.5)	(0.1)	(0.6)
Charge for the year	–	2.0	11.3	13.3
Disposals	–	(0.2)	(5.8)	(6.0)
Net impairment charge on assets	–	–	3.0	3.0
As at 31 March 2012	–	12.3	31.4	43.7
Net book value				
As at 31 March 2012	81.2	13.4	38.5	133.1
As at 31 March 2011	73.1	12.8	28.8	114.7

10. Intangible assets (continued)

Impairment testing of goodwill

The carrying value of the goodwill allocated to cash generating units:

	As at 31 March 2012 £m	As at 31 March 2011 £m
China	41.9	38.9
Korea	22.8	23.4
Other	16.5	10.8
Total	81.2	73.1

The Group tests goodwill for impairment annually or where there is an indication that goodwill might be impaired. The recoverable amount of all cash generating units has been determined on a value-in-use basis. Value-in-use calculations for each cash generating unit are based on projected three year pre-tax discounted cash flows together with a discounted terminal value. The cash flows have been discounted at pre-tax rates reflecting the Group's weighted average cost of capital adjusted for country specific tax rates and risks. Where the cash generating unit has a non-controlling interest which was recognised as its proportionate interest in the net identifiable assets of the acquired subsidiary at the acquisition date, the carrying amount of the goodwill has been grossed up, to include the goodwill attributable to the non-controlling interest, for the purpose of impairment testing the goodwill attributable to the cash generating unit. The key assumptions contained in the value-in-use calculations include the future revenues, the margins achieved, the assumed life of the business and the discount rates applied.

The value-in-use calculations for the initial review have been prepared using management's approved financial plans for the year ending 31 March 2013 as the source for the first year cash flow. These plans contain management's best view of the expected performance for the year ended 31 March 2013, based on the performance achieved in the current year and management's knowledge of the market environment and future business plans.

In China and Korea, which contain the most material goodwill balances, the cash flows included in the value-in-use calculation for the following two years and for the terminal value have assumed no growth beyond that contained within the financial plan for the year ending 31 March 2013. The Group carries out an initial review for indication of impairment using conservative growth assumptions beyond the first year cash flow. Should this initial review indicate that impairment may have arisen, a further review will be carried out, using more detailed assumptions, to confirm and then quantify any potential impairment. This approach is considered appropriate by management due to the amount of headroom between recoverable amount and carrying value of goodwill at present.

The adjusted weighted average cost of capital rates for China and Korea were 14.4% and 12.5% respectively (2011: 13.5%; 14.1%). No impairment has been recognised in respect of the carrying value of the goodwill balance in the year as, for each cash generating unit, the recoverable amount of goodwill exceeds its carrying value.

As the initial review using conservative assumptions does not indicate that impairment may have arisen, management do not consider it appropriate to conduct a further sensitivity analysis because a reasonably possible change in assumptions would not result in an impairment.

11. Property, plant and equipment

Cost	Freehold land and buildings £m	Leasehold improvements £m	Fixtures, fittings and equipment ⁽¹⁾ £m	Assets in the course of construction £m	Total £m
As at 1 April 2010	92.2	169.2	226.2	9.6	497.2
Effect of foreign exchange rate changes	(3.7)	(6.5)	(4.4)	–	(14.6)
Additions	–	18.7	62.2	21.4	102.3
Disposals	–	(0.3)	(23.9)	(0.2)	(24.4)
Reclassification from assets under construction	–	4.3	6.6	(10.9)	–
Transfers to investment properties (note 12)	(3.8)	–	–	–	(3.8)
Business combination (note 26)	–	–	6.3	–	6.3
Transfers to assets held for sale (note 27)	(29.6)	–	(6.6)	–	(36.2)
As at 31 March 2011	55.1	185.4	266.4	19.9	526.8
Effect of foreign exchange rate changes	(0.1)	(1.0)	(3.4)	0.3	(4.2)
Additions	0.5	40.5	54.2	31.7	126.9
Disposals	(1.3)	(8.0)	(32.8)	–	(42.1)
Reclassification from assets under construction	–	3.2	11.0	(17.4)	(3.2)
Business combination (note 26)	–	–	3.0	–	3.0
Reclassification ⁽²⁾	–	27.5	(27.5)	–	–
As at 31 March 2012	54.2	247.6	270.9	34.5	607.2
Accumulated depreciation and impairment					
As at 1 April 2010	33.1	62.5	145.5	–	241.1
Effect of foreign exchange rate changes	(1.3)	(2.1)	(3.1)	–	(6.5)
Charge for the year	1.9	19.6	32.1	–	53.6
Disposals	–	(0.3)	(23.0)	–	(23.3)
Transfers to investment properties (note 12)	(0.7)	–	–	–	(0.7)
Transfers to assets held for sale (note 27)	(16.7)	–	(2.5)	–	(19.2)
As at 31 March 2011	16.3	79.7	149.0	–	245.0
Effect of foreign exchange rate changes	–	(0.7)	(2.1)	–	(2.8)
Charge for the year	1.9	27.9	44.4	–	74.2
Disposals	(1.3)	(7.9)	(32.6)	–	(41.8)
Net impairment charge on assets	–	2.5	1.3	–	3.8
Reclassification ⁽²⁾	–	8.9	(8.9)	–	–
As at 31 March 2012	16.9	110.4	151.1	–	278.4
Net book value					
As at 31 March 2012	37.3	137.2	119.8	34.5	328.8
As at 31 March 2011	38.8	105.7	117.4	19.9	281.8

(1) Included in fixtures, fittings and equipment are finance lease assets with a net book value of £2.0m (2011: £2.3m).

(2) During the current year, £18.6m of assets have been reclassified from fixtures and fittings to leasehold improvements as this is more representative of the nature of these assets. There is no impact on the depreciation charge for the year as a result of this reclassification.

During the year to 31 March 2012, a net impairment charge of £3.8m (2011: £nil) was identified as part of the annual impairment review.

Where indicators of impairment were identified, the impairment review compared the value-in-use of the assets to the carrying values at 31 March 2012. The pre-tax cash flow projections were based on financial plans approved by management and extrapolated beyond the budget year to the lease exit dates using growth rates and inflation rates appropriate to each country's economic conditions. The pre-tax discount rates used in these calculations were between 10.8% and 16.7% (2011: between 12.2% and 18.5%), based on the Group's weighted average cost of capital adjusted for country-specific tax rates and risks.

12. Investment properties

Cost	2012 £m	2011 £m
As at 1 April	3.8	–
Effect of foreign exchange rate changes	(0.2)	–
Transfers from property, plant and equipment	–	3.8
As at 31 March	3.6	3.8
Accumulated depreciation		
As at 1 April	0.8	–
Effect of foreign exchange rate changes	(0.1)	–
Transfers from property, plant and equipment	–	0.7
Charge for the year	0.1	0.1
As at 31 March	0.8	0.8
Net book value	2.8	3.0

During the year ended 31 March 2011, a freehold property in France was leased out to a third party on commercial terms. Rental income net of operating expenses directly attributable to the property of £0.7m is included in the profit for the year ended 31 March 2012 (2011: £0.7m).

Based on a valuation report prepared by Cushman & Wakefield, the market valuation of the investment property is £11.2m, using closing exchange rates at 31 March 2012 (2011: £11.8m). The valuation was prepared in accordance with the Royal Institution of Chartered Surveyors and the International Valuation Standards Council, and is supported by market evidence.

13. Deferred taxation

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and there is an intention to settle on a net basis, and to the same fiscal authority. The offset amounts are shown in the table below:

	As at 31 March 2012 £m	As at 31 March 2011 £m
Deferred tax assets	84.1	70.4
Deferred tax liabilities	(1.4)	(1.8)
Net amount	82.7	68.6
The movement in the deferred tax account is as follows:		
	As at 31 March 2012 £m	As at 31 March 2011 £m
As at 1 April	68.6	37.6
Effect of foreign exchange rate changes	0.2	(0.6)
Credited to the Income Statement	11.2	18.8
Charged to other comprehensive income	(0.9)	(0.3)
Credited to equity	3.6	13.1
As at 31 March	82.7	68.6

13. Deferred taxation (continued)

The movement in deferred tax assets and liabilities during the year, without taking into consideration the off-setting of balances within the same tax jurisdiction, is as follows:

Deferred tax liabilities

	Accelerated capital allowances £m	Unrealised inventory profit and other inventory provisions £m	Derivative instruments £m	Unused tax losses £m	Other £m	Total £m
As at 1 April 2010	15.8	(4.4)	–	(4.4)	(0.9)	6.1
Effect of foreign exchange rate changes	(0.4)	0.1	–	0.1	–	(0.2)
(Credited)/charged to the Income Statement						
- continuing operations	(9.6)	3.5	1.6	4.3	2.4	2.2
Credited to other comprehensive income	–	–	(0.1)	–	–	(0.1)
As at 31 March 2011	5.8	(0.8)	1.5	–	1.5	8.0
Effect of foreign exchange rate changes	(0.2)	–	–	–	(0.1)	(0.3)
Charged/(credited) to the Income Statement						
- continuing operations	21.2	(1.7)	–	(3.8)	(11.3)	4.4
As at 31 March 2012	26.8	(2.5)	1.5	(3.8)	(9.9)	12.1

Deferred tax assets

	Accelerated capital allowances £m	Unrealised inventory profit and other inventory provisions £m	Share schemes £m	Derivative instruments £m	Unused tax losses £m	Other £m	Total £m
As at 1 April 2010	5.1	16.8	11.8	0.7	6.9	2.4	43.7
Effect of foreign exchange rate changes	0.2	(0.7)	–	–	(1.0)	0.7	(0.8)
(Charged)/credited to the Income Statement							
- continuing operations	(12.9)	13.0	5.6	1.4	10.7	3.2	21.0
(Charged)/credited to other comprehensive income	–	–	–	(1.5)	–	1.1	(0.4)
Credited to equity	–	–	13.1	–	–	–	13.1
As at 31 March 2011	(7.6)	29.1	30.5	0.6	16.6	7.4	76.6
Effect of foreign exchange rate changes	(0.1)	–	–	–	–	–	(0.1)
Credited/(charged) to the Income Statement							
- continuing operations	11.5	7.1	2.5	–	(11.9)	6.4	15.6
Charged to other comprehensive income	–	–	–	(0.8)	–	(0.1)	(0.9)
Credited to equity	–	–	3.6	–	–	–	3.6
As at 31 March 2012	3.8	36.2	36.6	(0.2)	4.7	13.7	94.8

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related benefit through the future taxable profits is probable. The Group did not recognise deferred tax assets of £20.3m (2011: £15.2m) in respect of losses and temporary timing differences amounting to £57.8m (2011: £45.1m) that can be set off against future taxable income. There is a time limit for the recovery of £13.0m of these potential assets (2011: £9.0m) which ranges from seven to ten years (2011: eight to ten years).

Included within other temporary differences above is a deferred tax liability of £0.6m (2011: £0.6m) relating to unremitted overseas earnings. No deferred tax liability is provided in respect of any future remittance of earnings of foreign subsidiaries where the Group is able to control the remittance of earnings and it is probable that such earnings will not be remitted in the foreseeable future, or where no liability would arise on the remittance. The unrecognised deferred tax liability on unremitted earnings is £2.0m (2011: £1.0m).

