



BURBERRY
ESTABLISHED 1856





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STRONG RESULTS

Total revenue (Year to 31 March)

£1,999M

2013	1,999
2012	1,857
2011	1,501
2010	1,185
2010*	1,280
2009	1,202

Retail revenue (Year to 31 March)

£1,417M

2013	1,417
2012	1,270
2011	962
2010	710
2010*	749
2009	630

Wholesale revenue (Year to 31 March)

£473M

2013	473
2012	478
2011	441
2010	377
2010*	434
2009	489

Adjusted operating profit (Year to 31 March)

£428M

2013	428
2012	377
2011	301
2010	220
2010*	220
2009	181

Adjusted operating profit is stated before exceptional items.
Reported operating profit £346m (2012: £377m)

2009 and 2010* include the results of the discontinued Spanish operations.
2010 has been re-presented to exclude the discontinued Spanish operations.

Adjusted diluted EPS (Year to 31 March)

70.0P

2013	70.0
2012	61.6
2011	48.9
2010	35.1
2009	30.2

Adjusted diluted EPS is stated before exceptional items.
Reported diluted EPS 57.0p (2012: 59.3p)

Net cash (As at 31 March)

£297M

2013	297
2012	338
2011	298
2010	262
2009	8

Dividends per share (Year to 31 March)

29.0P

2013	29.0
2012	25.0
2011	20.0
2010	14.0
2009	12.0

Capital expenditure (Year to 31 March)

£176M

2013	176
2012	153
2011	108
2010	70
2009	90



BURBERRY

REGENT STREET W1

PICCADILLY W1



STRONG RESULTS

In 2012/13, the Burberry team navigated a challenging environment making excellent strategic progress and achieving another record financial result.



Sir John Peace
Chairman

Strategically, activity was focused by Burberry's core themes. In product, the team continued to refine the offering across categories. Innovative digital marketing activity brought a more engaging message to targeted sets of consumers. Flagship store openings extended Burberry's presence in key gateway cities. Supported by these initiatives, the brand experience continued to be enriched and elevated. Burberry's distinctive culture was further nurtured and reinforced, and continued to project externally through the work of the Burberry Foundation. These, along with the full set of the Group's strategic initiatives, are discussed throughout this report.

This progress was also recognised externally. Interbrand, the global brand consultancy, once again named Burberry in its list of the world's 100 most valuable brands. In the digital arena, Burberry led media think tank L2's Fashion 'Digital IQ Index' for the second year. On land, Fast Company magazine listed Burberry second in its ranking of the world's most innovative retailers. And, in an indicator of cultural strength, professional platform LinkedIn identified Burberry as the 29th most in-demand employer globally.

Financial performance was also strong. Total revenue grew 8% to £2bn, with adjusted operating profit increasing 14% to £428m. While overall results are strong, a look at the core retail/wholesale business, which excludes the impact of the legacy Japan licensed business, is more indicative of the modern brand's progress. Here, retail/wholesale adjusted operating profit increased 17% on an 8% revenue gain. Adjusted after-tax return on capital was 35%. The Group ended the year with a £297m net cash balance, and the

board has recommended a 16% increase in the full year dividend to 29.0p.

In addition to the team's efforts, these results were also a function of investments over the past several years. The Group has invested heavily in stores, emerging growth markets, technology and new capabilities. While in line with Burberry's growth objectives, it's worth highlighting that some of these are particularly important in a more difficult external environment. For example, previous investments in information systems and business intelligence expertise brought greater visibility and enabled quicker and more precise action during the year. Looking forward, although the near-term environment presents many uncertainties, Burberry plans to continue to invest based upon a successful strategy, its distinctive culture and generally favourable luxury sector fundamentals. Consistent with this, in 2012/13 Burberry committed to one of its largest single investments to date with its decision to integrate the fragrance and make-up business. Operating as of 1 April 2013, Beauty offers an exciting growth platform for the future.

The year also brought important management changes. Stacey Cartwright, Executive Vice President, Chief Financial Officer and a director, will stand down in July 2013 to pursue new interests. Stacey has been an outstanding contributor to Burberry during the past nine years, and we thank and wish her well in future endeavours. We welcome Carol Fairweather as Chief Financial Officer and a director. As Carol has been with the Group for six years, most recently leading the finance function, this is a natural transition. Finally, John Smith, former Chief Executive of BBC Worldwide and a non-executive director, joined Burberry's executive team as Chief Operating Officer in March. John's deep experience in digital media is an important addition to the Group. In keeping with this dynamic, growing business, we expect to continue to evolve board composition going forward.

On behalf of the Board, I thank the global team for their efforts during a challenging year and congratulate them on their achievements. By executing a consistent strategy in pursuit of clear objectives – clarity of the luxury brand message, sustainable growth and great company – the Burberry team has generated substantial value for shareholders in this and years past. Similarly, on behalf of the Board and team, I thank shareholders for their continued support.

STRIKING THE BALANCE

From outstanding performance in 2011/12, Burberry began the year cautiously optimistic, our long-range objectives – ensuring clarity of the luxury brand message, enabling sustainable growth and being a great company – firmly in sight.



Angela Ahrendts
Chief Executive Officer

This combination of optimism and determination, fuelled by the brand's wealth of opportunity, suggested continued pursuit of the investment-oriented strategic agenda in the year ahead. At the same time, this pre-disposition was tempered by uncertainties in the macro environment and the goal to deliver near-term financial performance. In the final analysis, the result was a balance of dynamic management, core execution and strategic investment.

Challenging context

Following standout growth in 2011 relative to the range of consumer sectors, luxury slowed dramatically in 2012. The ongoing economic crisis in the Eurozone and a continued sluggish US weighed on all areas of consumer spending. Although most of Asia remained relatively healthy, the Chinese consumer – which accounts for a majority of luxury consumption growth – was subdued by a secularly decelerating economy complicated by government transition. Industry experts estimate that luxury sector growth declined from 13% in 2011 to 5% in 2012. Within that, ready-to-wear brands and businesses were disproportionately affected. For Burberry, this climate manifested itself in a decline in store traffic and greater weekly sales volatility.

Dynamic management

Internally, we talk about managing the business dynamically and focusing on the things we can control. 2012/13's external environment tested the team on these dimensions. Supported by investments in information systems and business intelligence expertise during the past few years – which enable monitoring, analysis and implementation – we set out to do exactly that.

Heightened conversion

The traffic decline placed greater emphasis on converting consumers entering the stores to customers. This effort included service initiatives that maximised time on the selling floor of our most skilled associates, increased inventory availability and improved selling skills and product knowledge. In terms of product, we expedited fashion assortments targeted at core luxury customers and refined monthly floorset execution to enhance the flow of fresh merchandise.