14. Trade and other receivables

	As at 31 March 2012 £m	As at 31 March 2011 £m
Non-current		
Deposits and prepayments	22.3	15.2
Total non-current trade and other receivables	22.3	15.2
Current		
Trade receivables	103.0	100.7
Provision for doubtful debts	(7.6)	(12.1)
Net trade receivables	95.4	88.6
Other receivables	26.4	22.3
Prepayments and accrued income	23.4	21.6
Total current trade and other receivables	145.2	132.5
Total trade and other receivables	167.5	147.7

Of the non-current deposits and prepayments balance, £16.3m (2011: £10.4m) is due within five years from the balance sheet date, with the remainder due at various stages after this. The entire balance is non-interest bearing.

The individually impaired receivables relate to balances with trading parties which have passed their payment due dates or where uncertainty exists over recoverability. As at 31 March 2012, trade receivables of £28.0m (2011: £18.4m) were impaired. The amount of the provision against these receivables was £7.6m as of 31 March 2012 (2011: £12.1m). It was assessed that a portion of the receivables is expected to be recovered. Individually impaired receivables of £2.1m (2011: £3.7m) relate to the discontinued Spanish operations. The ageing of the impaired trade receivables is as follows:

	As at 31 March 2012 £m	As at 31 March 2011 £m
Current	0.2	3.2
Less than one month overdue	21.8	7.0
One to three months overdue	1.3	3.1
Over three months overdue	4.7	5.1
	28.0	18.4

As at 31 March 2012, trade receivables of £0.1m (2011: £5.3m) were overdue but not impaired. The ageing of these overdue receivables is as follows:

	As at 31 March 2012 £m	As at 31 March 2011 £m
Less than one month overdue	0.1	4.6
One to three months overdue	–	0.6
Over three months overdue	–	0.1
	0.1	5.3

Movement on the provision for doubtful debts is as follows:

	Year to 31 March 2012 £m	Year to 31 March 2011 £m
As at 1 April	12.1	16.8
Increase in provision for doubtful debts	2.1	5.6
Receivables written off during the year as uncollectable	(5.9)	(0.8)
Unused provision reversed	(0.7)	(9.5)
As at 31 March	7.6	12.1

There were £0.4m of impaired receivables within other receivables (2011: £nil). The maximum exposure to credit risk at the reporting date with respect to trade receivables is the carrying amount on the Balance Sheet. The Group does not hold any collateral as security.

14. Trade and other receivables (continued)

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	Year to 31 March 2012 £m	Year to 31 March 2011 £m
Sterling	39.1	59.0
US Dollar	24.3	22.9
Euro	39.5	12.1
Chinese Yuan Renminbi	23.9	23.5
Other currencies	40.7	30.2
	167.5	147.7

The nominal value less impairment provision of trade and other receivables is assumed to approximate its fair value because of the short maturity of these instruments.

15. Inventories

	As at 31 March 2012 £m	As at 31 March 2011 £m
Raw materials	5.7	5.1
Work in progress	0.5	0.6
Finished goods	304.9	242.2
Total inventories	311.1	247.9

The cost of inventories recognised as an expense and included in cost of sales for the continuing and discontinued operations amounted to £539.3m (2011: £500.0m). The net movement in inventory provisions included in cost of sales for the year ended 31 March 2012 was a cost of £4.4m (2011: credit of £17.9m).

In the year to 31 March 2012, the Group reversed £1.5m (2011: £4.6m) of previous inventory writedowns in relation to the stock held in the discontinued Spanish operations. The cost of inventories physically destroyed in the year is £8.3m (2011: £6.6m).

16. Derivative financial instruments

The Group Income Statement is affected by transactions denominated in foreign currency. To reduce exposure to currency fluctuations, the Group has a policy of hedging foreign currency denominated transactions by entering into forward foreign exchange contracts. These transactions are recorded as cash flow hedges.

Cash flow hedges

The Group's foreign currency denominated transactions arise principally from royalty income, sales and purchases. The Group manages these exposures through the use of forward foreign exchange contracts.

	As at 31 March 2012 £m	As at 31 March 2011 £m
Derivative financial assets		
Forward foreign exchange contracts – cash flow hedges	3.2	1.6
Equity swap contracts – held for trading	14.7	9.2
Total position	17.9	10.8
Comprising:		
Total non-current position	14.7	9.2
Total current position	3.2	1.6

16. Derivative financial instruments (continued)

	As at 31 March 2012 £m	As at 31 March 2011 £m
Derivative financial liabilities		
Forward foreign exchange contracts – cash flow hedges	(1.9)	(3.9)
Equity swap contracts – held for trading	(0.2)	–
Total position	(2.1)	(3.9)
Comprising:		
Total non-current position	(0.2)	–
Total current position	(1.9)	(3.9)
 Net derivative financial instruments		
	As at 31 March 2012 £m	As at 31 March 2011 £m
– book value	15.8	6.9
– fair value	15.8	6.9

The fair value of equity swap contracts and forward foreign exchange contracts is based on a comparison of the contractual and market rates after discounting using the appropriate yield curves as at 31 March each year. All fair value measurements are calculated using inputs which are based on observable market data (Level 2).

	As at 31 March 2012 £m	As at 31 March 2011 £m
Notional principal amounts of the outstanding forward foreign exchange contracts	168.6	197.3
Notional principal amounts of the outstanding equity swap contracts	15.9	10.8
Ineffective portion of cash flow hedges released from equity to the Income Statement during the year	–	0.5
Net gain on derivatives held for trading for the year recognised within net operating expenses in the Income Statement	6.8	5.5

Cash flow hedges considered to be ineffective are recognised immediately in the Income Statement within net operating expenses. In the year ended 31 March 2011 this arose from changes to forecasts of 'highly probable' transactions during the year.

Contractual maturities of derivatives used for hedging

The gross inflows/(outflows) disclosed in the table below represent the contractual undiscounted cash flows relating to derivative financial assets and liabilities held for risk management purposes and which are usually not closed out prior to the contractual maturity. The foreign currency cashflows shown are based on spot rates at balance date.

	Carrying amount £m	Contractual maturities		
		Contractual cash flows £m	1 to 6 months £m	6 to 12 months £m
As at 31 March 2012				
Forward exchange contracts used for hedging:				
– outflow		(165.9)	(97.2)	(68.7)
– inflow		167.2	97.8	69.4
	1.3	1.3	0.6	0.7
As at 31 March 2011				
Forward exchange contracts used for hedging:				
– outflow		(197.3)	(123.5)	(73.8)
– inflow		194.9	121.5	73.4
	(2.3)	(2.4)	(2.0)	(0.4)

The contractual maturity profile of non-current financial liabilities is shown in note 24.

17. Cash and cash equivalents

	As at 31 March 2012 £m	As at 31 March 2011 £m
Cash at bank and in hand	262.6	235.1
Short-term deposits	284.3	231.2
Total	546.9	466.3

The fair value of short-term deposits approximates the carrying amount because of the short maturity of the instruments.

18. Trade and other payables

	As at 31 March 2012 £m	As at 31 March 2011 £m
Non-current		
Deferred consideration	1.1	1.9
Put option liability over non-controlling interest	57.8	47.3
Other creditors, accruals and deferred income	46.0	35.2
Total non-current trade and other payables	104.9	84.4
Current		
Trade creditors	118.8	85.8
Other taxes and social security costs	23.3	16.7
Deferred consideration	1.1	12.5
Other creditors	5.8	20.5
Accruals and deferred income	175.4	147.9
Total current trade and other payables	324.4	283.4
Total trade and other payables	429.3	367.8

Following the acquisition of the Burberry retail and distribution business in China, Sparkle Roll Holdings Limited, a non-Group company, retains a 15% economic interest in the Group's business in China. Put and call options exist over this interest stake which are exercisable after 5 years from acquisition date in the case of the call option, and 10 years from acquisition date in the case of the put option. The net present value of the put option has been recognised as a non-current financial liability under IAS 39.

The key assumptions in arriving at the fair value of the put option are the future performance of both the Group's business in China and the future performance of the Group, the Burberry Group plc market capitalisation at the date of exercise and the risk free rate in China.

The maturity of the other non-current creditors, accruals and deferred income, all of which do not bear interest, is as follows:

	As at 31 March 2012 £m	As at 31 March 2011 £m
Between one and two years	3.7	3.2
Between two and three years	3.8	3.3
Between three and four years	1.8	2.5
Between four and five years	4.3	2.7
Over five years	33.5	25.4
Total	47.1	37.1

The fair value of trade and other payables approximate their carrying amounts and are unsecured.

19. Provisions for other liabilities and charges

	Property obligations £m	Restructuring costs £m	Other costs £m	Total £m
Balance as at 1 April 2010	9.7	30.2	–	39.9
Effect of foreign exchange rate changes	(0.1)	(0.5)	–	(0.6)
Created during the year	5.0	7.0	3.1	15.1
Utilised during the year	(3.1)	(20.3)	–	(23.4)
Released during the year	–	(2.8)	–	(2.8)
Balance as at 31 March 2011	11.5	13.6	3.1	28.2
Effect of foreign exchange rate changes	0.1	(0.3)	(0.2)	(0.4)
Created during the year	9.4	–	1.2	10.6
Utilised during the year	(2.2)	(8.4)	(2.7)	(13.3)
Released during the year	(0.3)	(1.4)	(0.1)	(1.8)
Balance as at 31 March 2012	18.5	3.5	1.3	23.3

	As at 31 March 2012 £m	As at 31 March 2011 £m
Analysis of total provisions:		
Non-current	15.1	9.6
Current	8.2	18.6
Total	23.3	28.2

The non-current provisions relate to provisions for onerous leases and property reinstatement costs which are expected to be utilised within 18 years. Of the total £3.5m restructuring provision (2011: £13.6m), £3.3m (2011: £13.4m) represents a current liability. The majority of this relates to the closure of the Spanish operations. The £0.2m (2011: £0.2m) non-current portion relates to onerous leases.

20. Bank overdrafts and borrowings

	As at 31 March 2012 £m	As at 31 March 2011 £m
Unsecured:		
Bank overdrafts	207.3	167.1
Bank borrowings	0.8	0.8
Other borrowings	0.5	0.5
Total	208.6	168.4

Included within bank overdrafts is £204.7m (2011: £166.1m) representing balances on cash pooling arrangements in the Group. The remaining overdrafts of £2.6m (2011: £1.0m) are provided by a number of committed and uncommitted arrangements agreed with third party banks.

On 28 March 2011, a £300m multi-currency revolving credit facility was agreed with a syndicate of third party banks. At 31 March 2012, there were no outstanding drawings (2011: £nil). Interest is charged on this facility at LIBOR plus 0.90% on drawings less than £100m at LIBOR plus 1.05% on drawings between £100m and £200m and at LIBOR plus 1.20% on drawings over £200m. The facility matures on 30 June 2016.

On 1 October 2010, a Yen 145m bilateral facility was agreed with a third party bank. At 31 March 2012, the amount drawn down was Yen 100.8m (2011: Yen 100.8m). Interest is charged on this facility at the Japanese short-term prime rate plus 0.5%. The facility matures on 30 September 2012. The undrawn facility at 31 March 2012 was Yen 44.2m.

Other borrowings relate to a loan provided by a minority interest partner totalling £0.5m due to mature on 8 November 2012. Interest is charged on this loan at the Japanese short-term prime rate plus 0.5%.

The fair value of borrowings and overdrafts approximates the carrying amount because of the short maturity of these instruments.

21. Share capital and reserves

Allotted, called up and fully paid share capital	Number	£m
Ordinary shares of 0.05p (2011: 0.05p) each		
As at 1 April 2011	435,811,738	0.2
Allotted on exercise of options during the year	2,956,370	–
As at 31 March 2012	438,768,108	0.2

At 31 March 2012, 30,027 of the 0.05p ordinary shares in issue are held as treasury shares (2011: 77,215).

The Company has a general authority from shareholders, renewed at each Annual General Meeting, to repurchase a maximum of 10% of its issued share capital. During the year to 31 March 2012, no ordinary shares were repurchased by the Company under this authority (2011: nil).

The cost of own shares held by the Group has been offset against retained earnings, as the amounts paid reduce the profits available for distribution by the Company. As at 31 March 2012 the amounts offset against this reserve are £41.9m (2011: £2.8m). In the year to 31 March 2012 the Burberry Group plc ESOP trust has waived its entitlement to dividends of £0.2m (2011: £nil).

During the year profits of £5.0m (2011: £1.7m) have been transferred to capital reserves due to statutory requirements of subsidiaries. The capital reserve consists of non-distributable reserves and the capital redemption reserve arising on the purchase of own shares.

	Other reserves			
	Hedging reserve £m	Foreign currency translation reserve £m	Capital reserve £m	Total £m
Balance as at 1 April 2010	(1.1)	136.3	27.2	162.4
Other comprehensive income:				
Cash flow hedges – losses deferred in equity	(2.6)	–	–	(2.6)
Cash flow hedges – losses transferred to income	7.5	–	–	7.5
Foreign currency translation differences	–	(15.1)	–	(15.1)
Tax on other comprehensive income/(expense)	(1.4)	2.0	–	0.6
Total comprehensive income/(expense) for the year	3.5	(13.1)	–	(9.6)
Transfer between reserves	–	–	1.7	1.7
Balance as at 31 March 2011	2.4	123.2	28.9	154.5
Other comprehensive income:				
Cash flow hedges – losses deferred in equity	(2.2)	–	–	(2.2)
Cash flow hedges – losses transferred to income	5.5	–	–	5.5
Foreign currency translation differences	–	(4.4)	–	(4.4)
Tax on other comprehensive income/(expense)	(0.8)	(0.2)	–	(1.0)
Total comprehensive income/(expense) for the year	2.5	(4.6)	–	(2.1)
Transfer between reserves	–	–	5.0	5.0
Balance as at 31 March 2012	4.9	118.6	33.9	157.4

22. Financial commitments

The Group leases various retail stores, offices, warehouses and equipment under non-cancellable operating lease arrangements. The leases have varying terms, escalation clauses and renewal rights. The Group has commitments relating to future minimum lease payments under these non-cancellable operating leases as follows:

	As at 31 March 2012 £m	As at 31 March 2011 £m
Amounts falling due:		
Within one year	118.6	94.6
Between two and five years	330.6	244.5
After five years	191.1	196.2
Total	640.3	535.3

The financial commitments for operating lease amounts calculated as a percentage of revenue ('revenue leases') have been based on the minimum payment that is required under the terms of the relevant lease. Under certain revenue leases, there are no minimums and therefore no financial commitment is included in the table above. As a result, the amounts charged to the Income Statement may be materially higher than the financial commitment at the prior year end.

The total of future minimum payments to be received under non-cancellable leases on investment properties and subleases on land and buildings is as follows:

	Leases		Subleases	
	As at 31 March 2012 £m	As at 31 March 2011 £m	As at 31 March 2012 £m	As at 31 March 2011 £m
Amounts falling due:				
Within one year	0.7	0.7	0.7	0.8
Between two and five years	2.8	2.9	1.6	2.3
After five years	2.0	2.8	0.4	0.4
Total	5.5	6.4	2.7	3.5

23. Capital commitments

	As at 31 March 2012 £m	As at 31 March 2011 £m
Capital commitments contracted but not provided for:		
– property, plant and equipment	35.7	10.3
– intangible assets	2.0	1.2
Total	37.7	11.5

Contracted capital commitments represent contracts entered into by the year end and future work in respect of major capital expenditure projects where activity has commenced by the year end relating to property, plant and equipment and intangible assets.

24. Financial risk management

Other than derivatives, the Group's principal financial instruments comprise cash and short-term deposits, external borrowings, trade receivables, and trade and other payables arising directly from operations.

The Group's activities expose it to a variety of financial risks: market risks (including foreign exchange risk, share price risk and interest rate risk), credit risk, liquidity risk and capital risk.

Risk management is carried out by Group Treasury to reduce financial risk and to ensure sufficient liquidity is available to meet foreseeable needs and to invest in cash assets safely and profitably. This is done in close co-operation with the Group's operating units. Group Treasury does not operate as a profit centre and transacts only in relation to the underlying business requirements. The policies of the Group treasury department are reviewed and approved by the Board of Directors. The Group uses derivative instruments to hedge certain risk exposures.

Market risk

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures.

The Group's Income Statement is affected by transactions denominated in foreign currency. To reduce exposure to currency fluctuations, the Group has a policy of hedging foreign currency denominated transactions by entering into forward foreign exchange contracts (see note 16). The Group's accounting policy in relation to derivative instruments is set out in note 2.

The Group's treasury risk management policy is to hedge anticipated cash flows in each major foreign currency that qualify as 'highly probable' forecast transactions for hedge accounting purposes within the current or previous year.

The Group monitors the desirability of hedging the net assets of overseas subsidiaries when translated into Sterling for reporting purposes. It has not entered into any specific transactions for this purpose within the current or previous year.

At 31 March 2012, the Group has performed sensitivity analysis to determine the effect of non-Sterling currencies strengthening/weakening by 20% (2011: 20%) against Sterling with all other variables held constant. The effect on translating foreign currency denominated net debt, receivables, payables and financial instruments at fair value through profit or loss would have been to increase/decrease post-tax profit for the year by £3.0m (2011: decrease/increase £0.1m). The effect on translating forward foreign exchange contracts designated as cash flow hedges and Sterling denominated loans held in overseas subsidiaries would have been to increase/decrease equity by £12.1m (2011: £11.4m).

The following table shows the extent to which the Group has monetary assets and liabilities at the year end in currencies other than the local currency of operation, after accounting for the effect of any specific forward foreign exchange contracts used to manage currency exposure. Monetary assets and liabilities refer to cash, deposits, borrowings and amounts to be received or paid in cash. Foreign exchange differences on retranslation of these assets and liabilities are recognised in the Income Statement.

Net foreign currency monetary assets/(liabilities) held in currencies other than the local currency of operation:

	As at 31 March 2012 £m	As at 31 March 2011 £m
Sterling	–	0.3
US Dollar	(4.4)	(0.7)
Euro	27.6	1.5
Other currencies	(0.5)	(0.3)
Total	22.7	0.8

24. Financial risk management (continued)*Share price risk*

The Group is exposed to employer's national insurance liability due to the implementation of various employee share based incentive schemes.

To reduce exposure to fluctuations in the employer's national insurance liability due to movements in the Group's share price, the Group has a policy of entering into equity swaps at the time of granting share options and awards. The Group does not seek hedge accounting treatment for equity swaps. The Group monitors its exposure to fluctuations in the employer's national insurance liability on an ongoing basis. An increase/decrease in the share price of 50.0p would have resulted in an increase/decrease in profit after tax of £0.8m.

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to cash, short-term deposits and external borrowings.

The external borrowings are linked to the LIBOR rate, while cash and short-term borrowings are affected by local market rates around the Group. The borrowings at variable rates expose the Group to cash flow interest rate risk. To manage interest rate risk the Group manages its proportion of fixed and floating rate borrowings to within limits approved by the Board using interest rate swap derivatives. The Group has no outstanding interest rate swaps at 31 March 2012.

The interest rate risk profile of the Group's floating rate financial liabilities by currency is as follows:

	As at 31 March 2012 £m	As at 31 March 2011 £m
Sterling	–	0.2
Other currencies	3.9	2.1
Total financial liabilities	3.9	2.3

The floating rate financial liabilities at 31 March 2012 and 2011 exclude cash pool overdraft balances of £204.7m (2011: £166.1m) which are offset by cash balances for the purpose of interest calculations. At 31 March 2012, if interest rates on borrowings had been 100 basis points higher/lower (2011: 200 basis points) with all other variables held constant, post-tax profit for the year would have been £nil (2011: £nil) lower/higher, as a result of higher/lower interest expense on floating rate borrowings.

The fixed rate financial liabilities consist of amounts owed under a finance lease of £1.8m (2011: £2.3m).

The floating rate financial assets, being short-term deposits, are £284.3m as at 31 March 2012 (2011: £231.2m). At 31 March 2012, if interest rates on short-term deposits had been 100 basis points higher/lower (2011: 100 basis points), with all other variables held constant, post-tax profit for the year would have been £2.8m (2011: £2.3m) higher/lower, as a result of higher/lower interest income on short-term deposits.

The Group has no other significant floating rate foreign currency borrowings and therefore is not exposed to movements in foreign currency interest rates.

Credit risk

The Group has no significant concentrations of credit risk. The trade receivables balance is spread across a large number of different customers with no single debtor representing more than 8% of the total balance due. The Group has policies in place to ensure that wholesale sales are made to customers with an appropriate credit history. Sales to retail customers are made in cash or via major credit cards. In addition, receivables balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant and default rates have historically been very low. An ageing of overdue receivables is included in note 14. The carrying amount of financial assets represents the maximum credit exposure to the Group.

With respect to credit risk arising from other financial assets, which comprise cash and short-term deposits and certain derivative instruments, the Group's exposure to credit risk arises from the default of the counterparty with a maximum exposure equal to the carrying value of these instruments. The Group has policies that limit the amount of credit exposure to any financial institution and only deposits funds with independently rated financial institutions with a minimum rating of "A".

The Group has deposited €0.2m (2011: €1.1m), CHF 0.3m (2011: CHF 0.3m), BRL 0.6m (2011: BRL 0.6m), INR 0.2m (2011: INR 0.2m) and TWD nil (2011: TWD 10.0m) which is held as collateral at a number of European banks.

24. Financial risk management (continued)*Liquidity risk*

The Group's financial risk management policy aims to ensure that sufficient cash is maintained to meet foreseeable needs and close out market positions. Due to the dynamic nature of the underlying business, Group Treasury aims to maintain flexibility in funding by keeping committed credit lines available. For further details of this, see note 20.

All short-term trade creditors, accruals, bank overdrafts and borrowings mature within one year or less. The carrying value of all financial liabilities due in less than one year is equal to their contractual undiscounted cash flows.

The maturity profile of the contractual undiscounted cash flows of the Group's non-current financial liabilities is as follows:

	As at 31 March 2012 £m	As at 31 March 2011 £m
In more than one year, but not more than two years	3.8	2.6
In more than two years, but not more than three years	2.7	2.0
In more than three years, but not more than four years	4.2	1.0
In more than four years, but not more than five years	1.2	0.6
In more than five years	184.0	151.2
Total financial liabilities	195.9	157.4

Other non-current financial liabilities relate to lease liabilities, property-related accruals and the put option liability over non-controlling interests. The put option liability is subject to a contractual cap of £200m.