Targeted marketing

Aided by deeper consumer insight, we retargeted marketing activities in keeping with changing consumer spending patterns. The team increased the brand's presence in high-profile outdoor and travel-oriented locations and experimented with new digital venues – some of which were contracted on a real-time basis. For festive periods, a cross-functional group refined programmes across product, visual and advertising to better highlight specific gift-giving opportunities.

Tactical efficiency

The Group also acted to enhance near-term efficiency. Discretionary expenses were tightly controlled and inventory was closely managed at all stages of the process in keeping with softer sales.

Core execution

Articulated by the five strategic themes, Burberry's core strategy has been consistently executed over the past seven years, and actions to navigate immediate conditions did not sway us from this course.

Blurring the physical and digital

Given a world of increasingly ubiquitous mobile internet access, we expect dissolution of the boundaries separating physical and digital channels. Consumers will see a single, continuous space in which to interact with a brand. Through a range of activities, we are working to integrate the benefits of the physical and digital spheres. Ultimately, the vision is to serve completely any consumer on any platform in any geography.

- In this regard, the opening of the London flagship at 121 Regent Street in September is our most ambitious effort to date. Housed in a period building restored in partnership with traditional British craftsmen, the store expresses burberry.com in tangible space – complete product assortment, RFID technology to trigger targeted multimedia content, omnipresent digital screens continuously projecting brand imagery. Burberry World Live, a store of the future, blending heritage and innovation, online with offline.
- Additional integration initiatives included the expanded use of iPads to enhance inventory availability, continued upgrading of Retail Theatre throughout the store base to ensure synchronised delivery of brand content to consumers, and experimentation with new payment systems to streamline the purchase experience.

Enhancing the product proposition

At the heart of the Burberry brand, product was a key area of strategic activity.

- Elevation of the product offering is an ongoing process. In the year, we exited selected opening price points in heritage rainwear and leather goods categories. Exacting a cost in terms of sales, this is consistent with the brand's positioning within the current luxury context. Similarly responding to consumer demand, we continued to invest in the upper tiers of our product pyramid, the Prorsum and London labels. These labels increased their share of retail sales during the year.
- Although founded as a mens brand, Burberry is underpenetrated in mens. During the year, outerwear benefited from greater emphasis on innovation and design. Tailoring developed with broader assortments and expanded distribution. Closer attention to in-store timing of seasonal merchandise enhanced relevance of the offering. And the first fully dedicated Burberry mens store was opened in London in October 2012. Achieving a 13% revenue increase, mens was the fastest growing product division in the year. With mens integration only two years old, Burberry is in the early stages of capitalising on this heritage.
- October saw the launch of The Britain watch for women and men. The Britain, featuring an advanced Swiss-made mechanical movement and more sophisticated design, is an important step in realigning Burberry's watch business with the brand's luxury positioning.

Engaging the Chinese consumer globally

Given their importance, efforts to better understand and serve Chinese consumers are an ongoing priority. During the year, Burberry conducted proprietary research, leveraging the results across functions: to extend product sizing and fit, to train sales associates in high-travel markets, to formulate occasion-specific marketing campaigns – citing a few examples. In the year, Greater China represented Burberry's fastest growing major market and this consumer was prominent throughout the retail network.

Developing growth markets

Outside Asia, the Group continued to develop other growth markets. In the directly operated markets of India, Latin America and the Middle East, the Group opened net six mainline stores during the year. While some offer below average profitability today, we believe these markets represent important components of future growth.

In regions operated through franchise partners, including Turkey, Russia and Eastern Europe, eight stores were opened with expansion to five new markets, including Georgia and Jordan. New franchise agreements were signed for Colombia and Chile.

Expanding the retail presence

In addition to London, the year included flagship store openings in Chicago, Hong Kong and Milan. While contributing to sales, these brand statements in gateway cities present the complete Burberry to diverse groups of relevant consumers, many of them new to the brand. In total, the Group opened net 14 mainline stores, six concessions and five outlets during the year, and completed seven major renovations. Average selling space increased 13%.

Refining the wholesale presence

Efforts to align the quality of the brand's wholesale presence with that of retail are ongoing. In both the Americas and Europe, we continued to concentrate on luxury-oriented department and specialty stores – with emphasis on dedicated real estate – while exiting legacy doors inconsistent with the brand's positioning. This activity, in combination with the channel's exposure to soft geographies, resulted in 1% underlying wholesale revenue growth for the year.

As part of the brand proposition, Burberry looks to be a leader in consumers' digital interaction with brands, in both innovation and capability. In marketing, the S/S13 campaign generated record awareness through social media. Total Burberry YouTube video views reached over ten million during the year. RFID-enabled personalised content was introduced with the A/W13 runway show. Experimenting with emerging digital platforms, Burberry streamed live images of London weather to prominent outdoor sites in London, Paris, Hong Kong, Los Angeles and New York during the Olympic period. In commerce, burberry.com added Spanish and Korean languages and tested new fulfilment options.

Strategic investment

While executing currently, the team invested in strategic initiatives with longer-term horizons.

Integrating Beauty

Among the most exciting strategic investments in recent years, the transition of Burberry's fragrance and make-up business from a licensed to a directly operated business began in the year.

- Offering luxury's opening price point and broadest distribution, fragrance is the most widely encountered expression of the Burberry brand. The category also accounts for a large percentage of global brand media spend. As a result, direct operation will assist in optimising brand presence in every market, further enable Burberry to capitalise on the synergistic relationship with fashion, and better align the product offering with brand architecture. Integration elevates this business to true core activity, allowing Burberry to capture the full opportunity.
- In terms of opportunity, despite Burberry's position among the largest luxury apparel and accessories brands globally, it is undersized in fragrance. Growth has been slow, with fragrance significantly underperforming the rest of the Group over the past five years. In make-up, the brand has only just started.
- From the decision to integrate in October, the team moved quickly across functions, leveraging existing skills and resources while adding external category-specific talent and capability. As of 1 April, Beauty had been successfully integrated and commenced operating. Burberry's fifth product division, Beauty is a growth platform of the future.

Evolving customer dialogue

In a landscape of Big Data and continuous communication, we believe information-intensive, deep customer relationships which allow an individualised customer dialogue will be critical to future success in luxury. As part of this, the Group began developing new tools to provide an integrated view of a customer's interaction with the brand across all Burberry platforms, with initial piloting of a clienteling application commencing at year end. Development work to enhance consumers' ability to engage the brand through mobile devices also progressed in the year.

Transitioning the Japan legacy

In Japan, transition from the legacy licensed business to global integration continued. As part of this, Burberry's early stage retail operation achieved strong growth at existing stores and concessions, opened a concession, added a third store and planned additional openings in 2013/14; while the effect of licence terminations continued to reduce legacy royalty income.