Capital risk

The Group manages its capital (defined as net cash plus equity excluding non-controlling interest) to ensure that entities in the Group are able to operate as going concerns and optimise returns to shareholders. At 31 March 2012, the Group had net cash of £338.3m (2011: £297.9m) and total equity excluding non-controlling interest of £867.3m (2011: £713.6m). The Group has access to a facility of £300m which was undrawn at 31 March 2012 and a facility of Yen 145m, of which Yen 100.8m was drawn down at 31 March 2012. For further details refer to note 20.

Cash is used to fund the continued investment in the Group and growth of the global brand. It is also used to make routine outflows of capital expenditure, tax and dividends. The Group's dividend policy sets its payout target as 40% of adjusted diluted EPS. The Board reviews the Group's dividend policy and funding requirements annually.

The Group is in compliance with the financial and other covenants within its committed bank credit facilities, and has been in compliance throughout the financial year.

25. Employee costs

Staff costs, including the cost of directors, incurred during the year are as shown below. Directors' remuneration, which is separately disclosed in the Directors' Remuneration Report on pages 83 to 92 and forms part of these financial statements, includes the notional gains arising on the exercise of share options and awards but excludes the charge in respect of these share options and awards recognised in the Group Income Statement.

	Year to 31 March 2012 £m	Year to 31 March 2011 £m
Wages and salaries	271.4	232.3
Social security costs	44.5	41.4
Share based compensation (all awards and options settled in shares)	31.8	28.3
Other pension costs	11.0	7.7
Total⁽¹⁾	358.7	309.7

(1) Figures disclosed for both the year to 31 March 2012 and 31 March 2011 include costs from both continuing and discontinued operations.

25. Employee costs (continued)

The average number of full-time equivalent employees (including executive directors) during the year was as follows:

	Number of employees	
	Year to 31 March 2012	Year to 31 March 2011
Europe	3,579	2,986
Spain	–	430
Americas	1,560	1,385
Asia Pacific	2,619	1,733
Rest of the World	233	147
Total⁽¹⁾	7,991	6,681

(1) Figures disclosed for both the year to 31 March 2012 and 31 March 2011 are for both continuing and discontinued operations.

Share options granted to directors and employees

The Group has a number of share options and share awards schemes for its directors and employees. Details of each of these schemes are set out in this note. The share option and award schemes have been valued using the Black-Scholes option pricing model. The Senior Executive Restricted Share Plan and the Exceptional Performance Share Plan, both of which have market-based performance conditions attached, have been valued using the Black-Scholes option pricing model with a discount applied to this value, based on information obtained by running a Monte Carlo simulation model on the scheme.

Where applicable, equity swaps have been entered into to cover future employer's national insurance liability (or overseas equivalent) that may arise in respect of these schemes (refer to note 24).

Savings-Related Share Option Scheme

In the financial year ended 31 March 2007, a Savings-Related Share Option Scheme (Sharesave) offering Burberry Group plc ordinary shares was introduced for employees.

On 24 June 2011, further options were granted under this scheme with a three-year and five-year vesting period offered to employees. The savings contract commencement date for this grant was 1 September 2011. These options are exercisable for a period of up to six months from 1 September 2014 and 1 September 2016 for the three-year and five-year schemes respectively, with vesting dependent on continued employment, as well as a saving obligation over the vesting period. The exercise price for these options is calculated at a 20% discount to market price over the three dealing days preceding the invitation date. Three day averages are calculated by taking middle market quotations of a Burberry Group plc share from the London Stock Exchange.

The fair value per option for the grant was determined as £2.85. The key factors used in determining the fair value were as follows:

Share price at contract commencement date	£13.83
Exercise price	£10.49
Life of award	Equivalent to vesting period
Dividend yield	2.20%
Expected volatility	44.8%
Risk free interest rate	1.23%

Expected volatility was determined by calculating the historical annualised standard deviation of the market price of the shares over a period of time, prior to the grant, equivalent to the life of the option.

Movements in the number of share options outstanding and their weighted average exercise prices are as follows:

	Weighted average exercise price	Year to 31 March 2012	Weighted average exercise price	Year to 31 March 2011
Outstanding at 1 April	430.6p	863,271	383.5p	800,937
Granted during the year	1,049.0p	436,609	557.0p	356,026
Lapsed during the year	550.6p	(107,857)	424.3p	(88,892)
Withdrawn during the year	599.0p	(16,534)	456.2p	(48,153)
Exercised during the year	408.4p	(152,761)	472.3p	(156,647)
Outstanding at 31 March	682.5p	1,022,728	430.6p	863,271
Exercisable at 31 March	399.0p	1,365	505.0p	18,383

The weighted average share price at the respective exercise dates in the year was £13.15 (2011: £9.83).

25. Employee costs (continued)

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Option term	Exercise price	Number of shares under option as at 31 March 2012	Number of shares under option as at 31 March 2011
24 August 2007 – 28 February 2011	505.0p	–	15,861
28 September 2007 – 31 March 2011	505.0p	–	2,522
26 June 2008 – 28 February 2012	399.0p	1,365	166,345
30 June 2009 – 28 February 2013	321.0p	258,753	287,978
30 June 2009 – 28 February 2015	321.0p	58,996	58,996
30 June 2010 – 28 February 2014	557.0p	250,817	284,263
30 June 2010 – 28 February 2016	557.0p	38,987	47,306
24 June 2011 – 28 February 2015	1,049.0p	363,667	–
24 June 2011 – 28 February 2017	1,049.0p	50,143	–
Total		1,022,728	863,271

Burberry Senior Executive Restricted Share Plan 2004 (the RSP)

On 20 June 2011 and 21 November 2011, further awards of 1,223,402 and 59,165 ordinary shares respectively were made to senior management under the RSP (2011: 2,500,955). Under the plan, participants may be awarded shares, structured as nil-cost options, up to a maximum value of two times base salary per annum.

Awards granted between 2004 and 2007 vest in full only if the Group achieves at least upper quartile Total Shareholder Return (TSR) relative to its global peers and at least 15% per annum adjusted PBT growth. A proportion of an award (12.5%) may vest if TSR performance exceeds the median of the peer group or if adjusted PBT growth exceeds 5% per annum over three years. Vesting against each metric occurs on a straight-line basis between threshold and maximum. Of the shares which meet the performance criteria, 50% vests after three years. The remaining 50% vests in two equal tranches on the fourth and fifth anniversaries of the date of grant.

Awards granted in 2009 and 2010 will vest in full only if the Group achieves at least upper quartile TSR relative to its global peers and at least 10% per annum adjusted PBT growth. A proportion of an award (12.5%) may vest if TSR performance exceeds the median of the peer group or if adjusted PBT growth exceeds 3% per annum over three years. Vesting against each metric occurs on a straight-line basis between threshold and maximum. Of the shares which meet the performance criteria, 50% vests after three years. The remaining 50% vests in two equal tranches on the fourth and fifth anniversaries of the date of grant.

Awards granted in 2011 will vest in full only if the Group achieves at least 15% per annum adjusted PBT growth over the three year vesting period. A proportion of an award (25%) may vest if adjusted PBT growth exceeds 5% per annum. Vesting occurs on a straight-line basis between the threshold and the maximum. Of the shares which meet the performance criteria, 50% vest after three years. The remaining 50% vest in two equal tranches on the fourth and fifth anniversary of the date of the grant.

Obligations under this plan will be met by the issue of ordinary shares of the Company.

Movements in the number of share awards outstanding are as follows:

	Year to 31 March 2012	Year to 31 March 2011
Outstanding at 1 April	9,478,807	9,311,476
Granted during the year	1,282,567	2,500,955
Lapsed during the year	(535,871)	(1,723,272)
Exercised during the year	(889,966)	(610,352)
Outstanding at 31 March	9,335,537	9,478,807
Exercisable at 31 March	428,043	96,146

The weighted average share price at the respective exercise dates in the year was £14.00 (2011: £9.00).

25. Employee costs (continued)

Share awards outstanding at the end of the year have the following terms:

Term of the award	Number of awards as at 31 March 2012	Number of awards as at 31 March 2011
2 August 2004 – 1 August 2014	15	16
21 July 2005 – 20 July 2015	13,021	26,777
10 August 2006 – 9 August 2016	101,820	172,822
1 September 2006 – 31 August 2016	-	2,125
27 November 2006 – 26 November 2016	4,645	6,770
11 June 2007 – 10 June 2017	232,510	367,725
21 November 2007 – 20 November 2017	34,271	53,806
25 June 2008 – 24 June 2018	583,743	1,307,387
1 June 2009 – 31 May 2019	4,912,999	5,095,992
8 June 2009 – 7 June 2019	1,192	1,192
30 June 2009 – 29 June 2019	5,500	5,500
20 November 2009 – 19 November 2019	16,019	16,184
10 June 2010 – 9 June 2020	2,176,747	2,360,956
22 November 2010 – 21 November 2020	33,942	61,555
20 June 2011 – 19 June 2021	1,159,948	-
21 November 2011 – 20 November 2021	59,165	-
Total	9,335,537	9,478,807

The fair values for the awards granted on 20 June 2011 and 21 November 2011 were £12.42 and £10.96 respectively. The key factors used in determining the fair value of the awards were as follows:

	20 June 2011	21 November 2011
Share price at grant date	£13.27	£11.82
Exercise price	£nil	£nil
Life of award	Equivalent to vesting period	Equivalent to vesting period
Dividend yield	2.20%	2.20%
Expected volatility	45.2%	43.1%
Risk free interest rate	1.27%	0.75%

Expected volatility was determined by calculating the historical annualised standard deviation of the market price of the shares over a period of time, prior to the grant, equivalent to the life of the option.

25. Employee costs (continued)

The Burberry Senior Executive IPO Share Option Scheme (the IPO Option Scheme)

On 11 July 2002, options in respect of a total of 5,955,198 ordinary shares were granted to executive directors and senior management under the IPO Option Scheme, with an exercise price equal to the price on flotation, £2.30 per ordinary share.

The options vested in three stages: 33% were exercisable after one year, 33% were exercisable after two years and the remaining 33% were exercisable after three years. Obligations under this scheme will be met by the issue of ordinary shares of the Company.

Movements in the number of share options outstanding and their weighted average exercise price are as follows:

	Weighted average exercise price	Year to 31 March 2012	Weighted average exercise price	Year to 31 March 2011
Outstanding at 1 April	230.0p	110,000	230.0p	125,000
Exercised during the year	230.0p	(5,000)	230.0p	(15,000)
Outstanding at 31 March	230.0p	105,000	230.0p	110,000
Exercisable at 31 March	230.0p	105,000	230.0p	110,000

The weighted average share price at the respective exercise dates in the year was £12.91 (2011: £11.09).

Share options outstanding at the end of the year have the following terms and exercise prices:

Option term	Exercise price	Number of shares under option as at 31 March 2012	Number of shares under option as at 31 March 2011
11 July 2002 – 11 July 2012	230.0p	105,000	110,000
Total		105,000	110,000

The Burberry Group plc Executive Share Option Scheme 2002

During previous financial years, options were granted to executive directors and senior management in respect of ordinary shares in the Company under the Executive Share Option Scheme.

The options vested in three stages: 33% were exercisable after one year, 33% were exercisable after two years and the remaining 33% were exercisable after three years. The vesting of these share options was dependent on continued employment over the vesting period.