Reinforcing the supply chain

To accommodate future growth objectives, the Group reinforced the supply chain. In logistics, Burberry added distribution capacity, upgraded existing facilities and increased network efficiency. In sourcing, additional resources were committed to further develop in-house outerwear manufacturing capability and improve raw material management.

Strong financial results

This balance of activity delivered record financial results in 2012/13 while positioning Burberry well for years ahead. Total revenue increased 8% underlying to £2bn. Retail revenue grew 12% driven by new space and a 5% comparable store gain. Soft European markets particularly weighed on wholesale, resulting in a 1% underlying revenue increase. The 1% underlying decline in licensing revenue was a product of double-digit growth among global licences more than offset by declining legacy Japan royalties. Adjusted operating profit increased 14% to £428m, with the core retail/wholesale segment increasing 17% on 8% revenue growth – retail/wholesale operating margin also reached a record 17.8%. Capital expenditure totalled £176m and the Group ended the year with £297m in net cash.

Powerful culture

Burberry's culture is a key ingredient to this success. Rooted in the brand's core values and fuelled by a creative-thinking, entrepreneurial spirit, our connected, united culture creates an energy that enables innovation, coordination and agility. These characteristics are evident in the year's accomplishments. This distinctive culture is also expressed externally through ethical trade and sustainability efforts, employee engagement with local communities and the Burberry Foundation, which contributes both human and capital resources to encourage youth to realise their dreams through the power of creativity. We continued to invest in this powerful culture throughout the organisation – communication initiatives, operating structures, reward programmes and celebrations. The bigger the business becomes, the more connected we will need to be.

A great community

Through the efforts of this great team we largely realised our objectives. So I thank them, as well as Burberry's extended community of franchise and licensing partners, customers and suppliers, for their passion, commitment and hard work during the year. Looking forward, this team provides confidence for markets favourable or not.

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

70.0P +14%

2013	70.0	+14%
2012	61.6	+26%
2011	48.9	+39%
2010	35.1	+16%
2009	30.2	-4%

Adjusted diluted EPS is stated before exceptional items.
Reported diluted EPS 57.0p (2012: 59.3p).





**BRAND, BUSINESS,
CULTURE**



127

REG. TRADE MARK

BURBERRY



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.



BURBERRY

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.



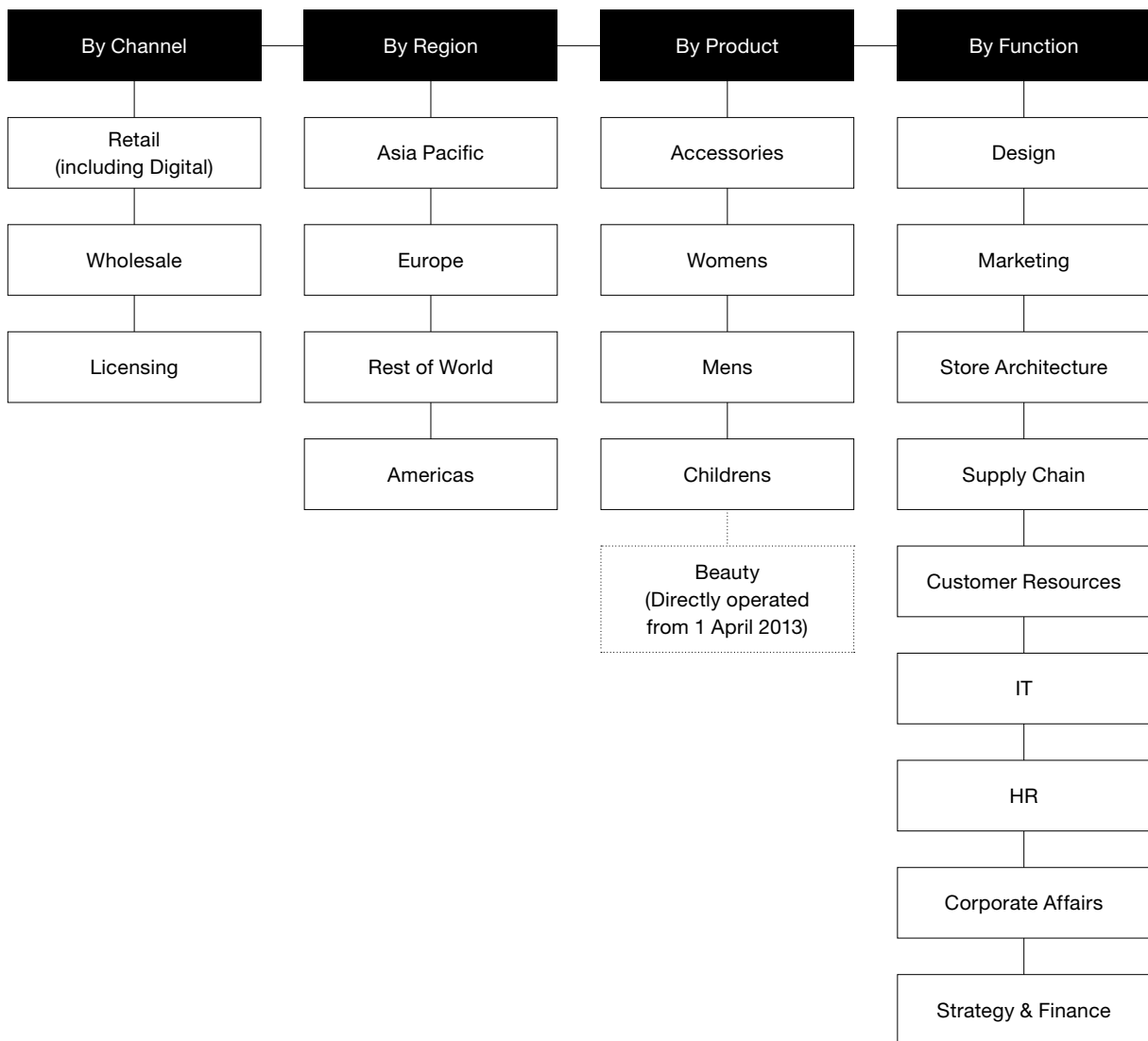
**BURBERRY GROUP
OVERVIEW**

DELIVERING SUSTAINABLE 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 leverages its proven strategies and teams to assure sustainable, profitable growth balanced by channel, region and product.

DIVERSIFIED BUSINESS MODEL

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 core corporate functions.