Movements in the number of share options outstanding and their weighted average exercise prices are as follows:

	Weighted average exercise price	Year to 31 March 2012	Weighted average exercise price	Year to 31 March 2011
Outstanding at 1 April	285.3p	150,252	307.6p	226,290
Exercised during the year	258.0p	(41,085)	351.7p	(76,038)
Outstanding at 31 March	295.6p	109,167	285.3p	150,252
Exercisable at 31 March	295.6p	109,167	285.3p	150,252

The weighted average share price at the respective exercise dates in the year was £16.00 (2011: £9.56).

Share options outstanding at the end of the year have the following terms and exercise prices:

Option term	Exercise price	Number of shares under option as at 31 March 2012	Number of shares under option as at 31 March 2011
13 June 2003 – 12 June 2013	258.0p	75,001	116,086
2 August 2004 – 1 August 2014	378.0p	34,166	34,166
Total		109,167	150,252

25. Employee costs (continued)**All Employee Share Plan**

Employees are offered awards of ordinary shares in the Company at a nil exercise price under an All Employee Share Plan. On 1 June 2011 and 18 July 2011, 106,080 and 53,430 ordinary shares respectively were granted under this scheme (2011: 266,880). All awards vest after three years and the vesting of these share awards is dependent on continued employment over the vesting period.

The fair values of the awards were determined as £13.26 and £15.38 respectively. The key factors used in determining the fair value were as follows:

	1 June 2011	18 July 2011
Share price at grant date	£13.26	£15.38
Exercise price	£nil	£nil
Life of award	Equivalent to vesting period	Equivalent to vesting period
Expected volatility	45.2%	44.9%
Risk free interest rate	1.43%	1.11%

Expected volatility was determined by calculating the historical annualised standard deviation of the continuously compounded rates of return on the shares over a period of time, prior to the grant, equivalent to the life of the award.

Movements in the number of share awards outstanding are as follows:

	Year to 31 March 2012	Year to 31 March 2011
Outstanding at 1 April	268,060	81,103
Granted during the year	159,510	266,880
Lapsed during the year	(61,770)	(45,780)
Exercised during the year	(16,880)	(34,143)
Outstanding at 31 March	348,920	268,060
Exercisable at 31 March	33,980	47,800

Share options were exercised on a regular basis during the period. The weighted average share price during the period was £13.31 (2011: £9.63).

Share awards outstanding at the end of the year have the following terms:

Term of the award	Number of awards as at 31 March 2012	Number of awards as at 31 March 2011
12 July 2002 – 18 July 2082 ⁽¹⁾	5,600	8,000
30 August 2003 – 18 July 2082 ⁽¹⁾	7,550	9,950
20 August 2004 – 18 July 2082 ⁽¹⁾	11,950	17,250
1 September 2005 – 18 July 2082 ⁽¹⁾	8,880	12,600
1 June 2010 – 18 July 2082 ⁽¹⁾	181,740	220,260
1 June 2011 – 18 July 2082 ⁽¹⁾	133,200	–
Total	348,920	268,060

(1) No date has been specified when awards lapse. The cessation date of the trust in which the awards are held is 18 July 2082.

25. Employee costs (continued)**The Burberry Co-Investment Plan**

Executive directors and certain senior management are able to defer receipt of all or part of their annual bonus and invest it in ordinary shares in the Company with up to a 2:1 match based on individual and Group performance during the year. The matching share awards do not vest for three years and are forfeited if the executive leaves within that period. The exercise price of these share awards is £nil. On 7 June 2011 and 14 June 2011, 1,749,005 and 67,502 ordinary shares respectively were awarded (2011: 2,283,340).

Awards granted in the years ended 31 March 2011 and 31 March 2012 are subject to secondary performance conditions.

Awards granted in June 2010 will vest in full only if the Group achieves at least 7% per annum adjusted PBT growth over the three year vesting period. A proportion of the award (25%) may vest if growth in adjusted PBT achieves 5% per annum. Vesting occurs on a straight-line basis between the threshold and the maximum. None of the award shall vest if adjusted PBT growth is below 5% per annum.

Awards granted in June 2011 will vest in full only if the Group achieves at least 10% per annum adjusted PBT growth over the three year vesting period. A proportion of the award (25%) may vest if growth in adjusted PBT achieves 5% per annum. Vesting occurs on a straight-line basis between the threshold and the maximum. None of the award shall vest if adjusted PBT growth is below 5% per annum.

The fair values of the awards granted on 7 June 2011 and 14 June 2011 were determined as £13.12 and £13.20 respectively.

The key factors used in determining the fair values were as follows:

	7 June 2011	14 June 2011
Share price at grant date	£13.12	£13.20
Exercise price	£nil	£nil
Life of award	Equivalent to vesting period	Equivalent to vesting period
Expected volatility	45.1%	45.2%
Risk free interest rate	1.44%	1.36%

Expected volatility was determined by calculating the historical annualised standard deviation of the continuously compounded rates of return on the shares over a period of time, prior to the grant, equivalent to the life of the award.

Movements in the number of share awards outstanding are as follows:

	Year to 31 March 2012	Year to 31 March 2011
Outstanding at 1 April	3,958,168	1,874,026
Granted during the year	1,816,507	2,283,340
Lapsed during the year	(20,975)	(9,507)
Exercised during the year	(1,657,460)	(189,691)
Outstanding at 31 March	4,096,240	3,958,168
Exercisable at 31 March	–	–

The weighted average share price at the respective exercise dates in the year was £13.23 (2011: £8.20).

Share awards outstanding at the end of the year have the following terms:

Term of the award	Number of awards as at 31 March 2012	Number of awards as at 31 March 2011
3 June 2008 – 2 June 2013	–	1,678,435
8 June 2010 – 7 June 2015	2,279,733	2,279,733
7 June 2011 – 6 June 2016	1,749,005	–
14 June 2011 – 13 May 2016	67,502	–
Total	4,096,240	3,958,168

25. Employee costs (continued)*The Burberry Exceptional Performance Share Plan*

In 2007, awards in respect of a total of 4,210,000 ordinary shares were made to executive directors and senior management under the Exceptional Performance Share Plan which was introduced as a one-off long-term incentive plan.

The awards vest in two stages: 50% are exercisable after three years and 50% are exercisable after four years. The vesting of these share awards is dependent on two performance conditions. The award is based 50% on relative TSR and 50% on growth in profits over the three and four year performance periods to 2010 and 2011. No awards vest unless Burberry's TSR exceeds the median of the comparator group or growth in adjusted PBT per share exceeds 50% over the four year performance period to 2010 or 75% over the five year performance period to 2011. The vesting of these share awards is also dependent on continued employment over the vesting period. The exercise price of these share awards is £nil.

At 1 April 2011, 1,987,962 share awards were outstanding. Of these awards, 2,812 lapsed and the remaining 1,985,150 were exercised during the year ended 31 March 2012 at a weighted average share price of £14.86 (2011: £9.22). No more share awards remain outstanding in relation to the Burberry Exceptional Performance Share Plan.

December 2010 One-Off Grant

On 8 December 2010, options in respect of 850,000 ordinary shares were granted as a one-off award.

The options are due to vest on 1 April 2015. Strategic and financial objectives linked to the long term growth of the Group must be met in order for 500,000 of the options to vest. The vesting of all of the options is dependent on continued employment for the vesting period. The exercise price of these share options is £nil.

Movements in the number of share awards outstanding are as follows:

	Year to 31 March 2012	Year to 31 March 2011
Outstanding at 1 April	850,000	–
Granted during the year	–	850,000
Outstanding at 31 March	850,000	850,000
Exercisable at 31 March	–	–

Share awards outstanding at the end of the year have the following terms:

Term of the award	Number of awards as at 31 March 2012	Number of awards as at 31 March 2011
8 December 2010 – 31 March 2016	850,000	850,000
Total	850,000	850,000

26. Business combinations

Year ended 31 March 2012

Burberry Saudi Company Limited

On 19 June 2011, the Group formed Burberry Saudi Company Limited (Burberry Saudi), a company registered in the Kingdom of Saudi Arabia, with Fawaz Abdulaziz Alhokair & Co SLSC, a third party company registered in the Kingdom of Saudi Arabia. Burberry Saudi will manage the Burberry retail business within the Saudi Arabian market.

Burberry has a 60% interest in the issued share capital of the company, the majority of the voting rights and the power to appoint the majority of the directors. Burberry Saudi has been consolidated as a subsidiary as at 31 March 2012. The non-controlling interest in the consolidated net assets of this company has been identified as a separate component of equity.

On 19 June 2011, the distribution agreement with the existing franchise partner in Saudi Arabia expired, and Burberry Saudi acquired the Burberry retail business from that franchisee.

Details of the net assets acquired and goodwill are as follows:

	£m
Cash consideration	10.0
Total purchase consideration	10.0
Fair value of net identifiable assets acquired	4.3
Goodwill	5.7

The goodwill arising on the acquisition, which is included within intangible assets, is attributable to the acquisition of the Saudi Arabian business assets and the benefits expected from further expansion in this region. The goodwill recognised relates to equity attributable to the owners of the company and to the non-controlling interest and is not tax deductible.

The assets and liabilities arising from the acquisition are as follows:

	Fair value £m
Inventories	1.4
Property, plant and equipment	3.0
Liabilities	(0.1)
Net identifiable assets acquired	4.3
Net identifiable assets acquired attributable to non-controlling interest	1.7

The Group incurred transaction costs of £0.1m in respect of the acquisition.

The acquired Saudi Arabian retail assets generated revenues of £9.1m and a profit of £2.7m to the Group for the period from acquisition to 31 March 2012.

Pro forma full year information

Had the acquisition occurred on 1 April 2011, it would have contributed approximately £1.8m of Group revenue in addition to that noted above, while the Group operating profit impact in addition to that noted above would have been neutral for the year ended 31 March 2012.

26. Business combinations (continued)

Year ended 31 March 2011

Burberry (Shanghai) Trading Co., Ltd

On 16 July 2010, the Group entered into an agreement to acquire the Burberry retail and distribution business within China from its distributor in Hong Kong, Kwok Hang Holdings Ltd. The acquisition allows the Group to further leverage its proven brand in China's high growth luxury market.

On 1 September 2010, Burberry (Shanghai) Trading Co., Ltd, a wholly owned Group company incorporated in the People's Republic of China, took control of key store assets and inventory across 50 retail stores. Daily operations at 43 of the stores fully transferred to the Group on that date. The remaining 7 stores had all transferred daily operations by 31 January 2011.

Details of the net assets acquired and goodwill are as follows:

	£m
Cash consideration	39.4
Deferred consideration ⁽¹⁾	28.2
Contribution of share of the Group's existing China business	(1.9)
Total purchase consideration	65.7

(1) A change in assumptions applied to the value of deferred consideration to be paid was made subsequent to initial recognition, but within the measurement period. This resulted in an increase of £0.9m to goodwill.

The assets and liabilities arising from the acquisition are as follows:

	Fair value £m
Inventories	23.1
Property, plant and equipment	6.3
Liabilities	(0.3)
Net identifiable assets acquired	29.1
Net identifiable assets acquired attributable to non-controlling interest	(4.4)
Goodwill	41.0
Total purchase consideration	65.7

Sparkle Roll Holdings Limited, a non-Group company, retains a 15% economic interest in the Burberry retail and distribution business within China. Put and call options exist over this economic interest which are exercisable after five years in the case of the call option, and ten years in the case of the put option. Refer to note 18 for further details of the carrying value of the put option liability.