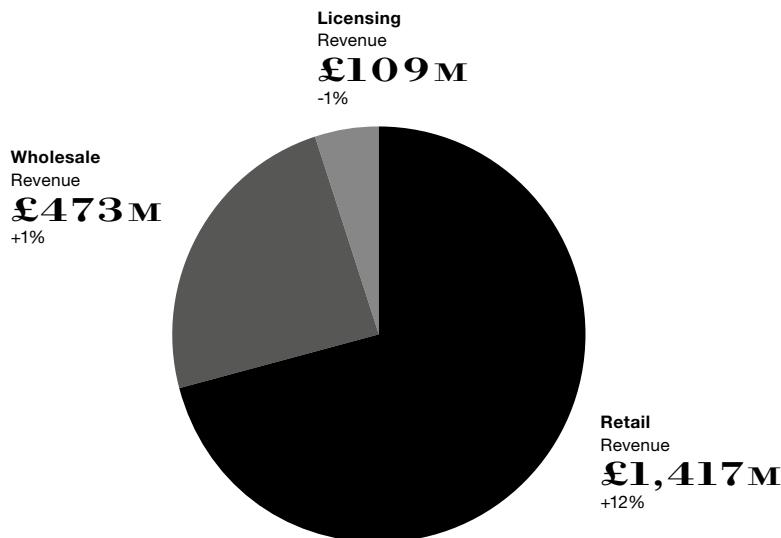


CHANNEL MIX

Burberry sells its products to the end consumer through both retail (including digital) and wholesale channels. For 2012/13, retail accounted for 71% of revenue and wholesale 24%. 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 206 mainline stores, 214 concessions within department stores, digital commerce and 49 outlets

- 12% underlying growth
- 5% comparable store growth
- 7% growth from new space
- 23 mainline store openings, focused in flagship markets including Chicago, Hong Kong, Milan and London

Wholesale

Includes sales to department stores, multi-brand specialty accounts, Travel Retail and franchisees who operate 65 Burberry stores, mainly in emerging markets

- 1% underlying growth
- Growth in North American department stores, Asia Travel Retail and emerging markets
- Net eight new franchise stores opened

Licensing

Includes income from Burberry's licensees, just over 60% from Japan with the balance from global product licensees (fragrance, eyewear and timepieces) and the European wholesale childrens licensee

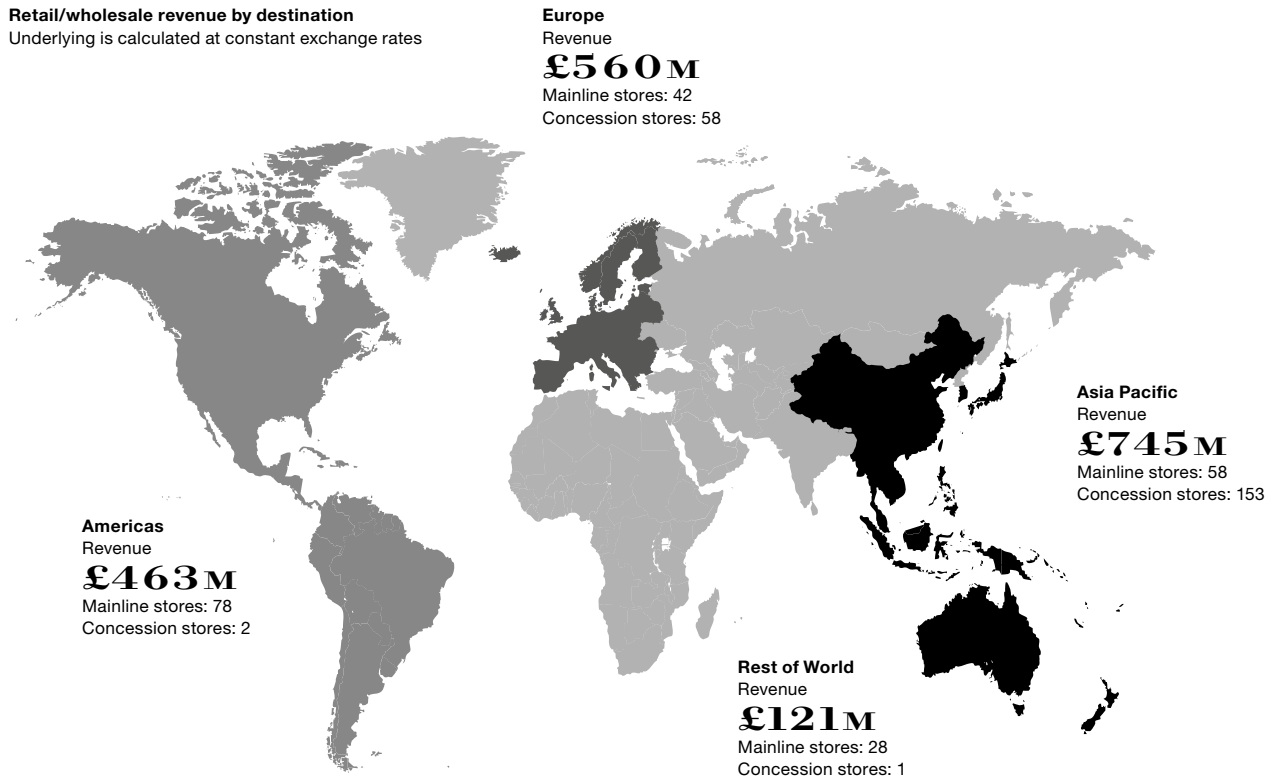
- 1% underlying decline
- Royalty income from Japan down reflecting continued rationalisation of short-term accessories licences in Japan
- Double-digit underlying growth in royalty income from global product licences
- Burberry began directly operating fragrance and beauty from 1 April 2013

BROAD GEOGRAPHIC PORTFOLIO

Burberry operates in four regions. For 2012/13, Asia Pacific represented 39% of retail/wholesale revenue, Europe 30%, Americas 25% and Rest of World 6%.

Retail/wholesale revenue by destination

Underlying is calculated at constant exchange rates



Americas

- 6% underlying growth
- Retail accounted for approximately two-thirds of revenue
- Low single-digit comparable store sales growth, weighted towards the second half
- Approaching 10% of Americas retail revenue came from outside the United States
- North American department store wholesale customers outperformed, with further expansion of dedicated shop-in-shops

Europe

- 6% underlying growth
- Retail accounted for nearly 70% of revenue
- Comparable store sales growth broadly unchanged year-on-year, France and Germany robust, Italy remained weak
- The United Kingdom accounted for over 40% of Europe retail revenue
- Largest wholesale region, about 40% of group wholesale revenue. Revenue impacted by weak demand, especially in Italy, and continuing planned rationalisation of accounts

Rest of World

- 11% underlying growth
- Retail accounted for nearly 60% of revenue
- High single-digit comparable store sales growth, led by India
- Good growth in wholesale revenue, mainly to franchise partners who operate 65 stores globally

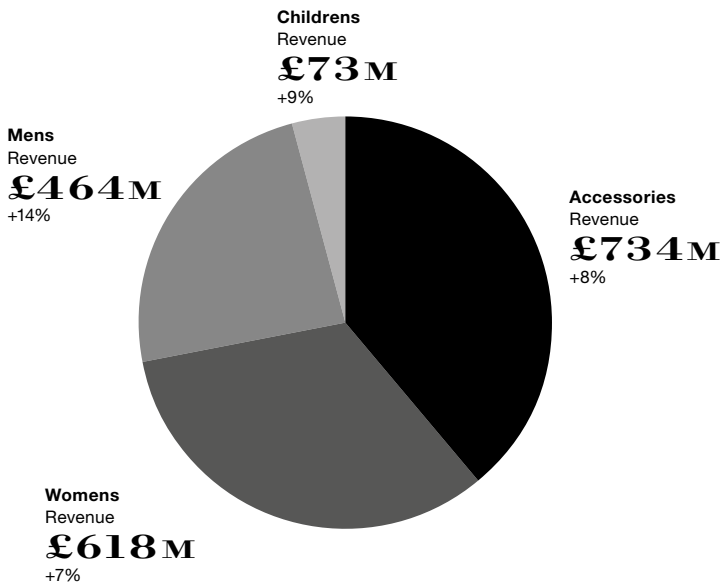
Asia Pacific

- 13% underlying growth
- Retail accounted for nearly 90% of revenue
- Double-digit comparable store sales growth in China and Hong Kong, Korea remained weak
- Good growth in Travel Retail, which makes up the majority of wholesale in the region

DIVERSIFIED PRODUCT MIX

Burberry has a structured product offering and has seen growth across each of these business areas. For 2012/13, accessories represented 39% of retail/wholesale revenue, womens 33%, mens 24% and childrens 4%.

Retail/wholesale revenue by product division
Underlying is calculated at constant exchange rates



Accessories

- Large leather goods, nearly half of mainline accessories revenue
- Continued innovation in core leather programmes and key fashion shapes
- Men's accessories increased by over 30% in mainline retail, to reach nearly 20% of total accessories revenue

Womens

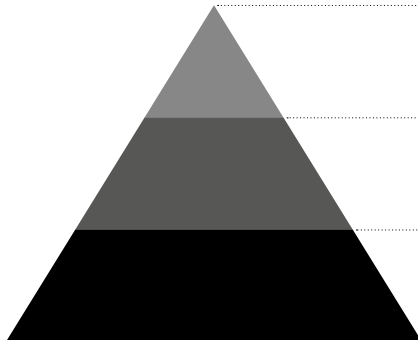
- Core outerwear was the largest growth category, over half of mainline revenue
- Prorsum and London outperformed, S/S13 Brit resurgent

Mens

- Significant growth in tailoring, up over 50% year-on-year
- Prorsum and London outperformed
- First standalone mens store opened in Knightsbridge, London

Childrens

- Strong growth in outerwear, supported by S/S13 advertising campaign
- Replenishment up to nearly 30% of mainline revenue



Burberry Prorsum

The most fashion forward collection centred around runway shows, providing the design inspiration for the brand

Burberry London

The tailored collection, typically what a customer wears on weekdays for work

Burberry Brit

The most casual collection, typically worn on the weekend

BURBERRY
PRORSUM

BURBERRY
PRORSUM
MADE FOR
ELIZABETH THOMAS

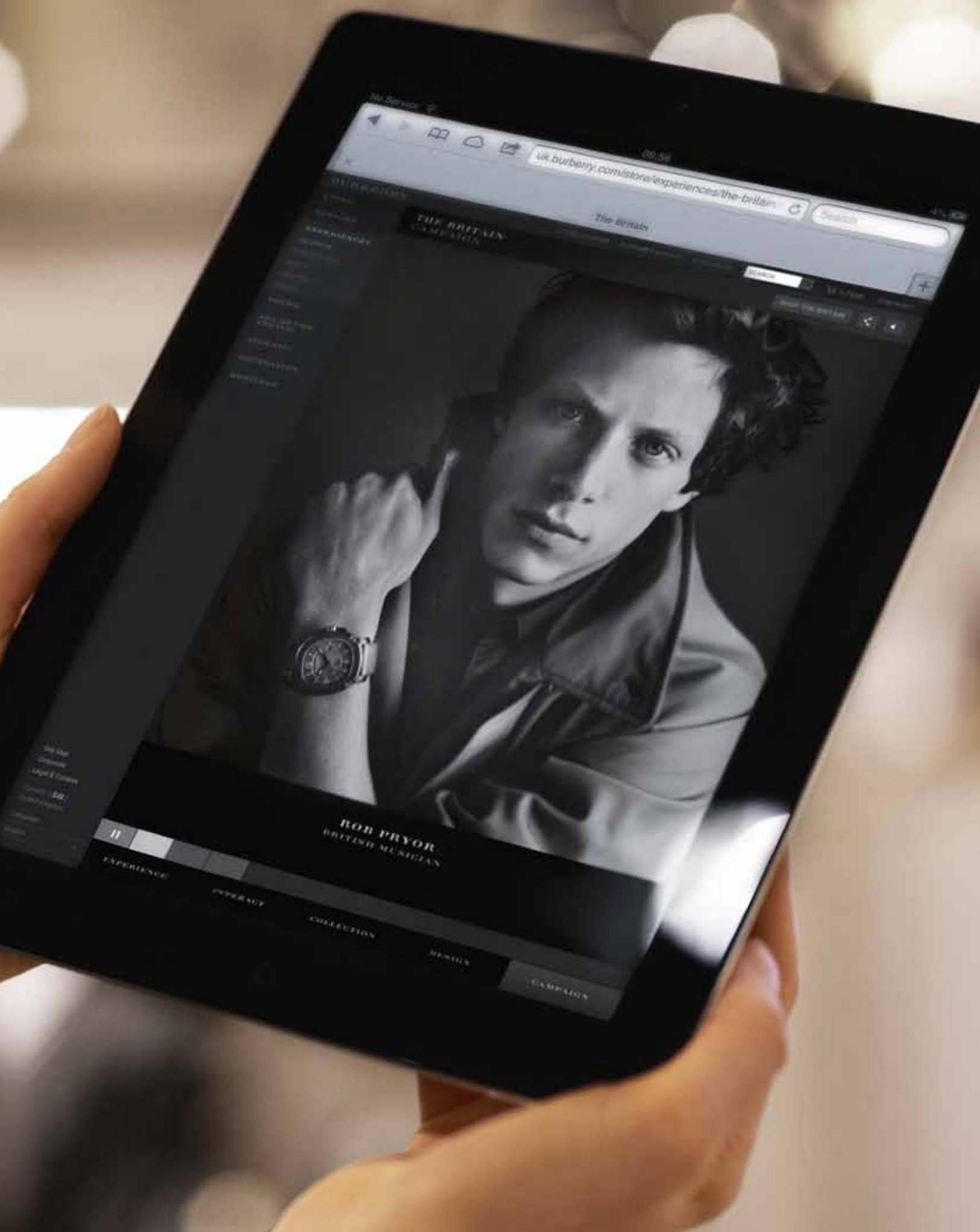




STRATEGIC THEMES

LEVERAGE THE FRANCHISE

Enhance consumer resonance and operate more effectively through exacting use of brand assets and coordinated action across the global organisation. One brand, one company.