In total, goodwill of £41.0m arose on the acquisition of the China retail and distribution business and is included within intangible assets. This is attributable to the benefits expected from further expansion in this region. The goodwill is not tax deductible.

	£m
Outflow of cash to acquire business, net of cash acquired:	
Cash consideration on acquisition date	39.4
Cash consideration post-acquisition	26.0
Cash and cash equivalents in subsidiaries acquired	–
Cash outflow to acquire business	65.4

Of the total cash outflow disclosed above, £51.9m was paid in the year ended 31 March 2011. The remaining £13.5m was paid in the year ended 31 March 2012.

Deferred consideration of £2.2m remains outstanding at 31 March 2012 (refer to note 18).

The Group incurred transaction costs of £0.9m in respect of the acquisition.

27. Discontinued operations and assets classified as held for sale

In the year to 31 March 2010, the Group announced the restructuring of its Spanish operations. By 31 March 2011, the production of the local Spanish collection, and related operations had ceased. The Spanish operations have been treated as discontinued for the years ended 31 March 2012 and 31 March 2011, and the results from the discontinued operations have been shown separately from the results of the Group's continuing operations.

An analysis of the results of the discontinued Spanish operations is presented below:

	Year to 31 March 2012 £m	Year to 31 March 2011 £m
Revenue	–	49.3
Cost of sales ⁽¹⁾	1.5	(24.8)
Gross profit	1.5	24.5
Net operating expenses ⁽²⁾	(1.8)	(30.7)
Operating loss	(0.3)	(6.2)
Net finance charges	–	–
Loss before taxation for discontinued operations	(0.3)	(6.2)
Taxation	–	–
Loss after taxation for discontinued operations	(0.3)	(6.2)

(1) Cost of sales for the year ended 31 March 2012 results from a provision release due to more effective than anticipated clearance of residual inventory.

(2) Net operating expenses includes a charge of £4.5m (2011: £3.7m) in relation to the write-down of assets held for sale to fair value less cost to sell.

Cash flows generated from the discontinued Spanish operations have been included in the Group consolidated Statement of Cash Flows. The cash flows relating to the discontinued operations for the years ended 31 March 2012 and 31 March 2011 are:

	Year to 31 March 2012 £m	Year to 31 March 2011 £m
Net cash inflow from operating activities	1.3	3.6
Net cash outflow from investing activities	–	–
Net cash outflow from financing activities ⁽¹⁾	(0.1)	(7.9)
Net increase/(decrease) in cash and cash equivalents	1.2	(4.3)
Effect of exchange rate changes	–	–
Cash and cash equivalents at beginning of year	0.1	4.4
Cash and cash equivalents at end of year	1.3	0.1

(1) The net cash outflow from financing activities represents the repayment of intercompany loans from Group entities which form part of continuing operations.

The earnings per share attributable to the discontinued Spanish operations for the years ended 31 March 2012 and 31 March 2011 are:

	Note	Year to 31 March 2012	Year to 31 March 2011
Earnings per share from discontinued operations			
– basic	8	(0.0)p	(1.4)p
– diluted	8	(0.0)p	(1.4)p

Assets classified as held for sale

In September 2010, £17.0m of assets were reclassified to assets held for sale, representing the carrying value of the freehold properties in Spain. These assets have subsequently been written down to fair value less costs to sell and at 31 March 2012 the carrying value of the assets is £8.3m (2011: £13.5m). Management remains committed to selling these properties and continues to actively market them as such.

28. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Total compensation in respect of key management, who are defined as the Board of Directors and certain members of senior management, is considered to be a related party transaction.

The total compensation in respect of key management for the year was as follows:

	Year to 31 March 2012 £m	Year to 31 March 2011 £m
Salaries and short-term benefits	10.2	9.7
Post-employment benefits	0.2	0.3
Share based compensation	6.9	7.0
Total	17.3	17.0

29. Principal subsidiaries

Company	Country of incorporation	Nature of business
EMEA		
Burberry Limited	UK	Luxury goods retailer, wholesaler and licensor
Burberry Italy Retail Limited	UK	Luxury goods retailer
The Scotch House Limited ⁽¹⁾	UK	Luxury goods brand and licensor
Woodrow-Universal Limited ⁽¹⁾	UK	Textile manufacturer
Burberry France SASU	France	Luxury goods retailer and wholesaler
Burberry (Suisse) SA ⁽¹⁾	Switzerland	Luxury goods retailer
Burberry Italy SRL ⁽¹⁾	Italy	Luxury goods wholesaler
Burberry (Deutschland) GmbH	Germany	Luxury goods retailer and wholesaler
Burberry (Austria) GmbH	Austria	Luxury goods retailer
Burberry Antwerp N.V.	Belgium	Luxury goods retailer
Burberry Czech Rep s.r.o.	Czech Republic	Luxury goods retailer
Burberry Hungary kft.	Hungary	Luxury goods retailer
Burberry Ireland Limited	Ireland	Luxury goods retailer
Burberry Netherlands BV	Netherlands	Luxury goods retailer
Burberry Middle East LLC (49%)	United Arab Emirates	Luxury goods retailer and wholesaler
Burberry India Private Limited (51%)	India	Luxury goods retailer and wholesaler
Burberry Saudi Company Limited (60%)	Kingdom of Saudi Arabia	Luxury goods retailer
Spain		
Burberry (Spain) S.A.	Spain	Luxury goods retailer and wholesaler - discontinued
Burberry (Spain) Retail SL	Spain	Luxury goods retailer
Americas		
Burberry Limited	USA	Luxury goods retailer
Burberry (Wholesale) Limited	USA	Luxury goods wholesaler
Burberry Canada Inc	Canada	Luxury goods retailer
Burberry Brasil Participacoes Ltd	Brazil	Luxury goods retailer
Horseferry Mexico SA de CV	Mexico	Luxury goods retailer
Asia Pacific		
Burberry (Shanghai) Trading Co., Ltd	China	Luxury goods retailer
Burberry Asia Limited	Hong Kong	Luxury goods retailer and wholesaler
Burberry (Singapore) Distribution Company Pte Ltd	Singapore	Luxury goods retailer and wholesaler
Burberry Pacific Pty Ltd	Australia	Luxury goods retailer and wholesaler
Burberry Korea Limited	Republic of Korea	Luxury goods retailer and wholesaler
Burberry (Taiwan) Co Ltd	Taiwan	Luxury goods retailer
Burberry (Malaysia) Sdn. Bhd	Malaysia	Luxury goods retailer
Burberry Japan K.K.	Japan	Luxury goods retailer, wholesaler and licensor
Burberry International K.K. (51%)	Japan	Luxury goods retailer

(1) Held directly by Burberry Group plc.

In accordance with Section 410(2)(a) of the Companies Act 2006, the above information is provided solely in relation to principal subsidiaries.

As at 31 March 2012, all principal subsidiary undertakings are wholly owned, except where indicated differently above, and operate in the country in which they are incorporated with the exception of Burberry Italy Retail Limited, which operates principally in Italy. All shares held in subsidiary undertakings are ordinary shares, with the exception of Burberry Limited. The Group holds 100% of Burberry Limited's ordinary and preference shares. All the subsidiary undertakings have been consolidated as at 31 March 2012. The Group has a 59% share in profits of Burberry Middle East LLC and has the power to appoint the majority of directors. Non-operating intermediate holding and financing companies are excluded from the list above. Sparkle Roll Holding Limited, a non-group company, holds a 15% economic interest in Burberry (Shanghai) Trading Co., Ltd.

Details of all Burberry subsidiaries will be annexed to the next Annual Return of Burberry Group plc to be filed at Companies House.

FIVE YEAR SUMMARY

				Continuing operations		
Year to 31 March	2008	2009	2010	2010 ⁽¹⁾	2011	2012
Revenue by channel	£m	£m	£m	£m	£m	£m
Retail	484.4	629.7	748.8	710.1	962.3	1,270.3
Wholesale	426.2	489.2	433.6	377.5	440.6	478.3
Licensing	84.8	82.6	97.5	97.5	98.4	108.6
Total	995.4	1,201.5	1,279.9	1,185.1	1,501.3	1,857.2
Revenue by product	£m	£m	£m	£m	£m	£m
Non-apparel	289.7	366.3	419.6	416.6	563.3	689.4
Womenswear	345.2	412.8	415.5	373.4	456.6	582.5
Menswear	247.8	298.4	288.5	249.4	325.9	410.5
Childrenswear/Other	27.9	41.4	58.8	48.2	57.1	66.2
Retail/Wholesale	910.6	1,118.9	1,182.4	1,087.6	1,402.9	1,748.6
Licensing	84.8	82.6	97.5	97.5	98.4	108.6
Total	995.4	1,201.5	1,279.9	1,185.1	1,501.3	1,857.2
Revenue by destination	£m	£m	£m	£m	£m	£m
Asia Pacific	189.1	240.0	282.7	282.7	457.1	652.5
Europe	291.8	379.8	408.1	421.8	474.6	552.6
Spain	161.6	144.5	107.1	–	–	–
Americas ⁽²⁾	234.8	308.9	324.8	324.7	386.5	434.5
Rest of the World ⁽²⁾	33.3	45.7	59.7	58.4	84.7	109.0
Retail/Wholesale	910.6	1,118.9	1,182.4	1,087.6	1,402.9	1,748.6
Licensing	84.8	82.6	97.5	97.5	98.4	108.6
Total	995.4	1,201.5	1,279.9	1,185.1	1,501.3	1,857.2
Profit by channel	£m	£m	£m	£m	£m	£m
Retail/Wholesale	135.6	110.1	137.7	137.7	219.5	286.9
Licensing	70.6	70.7	82.2	82.2	81.6	90.0
Adjusted operating profit⁽³⁾	206.2	180.8	219.9	219.9	301.1	376.9
Put option liability finance charge	–	–	–	–	(3.2)	(10.2)
Net interest expense	(6.0)	(6.2)	(5.1)	(5.1)	(3.2)	(0.7)
Restructuring costs	–	(54.9)	(48.8)	(3.4)	1.0	–
Goodwill impairment	–	(116.2)	–	–	–	–
Store impairments and onerous lease provisions	–	(13.4)	–	–	–	–
Negative goodwill	–	1.7	–	–	–	–
Relocation of headquarters	15.1	(7.9)	–	–	–	–
Project Atlas costs	(19.6)	–	–	–	–	–
Profit/(loss) before taxation	195.7	(16.1)	166.0	211.4	295.7	366.0
Tax on profit/(loss)	(60.5)	11.0	(83.8)	(58.8)	(83.2)	(100.6)
Profit/(loss) after taxation	135.2	(5.1)	82.2	152.6	212.5	265.4
Margin analysis	%	%	%	%	%	%
Retail/Wholesale gross margin as percentage of Retail/Wholesale revenue	58.5	52.1	59.7	61.0	64.9	68.1
Retail/Wholesale adjusted operating profit ⁽³⁾ as a percentage of Retail/Wholesale revenue	14.9	9.8	11.6	12.7	15.6	16.4
Licensing adjusted operating profit ⁽³⁾ as a percentage of Licensing revenue	83.3	85.6	84.3	84.3	82.9	82.9
Total adjusted operating profit ⁽³⁾ as a percentage of revenue	20.7	15.0	17.2	18.6	20.1	20.3

(1) The results for the year to 31 March 2010 have been re-presented to show the results of the discontinued Spanish operations separately.

(2) Revenue amounts reported for 2009 have been restated on the adoption of IFRS 8.

(3) Adjusted for exceptional items.

Year to 31 March	2008	2009	2010	2011	2012
Earnings and dividends	pence per share	pence per share	pence per share	pence per share	pence per share
Earnings per share – basic	31.3	(1.4)	18.8	47.9	60.4
Earnings per share from continuing operations – basic	–	–	35.1	49.3	60.4
Adjusted earnings per share – basic ⁽¹⁾	32.4	30.6	35.9	49.9	62.8
Earnings per share – diluted	30.5	(1.4)	18.4	46.9	59.3
Earnings per share from continuing operations – diluted	–	–	34.4	48.3	59.3
Adjusted earnings per share – diluted ⁽¹⁾	31.6	30.2	35.1	48.9	61.6
Dividend per share (on a paid basis)	11.0	12.0	12.2	15.5	22.0
Diluted weighted average number of ordinary shares in issue during the year (millions)	442.8	438.1	441.9	444.0	444.3
Dividend cover (on a paid basis) ⁽²⁾	2.9	2.5	2.9	3.2	2.8

As at 31 March	2008	2009	2010	2011	2012
Balance Sheet	£m	£m	£m	£m	£m
Fixed assets and other intangible assets	197.8	283.0	285.8	323.4	380.7
Working capital (excluding cash and borrowings)	260.0	221.2	61.3	103.4	147.8
Other long-term liabilities	(13.7)	(24.4)	(27.0)	(83.1)	(104.6)
Net operating assets	444.1	479.8	320.1	343.7	423.9
Goodwill	130.1	33.1	34.9	73.1	81.2
Assets held for sale	–	–	–	13.5	8.3
Investment properties	–	–	–	3.0	2.8
Deferred consideration for acquisitions	–	–	–	(14.4)	(2.2)
Cash at bank, net of overdraft and borrowings	(64.2)	7.6	262.0	297.9	338.3
Taxation (including deferred taxation)	(14.7)	23.4	(13.5)	16.9	39.1
Net assets	495.3	543.9	603.5	733.7	891.4

Year to 31 March	2008	2009	2010	2011	2012
Cash Flow	£m	£m	£m	£m	£m
Adjusted operating profit from continuing and discontinued operations ⁽¹⁾	206.2	180.8	219.9	299.0	379.4
Restructuring costs	–	(54.9)	(48.8)	(3.1)	(2.8)
Goodwill impairment	–	(116.2)	–	–	–
Store impairments and onerous lease provisions	–	(13.4)	–	–	–
Negative goodwill	–	1.7	–	–	–
Relocation of headquarters	15.1	(7.9)	–	–	–
Project Atlas costs	(19.6)	–	–	–	–
Operating profit/(loss) from continuing and discontinued operations	201.7	(9.9)	171.1	295.9	376.6
Depreciation, impairment, amortisation and negative goodwill	32.2	174.7	60.0	66.3	98.9
(Profit)/loss on disposal of fixed assets and similar non-cash charges	(19.1)	2.0	4.2	1.1	0.3
Fair value (gains)/losses on derivative instruments	(0.5)	10.7	(11.9)	(6.2)	(5.7)
Charges in respect of employee share incentive schemes	14.3	4.5	18.1	28.3	31.8
(Increase)/decrease in inventories	(122.6)	55.7	87.4	(58.9)	(61.8)
(Increase)/decrease in receivables	(29.1)	2.1	56.2	(11.4)	(17.6)
Increase in payables	28.8	2.2	40.5	51.3	60.0
Net cash inflow from operations before capital expenditure	105.7	242.0	425.6	366.4	482.5
Purchase of tangible and intangible assets	(48.5)	(89.9)	(69.9)	(108.4)	(153.1)
Proceeds from sale of property, plant and equipment	28.3	0.1	–	–	–
Net cash inflow from operations adjusted for capital expenditure	85.5	152.2	355.7	258.0	329.4

(1) Adjusted for exceptional items.

(2) Based on adjusted diluted earnings per share.

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF BURBERRY GROUP PLC**

We have audited the parent Company financial statements of Burberry Group plc for the year ended 31 March 2012 which comprise the Company Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 94, the directors are responsible for the preparation of the parent Company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent Company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the parent Company financial statements:

- ♦ give a true and fair view of the state of the Company's affairs as at 31 March 2012;
- ♦ have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- ♦ have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- ♦ the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- ♦ the information given in the Directors' Report for the financial year for which the parent Company financial statements are prepared is consistent with the parent Company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Other matter

We have reported separately on the Group financial statements of Burberry Group plc for the year ended 31 March 2012.

Andrew Kemp (Senior Statutory Auditor)

For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London, 22 May 2012

COMPANY BALANCE SHEET

	Note	As at 31 March 2012 £m	As at 31 March 2011 £m
Fixed assets			
Investments	C	2,055.3	2,023.5
		2,055.3	2,023.5
Current assets			
Debtors receivable within one year	D	0.4	0.4
Debtors receivable after one year	D	994.9	995.0
Derivative assets maturing after one year		14.7	9.2
Cash at bank and in hand		0.1	0.5
		1,010.1	1,005.1
Current liabilities			
Creditors – amounts falling due within one year	E	(336.7)	(214.2)
Net current assets		673.4	790.9
Total assets less current liabilities		2,728.7	2,814.4
Non-current liabilities			
Creditors – amounts falling due after more than one year	E	(2,092.1)	(2,101.3)
Derivative liabilities maturing after one year		(0.2)	–
Provisions for liabilities		(1.4)	(1.4)
Net assets		635.0	711.7
Capital and reserves			
Called up share capital	F	0.2	0.2
Share premium account	F	202.6	192.5
Capital reserve	F	0.9	0.9
Hedging reserve	F	4.1	4.1
Profit and loss account	F	427.2	514.0
Total equity	F	635.0	711.7

The financial statements on pages 146 to 150 were approved by the Board on 22 May 2012 and signed on its behalf by:

Sir John Peace
Chairman

Stacey Cartwright
Executive Vice President, Chief Financial Officer

A. Basis of preparation

Burberry Group plc ('the Company') is the parent Company of the Burberry Group. Burberry Group plc is listed on the London Stock Exchange and its principal business is investment.

Burberry Group is a global luxury goods manufacturer, wholesaler and retailer. Retail/Wholesale revenues are generated by the sale of luxury goods through Burberry mainline stores, concessions and outlets as well as Burberry franchisees and prestige department stores globally. Licensing revenues are generated through the receipt of royalties from Burberry's licensees in Japan and global licensees of fragrances, eyewear, timepieces and European childrenswear. All of the companies, which comprise Burberry Group, are controlled by the Company either directly or indirectly.

These financial statements have been prepared on a going concern basis under the historical cost convention, with the exception of those financial instruments which are included in the financial statements at fair value, and in accordance with applicable accounting standards in the United Kingdom and the Companies Act 2006.

B. Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Share schemes

Employees in Burberry Group (including executive directors) receive certain share incentives relating to Burberry Group plc shares.

The cost of the share incentives is measured with reference to the fair value of the equity instruments awarded at the date of grant. The Black-Scholes option pricing model is used to determine the fair value of the award made. The impact of performance conditions is not considered in determining the fair value on the date of grant, except for conditions linked to the price of Burberry Group plc shares, i.e. market conditions. Vesting conditions which relate to non-market conditions are allowed for in the assumptions about the number of options expected to vest. The estimate of the number of options expected to vest is revised at each balance sheet date.

The cost of the share based incentives is notionally recharged to the relevant entity via a capital contribution. A corresponding increase is recognised in equity.

The proceeds received from the exercise of the equity instruments awarded, net of any directly attributable transaction costs, are credited to share capital and share premium.

Dividend distribution

Dividend distributions to Burberry Group plc's shareholders are recognised as a liability in the period in which the dividend becomes a committed obligation. Final dividends are recognised when they are approved by the shareholders. Interim dividends are recognised when paid.

Investments in Group companies

Investments in Group companies are stated at cost, less any provisions to reflect impairment in value.

Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's net realisable value and value-in-use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (income-generating units).

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

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

B. Accounting policies (continued)

Derivative financial instruments

Financial instruments are reported and measured in accordance with FRS 25 and FRS 26 respectively. The Company used the exemption not to present FRS 29 disclosures in the notes to the entity financial statements as full equivalent disclosures are presented within the consolidated financial statements.

Equity swap contracts are marked to market with gains and losses arising on these contracts recognised in the profit and loss account.

Foreign currency transactions

Transactions denominated in foreign currencies are translated into Sterling at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies, which are held at the year end, are translated into Sterling at the exchange rate ruling at the balance sheet date. Exchange differences on monetary items are recognised in the profit and loss account in the period in which they arise.

Related party transactions

FRS 8 'Related Party Disclosures' requires the disclosure of the details of material transactions and balances between the reporting entity and related parties. The Company has taken advantage of the exemption under the terms of FRS 8 not to disclose details of transactions with entities that are wholly owned subsidiaries.

C. Investments in Group companies

Cost	£m
As at 31 March 2011	2,023.5
Additions	31.8
As at 31 March 2012	2,055.3

The directors believe that the carrying value of the investments is supported by their underlying net assets. The principal subsidiaries of the Burberry Group are listed in note 29 of the Group financial statements.

D. Debtors

	As at 31 March 2012 £m	As at 31 March 2011 £m
Prepayments	0.4	0.4
Debtors receivable within one year	0.4	0.4
Amounts owed by Group companies	993.6	993.3
Prepayments	1.3	1.7
Debtors receivable after one year	994.9	995.0
Total debtors	995.3	995.4

Included in amounts receivable from Group companies are loans of £75.0m (2011: £74.7m) which are interest bearing. The interest rate earned is based on relevant national LIBOR equivalents plus 1.77%.

E. Creditors

	As at 31 March 2012 £m	As at 31 March 2011 £m
Amounts owed to Group companies	336.3	214.0
Accruals	0.4	0.2
Creditors – amounts falling due within one year	336.7	214.2
Amounts owed to Group companies	2,092.1	2,100.9
Accruals	–	0.4
Creditors – amounts falling due after more than one year	2,092.1	2,101.3
Total creditors	2,428.8	2,315.5

Amounts due to Group companies are unsecured, interest free and repayable on 1 March 2016.

F. Capital and reserves

Allotted, called up and fully paid share capital	Number	£m
Ordinary shares of 0.05p (2011: 0.05p) each		
As at 1 April 2011	435,811,738	0.2
Allotted on exercise of options during the year	2,956,370	–
As at 31 March 2012	438,768,108	0.2

As at 31 March 2012, 30,027 of the 0.05p ordinary shares in issue are held as treasury shares (2011: 77,215).