No Service

uk.burberry.com/store/experiences/the-britain

00:56

11:30

THE BRITAIN CAMPAIGN

The Britain

Search



ROB PRYOR
BRITISH MUSICIAN

- EXPERIENCE
- ITERACY
- COLLECTION
- DESIGN
- CAMPAIGN

See the
campaign
and its
collection
on the
iPad

Key highlights from 2012/13 include:

Brand momentum

Ensuring the strength, purity and positioning of the Burberry brand remained a priority.

Burberry World Live

- Burberry Regent Street opened in London in September 2012 as the brand's most comprehensive expression to date. Introducing the concept of 'Burberry World Live', Regent Street blurred the physical and the digital to bring all aspects of burberry.com ('Burberry World') to life in a meticulously-restored heritage space.
- Offering the full collection in a digitally-enriched environment, Regent Street engaged customers with brand content continuously projected on over 100 screens throughout the store, including product-specific content triggered by RFID-enabled merchandise on mirrors that turn instantly to screens. In-store audiences could watch key brand moments live from other locations, including the womenswear S/S13 and A/W13 runway shows.
- Regent Street also gave physical expression to the brand's most innovative digital launches. This included live music events featuring Burberry Acoustic artists and the first in-store Burberry Bespoke experience.

Beauty

- In October 2012, Burberry announced the transition of its fragrance and make-up business from a licensed to a directly operated structure.
- As consumers' most widely encountered expression of the Burberry brand, Beauty provides outstanding growth opportunities for the Group. Business integration was completed during the year with operations commencing on 1 April 2013.

Digital

- Investments in burberry.com continued with expanded delivery to over 100 countries, while the introduction of Spanish and Korean brought the number of languages online to eight.
- Retail theatre was rolled out to a further 84 stores, extending the global streaming of brand content in all flagship markets.

Brand recognition

- Listed in Interbrand's 'Top 100 Global Brands' for the fourth consecutive year, Burberry was named the luxury fashion brand with the greatest increase in brand value. Burberry was cited by Altagamma as the luxury brand with the highest digital customer awareness and led media think tank L2's 'Fashion Digital IQ Index' for the second year, as well as being named by L2 as the fashion brand with the highest 'digital IQ' in China. LinkedIn ranked Burberry the 29th most in-demand employer globally.

Marketing innovation

Continued extension of its reach through marketing innovation, leveraging brand content to engage and connect global audiences.

Digital engagement

- Brand excitement was driven globally across a range of platforms. The S/S13 main campaign generated record awareness through social and traditional media, with the launch video generating over 1.7 million views on YouTube and Burberry trending globally on Twitter. The womenswear A/W13 show was streamed live on Twitter for the first time, allowing followers to embed the show stream in personal newsfeeds.
- Burberry finished the year as the most followed luxury brand on Facebook, with nearly 15 million fans. Total lifetime YouTube video views reached nearly 24 million and the brand's combined Twitter following was over two million. Burberry was also the leading luxury lifestyle brand on Instagram.

Outdoor investment

- Investment was increased in out-of-home marketing in key markets. To emphasise the brand's association with weather, Burberry streamed live images of London scenes simultaneously throughout the Olympic period to prominent outdoor sites in London, Paris, Hong Kong, Los Angeles and New York.
- The Art Of The Trench social media platform was taken to outdoor spaces in London and Chicago in conjunction with flagship store launches.
- More broadly, the brand secured key airport and iconic urban locations on a long-term basis.

Product excellence

Burberry creates great product through intensive focus on design innovation, quality and core heritage icons.

Outerwear

- Outerwear is the core of the apparel business, underpinned by monthly fashion groups and a robust replenishment programme. Leveraging the brand's unique heritage together with design innovation and excellence, outerwear accounted for about 50% of mainline apparel sales. The iconic trench coat continued to be a central feature of the brand's marketing activities.

Mens

- Investments in infrastructure saw increased product and marketing excellence in men's outerwear, London and Brit. As the fastest growing product division, mens represented 24% of retail/wholesale revenue.
- Retail sales of men's tailoring, available in over 70 mainline stores, grew by nearly 70% year-on-year and the first dedicated standalone mens store opened in Knightsbridge, London.

Product hierarchy

- Burberry Prorsum and London continued to outperform, reflecting customer preferences and representing about half of womens and mens mainline retail sales.
- An ongoing focus on innovative product, marketing and merchandising and a shift in the product pyramid mix drove growth in mainline average unit retail prices.
- Runway Made to Order launched, continuing to put the Burberry customer at the centre of increasingly personalised luxury experiences. Engraved nameplates could be added to custom-made outerwear and bags from the womenswear A/W13 collection. Smart personalisation technology was introduced to unlock bespoke digital content relating to each item on touchscreen devices.

KPI: 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.

£1,999M + 8%



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

INTENSIFY ACCESSORIES

Capitalise on opportunities in under-penetrated accessory categories by combining Burberry's creative expertise and iconic branding with intensified investment in product development, sourcing and marketing.





Accessories remained Burberry's largest product division, contributing 39% of total retail/wholesale revenue and recording underlying growth of 8%.

Key highlights from 2012/13 include:

Men's accessories

- Continued investments in product design, development and marketing drove an increase in sales of over 30%, to account for nearly 20% of total mainline accessories revenue. Growth in this category was particularly strong in Asia Pacific and on burberry.com.

Soft accessories

- Continued diversification and innovation in fabrications and prints, supported by enhanced visual merchandising, enabled outperformance in this key category.
- Scarves, one of the largest trans-seasonal businesses, performed strongly, driven by a balanced offer across cashmere and lighter-weight blends.

Large leather goods

- Accounting for around half of all mainline accessories revenue, large leather goods remained the backbone of this category. Growth was driven by focused marketing of key fashion shapes and continued innovation in the core leather programme, including the launch of the Heritage Grain collection.
- Following a successful launch in the womenswear A/W12 collection, the Orchard bag was subsequently introduced as a replenishment style and became the brand's second-best selling shape within a year.

Festive

- The seamless execution of giftable product was a focus throughout the year, with a particular emphasis on accessories. New experiences were created on burberry.com and brand marketing campaigns were synchronised across all platforms to drive awareness and sales growth around key global holiday periods.

Watches

- With the introduction of The Britain, Burberry took a major step in realigning its watches with the brand's global luxury positioning.
- Inspired by the iconic trench coat, the mechanical watch collection for men and women celebrated the brand's values of functional design and craftsmanship.
- The launch included a bespoke mobile experience, featuring a to-scale interactive 3D model of the watch displaying the user's time, location and local weather conditions.

Eyewear

- A continued focus on product development and distribution drove robust sales growth.
- Product activity included the addition of two high-profile collections in the year. The Aviator sunglasses collection was launched with a digitally-led music campaign, which included live performances by Burberry Acoustic bands in Milan, New York, Paris and Sydney. Splash sunglasses were introduced at the womenswear and menswear S/S13 runway shows and featured in the main advertising campaign.

KPI: Growth in accessories 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.

£734M + 8%

2013	734	+8%
2012	689	+22%
2011	563	+32%
2010	417	
2010*	420	+10%
2009	366	+12%

Revenue is retail/wholesale only. Growth rate is year-on-year underlying change i.e. at constant exchange rates. 2009 and 2010* include the results of the discontinued Spanish operations. 2010 has been re-presented to exclude the discontinued Spanish operations.

ACCELERATE RETAIL-LED GROWTH

Apply a dynamic digital retail mindset across the organisation and processes to drive growth in all distribution channels – online and offline.





Burberry finished the year with retail revenue up 12% and accounting for 71% of total revenue.

Key highlights from 2012/13 include:

Driving productivity

- Burberry invested in enhanced training, physical and digital synchronisation and improved merchandising disciplines.
- Interactive training materials were rolled out, providing social and online learning tools to enhance the expertise of sales associates in delivering a seamless experience across physical and digital channels.
- Monthly floorsets and gifting strategies drove consistent brand messaging across all customer touchpoints.

Customer focus

- Investment in customer service continued with the opening of a new service centre in Shanghai. These facilities supported Burberry customers 24/7 by phone, email, live chat in 11 languages and via a dedicated customer service Twitter account.
- Global customer analytics and insight capabilities, together with the development of enhanced customer intelligence tools, began to drive deeper understanding of customer trends.
- Burberry Private Client teams, dedicated to offering exceptional service, continued to grow globally, with the investment focused in flagship markets.

Real estate investment

- 13% increase in average space growth, focused in flagship markets.
- 23 mainline stores were opened, including flagships in London, Chicago, Hong Kong and Milan. Major renovations including Paseo de Gracia Barcelona and Knightsbridge London were completed.
- The first US retail concession was opened, occupying a three-storey space in the refurbished Macy’s Herald Square, New York.

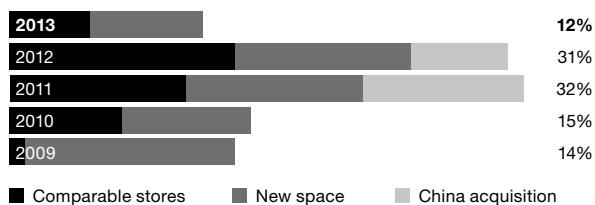
External recognition

- Burberry was ranked second in Fast Company magazine’s ‘Top 10 Most Innovative Companies in Retail’ for 2013. The custom-designed Chicago flagship, Burberry’s second-largest store in North America, was awarded ‘2013 Development of the Year’ by the Greater North Michigan Avenue Association.

KPI: 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.

£1,417M +12%

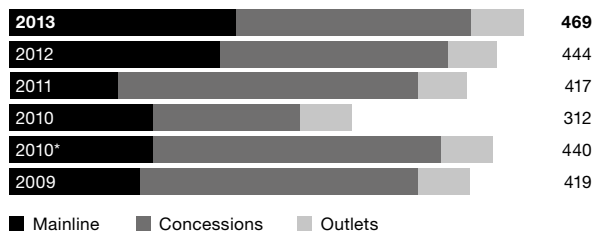


Growth rate is year-on-year underlying change i.e. at constant exchange rates. Comparable store sales growth is defined as the annual percentage increase in sales from stores that have been opened for more than 12 months, adjusted for closures and refurbishments.

KPI: Number of stores (As at 31 March)

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

469 +25 STORES



2009 and 2010* include the stores of the discontinued Spanish operations. 2010 has been re-presented to exclude the discontinued Spanish operations.

INVEST IN UNDER-PENETRATED MARKETS

Focus on and invest in under-penetrated markets. For Burberry, these include opportunities in both developed markets like the United States and the growth economies of China, India and the Middle East. A range of distribution channels and business models are used to address these opportunities.





Key highlights from 2012/13 include:

Engaging the Chinese luxury consumer

- Leveraging proprietary research into the Chinese luxury consumer, Burberry refined services to these customers at home and abroad.
- Over 150 Mandarin-speaking sales associates were integrated into teams across top tourist destinations outside Asia. In China, a specialised sales and service programme was developed, enhancing the customer experience and driving brand consistency.
- Bespoke product assortments were developed for stores in China, key tourist destinations and on burberry.com, to coincide with the Golden Week and Chinese New Year holidays.
- The brand’s digital presence continued to be strengthened, engaging customers with dedicated content across multiple Chinese platforms.

Developing the Middle East

- The store portfolio in the Middle East was extended with the opening of five new stores across Kuwait, UAE and Saudi Arabia.
- Customised Eid Al Fitr and Eid Al Adha campaigns were introduced in-market and on burberry.com, engaging customers at these peak gifting periods.

Building Central and Latin America

- The brand’s footprint in Latin America increased with the opening of four new stores in Brazil – São Paulo, Recife and two in Rio de Janeiro.
- Leases were signed to open a planned three further retail stores in Antara, Santa Fe and Cancun.
- New franchise agreements were signed for Colombia, Chile and Barbados.

Entering new markets

- Recognising the potential volatility in emerging markets, Burberry continued to work with franchisees and partners in countries where it has more limited experience, benefiting from local expertise.
- During the year Burberry opened stores in five new markets: Jordan, Kazakhstan, Latvia, Estonia and Georgia.

Elevating wholesale presence

- Securing appropriate in-store locations and refining assortments, Burberry made further progress in aligning its wholesale presence with the global brand positioning.
- North American department stores performed strongly with further expansion of dedicated shop-in-shops.