Reconciliation of movement in Company shareholders' funds

	Share capital £m	Share premium £m	Capital reserve £m	Profit and loss account £m	Hedging reserve £m	Total equity £m
As at 31 March 2010	0.2	186.1	0.9	550.7	4.1	742.0
Retained profit for the year before dividends paid	–	–	–	8.7	–	8.7
Dividends paid	–	–	–	(67.4)	–	(67.4)
Total recognised loss for the year	–	–	–	(58.7)	–	(58.7)
Employee share option scheme						
– value of share options granted	–	–	–	28.3	–	28.3
– exercise of share options	–	6.4	–	–	–	6.4
Purchase of shares by ESOP trusts	–	–	–	(6.6)	–	(6.6)
Sale of shares by ESOP trusts	–	–	–	0.3	–	0.3
As at 31 March 2011	0.2	192.5	0.9	514.0	4.1	711.7
Retained profit for the year before dividends paid	–	–	–	37.9	–	37.9
Dividends paid	–	–	–	(95.9)	–	(95.9)
Total recognised loss for the year	–	–	–	(58.0)	–	(58.0)
Employee share option scheme						
– value of share options granted	–	–	–	31.8	–	31.8
– exercise of share options	–	10.1	–	–	–	10.1
Purchase of shares by ESOP trusts	–	–	–	(60.7)	–	(60.7)
Sale of shares by ESOP trusts	–	–	–	0.1	–	0.1
As at 31 March 2012	0.2	202.6	0.9	427.2	4.1	635.0

Profit for the year on ordinary activities, but before dividends payable, was £37.9m (2011: £8.7m). As permitted by Section 408 of the Companies Act 2006, the Company has not presented its own profit and loss account.

The Company has a general authority from shareholders, renewed at each Annual General Meeting, to repurchase a maximum of 10% of its issued share capital. During the year to 31 March 2012, no ordinary shares were repurchased by the Company under this authority.

The cost of own shares held by the Group has been offset against the profit and loss account, as the amounts paid reduce the profits available for distribution by the Company. As at 31 March 2012 the amounts offset against this reserve are £41.9m (2011: £2.8m). In the year to 31 March 2012 the Burberry Group plc ESOP trust has waived its entitlement to dividends of £0.2m (2011: £nil).

The capital reserve consists of the capital redemption reserve arising on the purchase of own shares.

G. Dividends

	Year to 31 March 2012 £m	Year to 31 March 2011 £m
Prior year final dividend paid 15.00p per share (2011: 10.50p)	65.4	45.7
Interim dividend paid 7.00p per share (2011: 5.00p)	30.5	21.7
Total	95.9	67.4

A final dividend in respect of the year to 31 March 2012 of 18.00p (2011: 15.00p) per share, amounting to £79.0m (2011: £65.4m), has been proposed for approval by the shareholders at the Annual General Meeting subsequent to the balance sheet date. The final dividend has not been recognised as a liability at the year end and will be paid on 2 August 2012 to shareholders on the register at the close of business on 6 July 2012.

H. Financial guarantees

Burberry Group plc, together with Burberry Limited, Burberry Treasury Limited, Burberry Asia Limited, Burberry (Wholesale) Limited (US) and Burberry Limited (US) make up the Guarantor Group for a £300m multi-currency revolving facility agreement which commenced 28 March 2011 and matures 30 June 2016. Interest is charged on this facility at LIBOR plus 0.90% on drawings less than £100m, at LIBOR plus 1.05% on drawings between £100m and £200m, and at LIBOR plus 1.20% on drawings over £200m.

The fair value of the financial guarantee as at 31 March 2012 is £nil (2011: £nil).

A potential liability may arise in the future if one of the Group members defaults on the loan facility. Each guarantor, including Burberry Group plc, would be liable to cover the amounts outstanding, including principal and interest elements.

I. Audit fees

The Company has not been recharged audit fees of £0.1m for the current year which are borne by Burberry Limited (2011: £0.1m).

General shareholder enquiries

Enquiries relating to shareholdings, such as the transfer of shares, change of name or address, lost share certificates or dividend cheques, should be referred to the Company's Registrar, Equiniti, using the details below:

Equiniti
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA

Tel: 0871 384 2839. Calls to this number are charged at 8p per minute from a BT landline, other telephony provider costs may vary. Lines are open 8.30am to 5.30pm, Monday to Friday.

Please dial +44 121 415 7047 if calling from outside the UK or see help.shareview.co.uk for additional information.

American Depositary Receipts

Burberry has a sponsored Level 1 American Depositary Receipt (ADR) programme to enable US investors to purchase ADRs in US Dollars. Each ADR represents two Burberry ordinary shares.

For queries relating to ADRs in Burberry, please use the following contact details:

Deutsche Bank Trust Company Americas
c/o American Stock Transfer & Trust Company
Peck Slip Station
PO Box 2050
New York, NY 10272-2050
Tel: toll free within the US: +1 800 301 3517
Tel: International: +1 (718) 921 8137
Email enquiries: DB@amstock.com

Annual General Meeting

Burberry's Annual General Meeting will be held on Thursday, 12 July 2012 at 9.30am at the offices of Slaughter and May:

One Bunhill Row
London
EC1Y 8YY

The Notice of Meeting, together with details of the business to be conducted at the meeting, is available on the Company's website at burberrypkc.com.

The voting results for the 2012 Annual General Meeting will be accessible on the Company's website at burberrypkc.com shortly after the meeting.

Dividends

Dividends can be paid by BACS directly into a UK bank account, with the tax voucher being sent to the shareholder's address. A dividend mandate form is available from Equiniti or at shareview.co.uk.

Record date:	6 July 2012
Final date for return of DRIP mandate forms:	12 July 2012
Payment date:	2 August 2012
Interim dividend payable:	January 2013

The ADR local payment date will be approximately five business days after the proposed dividend payment date for ordinary shareholders.

Dividends payable in foreign currencies

Equiniti are able to pay dividends to shareholders in over 30 countries worldwide through the Overseas Payment Service. An administrative fee will be deducted from each dividend payment. Further details can be obtained from Equiniti or online at shareview.co.uk.

Dividend Reinvestment Plan

The Company's Dividend Reinvestment Plan (DRIP) enables shareholders to use their dividends to buy further Burberry shares. Full details of the DRIP can be obtained from Equiniti. If shareholders would like their final 2012 and future dividends to qualify for the DRIP, completed application forms must be returned to Equiniti by 12 July 2012.

Duplicate accounts

Shareholders who have more than one account due to inconsistency in account details may avoid duplicate mailings by contacting Equiniti and requesting the amalgamation of their share accounts.

Electronic communication

Shareholders may at any time choose to receive all shareholder documentation in electronic form via the internet, rather than in paper format. Shareholders who decide to register for this option will receive an email each time a shareholder document is published on the internet. Shareholders who wish to receive documentation in electronic form should register online at shareview.co.uk.

Equiniti offers a range of shareholder information and services online at shareview.co.uk. A textphone facility for those with hearing difficulties is available by calling: 0871 384 2255. Calls to this number are charged at 8p per minute from a BT landline, other telephony provider costs may vary. Lines are open 8.30am to 5.30pm, Monday to Friday. Please call +44 121 415 7028 if calling from outside the UK.

Financial calendar

First quarter trading update	11 July 2012
Annual General Meeting	12 July 2012
First half trading update	11 October 2012
Interim results announcement	7 November 2012
Third quarter trading update	15 January 2013
Second half trading update	17 April 2013
Preliminary results announcement	21 May 2013

Registered office

Burberry Group plc
Horseferry House
Horseferry Road
London
SW1P 2AW

Registered in England and Wales
Registered Number 03458224
burberryplc.com

Share dealing

Burberry Group plc shares can be traded through most banks, building societies or stock brokers. Equiniti offers a telephone and internet dealing service. Terms and conditions and details of the commission charges are available on request.

For telephone dealing please telephone 08456 037 037 between 8.00am and 4.30pm, Monday to Friday, and for internet dealing visit shareview.co.uk/dealing. Shareholders will need their reference number which can be found on their share certificate.

ShareGift

Shareholders with a small number of shares, the value of which makes them uneconomic to sell, may wish to consider donating their shares to charity through ShareGift, a donation scheme operated by The Orr Mackintosh Foundation. A ShareGift donation form can be obtained from Equiniti. Further information is available at sharegift.org or by telephone on 0207 930 3737.

Share price information

The latest Burberry Group plc share price is available on the Company's website at burberryplc.com.

Unauthorised brokers (boiler room scams)

Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports. These are typically from overseas-based 'brokers' who target UK shareholders offering to sell them what often turn out to be worthless or high-risk shares in US or UK investments. These operations are commonly known as boiler rooms.

If you receive any unsolicited investment advice:

- ♦ Make sure you get the correct name of the person and organisation
- ♦ Check that they are properly authorised by the FSA before getting involved by visiting: fsa.gov.uk/register/
- ♦ Report the matter to the FSA either by calling 0845 606 1234 or visiting: fsa.gov.uk/pages/consumerinformation
- ♦ If the calls persist, hang up.

If you deal with an unauthorised firm, you will not be eligible to receive payment under the Financial Services Compensation Scheme. The FSA can be contacted by completing an online form at fsa.gov.uk/Pages/Doing/Regulated/Law/Alerts/form.shtml.

Details of any share dealing facilities that the company endorses will be included in company mailings.

More detailed information can be found on the FSA website at fsa.gov.uk/pages/consumerinformation.

Website

This Annual Report and other information about Burberry, including share price information and details of results announcements, are available on the Company's website at burberryplc.com.

Disclaimer

The purpose of this document is to provide information to the members of Burberry Group plc. This document contains certain statements that are forward-looking statements. They appear in a number of places throughout this document and include statements regarding our intentions, beliefs or current expectations and those of our officers, directors and employees concerning, amongst other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the business we operate. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this document and unless otherwise required by applicable law the Company undertakes no obligation to update or revise these forward-looking statements. Nothing in this document should be construed as a profit forecast. The Company and its directors accept no liability to third parties in respect of this document save as would arise under English law. This document does not constitute an invitation to underwrite, subscribe for or otherwise acquire or dispose of any Burberry Group plc shares, in the UK, or in the US, or under the US Securities Act 1933 or any other jurisdiction.

EXECUTIVE TEAM

EXECUTIVE DIRECTORS

Angela Ahrendts

Chief Executive Officer

Stacey Cartwright

Executive Vice President

Chief Financial Officer

SENIOR MANAGEMENT

Christopher Bailey

Chief Creative Officer

John Douglas

Chief Technology Officer

Fabrizio Fabbro

Senior Vice President

Product Development

Alessandro Fabrini

Senior Vice President

Licensing

Carol Fairweather

Senior Vice President

Group Finance

Emilio Foa

Chief Financial Officer, Europe

Senior Vice President

Emerging Markets

Marco Gentile

Chief Operating Officer, Europe

Senior Vice President

Southern Europe

Stephen Gilbert

Senior Vice President

Architecture

Jan Heppe

Chief Operations Officer, Americas

William Kim

Senior Vice President

Retail, Americas

Donald Kohler

Senior Vice President

Planning

Andrew Maag

President, Europe

Michael Mahony

Chief Corporate Affairs Officer

General Counsel

Sarah Manley

Chief Marketing Officer

Matt McEvoy

Senior Vice President

Strategy, New Business Development
& Licensing

Karin Ong

Chief Operations Officer, Asia Pacific

Pascal Perrier

President, Asia Pacific

Paul Price

Chief Merchandising Officer

Steve Sacks

Chief Customer Officer

Reg Sindall

Executive Vice President

Corporate Resources

Mark Taylor

Chief People Officer

Eugenia Ulasewicz

President, Americas