KPI: Number of stores in emerging markets

(As at 31 March) Measures the reach of the Burberry brand in these high potential countries.

173 +19 STORES



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

PURSUE OPERATIONAL EXCELLENCE

*Continue to pursue operational excellence consistent
with the brand's product and marketing expertise.*





BBY1201

50 METERS WATER RESISTANT

10002

BURBERRY

SWISS MADE

STAINLESS STEEL

JEWELS

Burberry continued to drive operational improvements and increased efficiency across all global functions, with a particular focus on technology, planning and supply chain.

Key highlights from 2012/13 include:

Technology investments

Process innovation

- Back office finance and HR functions continued to evolve with enhanced governance, risk and compliance systems. Automated and standardised processes were introduced to enable scalable growth and to support the incorporation of the Beauty division.
- Technology was leveraged to enable the rapid delivery of consolidated data such as product details, customer and transaction information to front-end applications, including the development of an iPad-enabled digital catalogue for showrooms.

Social entity

- Continued development and deployment of Burberry's internal communications portal connected and engaged employees worldwide with chat forums, video content and tailored working groups.
- In November 2012, this was rolled out to select external partners, reinforcing and enhancing the connections between the business and its global constituencies and facilitating greater transparency, efficiency and responsiveness.

Planning

- Assortment planning and inventory management continued to improve, balanced by product division, label, category and price point.
- The global brand buy, a common product assortment across Burberry stores, provided increased supply chain efficiency, while maintaining regional flexibility.

Supply chain

Optimising logistics

- Logistical enhancements were implemented to provide capacity for long-term growth. The regional distribution hub in Piacenza, Italy was expanded to optimise European logistics activities, while in Asia Pacific a new distribution centre in Kwai Chung, Hong Kong was opened to service China.
- Digital commerce operations in Europe moved in-house, with all online customer orders fulfilled by the recently-enhanced UK distribution centre in Blyth.

Investment in UK manufacturing

- Additional capital investments in Castleford, the brand's heritage rainwear manufacturing facility, enabled seamless end-to-end product development and production, increasing accuracy and efficiency.
- The Woodrow facility, where the brand's iconic gabardine fabric is woven, was renamed Burberry Mill to align the site more closely with the brand. Burberry Mill benefited from the integration of finance, HR and site management resources with Castleford during the year.

KPI: Retail/wholesale gross margin (Year to 31 March)
Measures, among other things, how effectively Burberry sources its products.

70.6% + 250 BPS

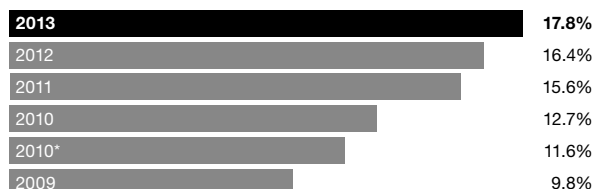


2009 and 2010* include the results of the discontinued Spanish operations. 2010 has been re-presented to exclude the discontinued Spanish operations.

KPI: 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.

17.8% + 140 BPS



Adjusted operating profit margin is stated before exceptional items. 2009 and 2010* include the results of the discontinued Spanish operations. 2010 has been re-presented to exclude the discontinued Spanish operations.

FINANCIAL REVIEW

GROUP FINANCIAL HIGHLIGHTS

Revenue

(2012: £1,857m)

£1,999M + 8%**Retail revenue**

(2012: £1,270m)

£1,417M + 12%**Adjusted profit before tax**

(2012: £376m)

£428M + 14%**Year end net cash**

(2012: £338m)

£297M**Adjusted diluted earnings per share**

(2012: 61.6p)

70.0P + 14%**Full year dividend per share**

(2012: 25.0p)

29.0P + 16%

£ million	Year to 31 March		% change	
	2013	2012	reported FX	underlying
Revenue	1,998.7	1,857.2	8	8
Cost of sales	(556.7)	(558.3)	0	(2)
Gross margin	1,442.0	1,298.9	11	11
Operating expenses*	(1,013.9)	(922.0)	(10)	(10)
Adjusted operating profit	428.1	376.9	14	13
Net finance charge*	(0.3)	(0.7)	-	-
Adjusted profit before taxation	427.8	376.2	14	13
Exceptional items	(77.1)	(10.2)		
Profit before taxation	350.7	366.0	(4)	
Taxation	(91.5)	(100.6)		
Discontinued operations#	(0.0)	(0.3)		
Non-controlling interest	(4.9)	(1.8)		
Attributable profit	254.3	263.3		
Adjusted EPS (pence)~	70.0	61.6		
EPS (pence)~	57.0	59.3		
Weighted average number of ordinary shares (millions)~	446.5	444.3		

Adjusted measures exclude exceptional items and discontinued operations.

* Operating expenses in 2013 in the table above exclude a charge relating to the termination of the licence relationship of £82.9m (2012: nil) and a restructuring credit of £0.6m (2012: nil) included in the reported expenses of £1,096.2m (2012: £922.0m). The net finance charge in 2013 in the table above excludes a £5.2m China put option liability finance credit (2012: £10.2m charge) included in the reported net finance income of £4.9m (2012: £10.9m charge).

Discontinued operations in Spain in 2013 delivered a nil profit (2012: loss of £0.3m).

~ EPS is presented on a diluted basis.

Revenue analysisRevenue by channel

£ million	Year to 31 March		% growth	
	2013	2012	reported FX	underlying
Retail	1,416.6	1,270.3	12	12
Wholesale	472.7	478.3	(1)	1
Licensing	109.4	108.6	1	(1)
Revenue	1,998.7	1,857.2	8	8

Retail

71% of revenue (2012: 68%); generated from 206 mainline stores, 214 concessions within department stores, digital commerce and 49 outlets.

- Retail sales increased by 12% on an underlying and reported FX basis.
- Comparable store sales increased by 5% (H1: 3%; H2: 7%).
- New space contributed the balance of growth (7%).
- Average retail selling space increased by 13% (2012: 14% excluding China acquisition).

During FY 2013, retail trading was uneven, with comparable store sales growth of 6%, 1%, 6% and 8% by quarter, achieved against double-digit growth throughout the previous year.

Product, marketing and customer service initiatives drove strong performance in the second half festive periods including Christmas and Chinese New Year. Digital was further optimised, with innovative marketing and monthly global messages leveraged and synchronised online and offline, responding to rapidly changing consumer behaviour.

Overall, store traffic was soft, offset by increased conversion rates and higher average transaction values. Online traffic and conversion were up significantly.

With continued focus on the execution of proven retail strategies, the drivers of growth were consistent with previous years.

- Outerwear and large leather goods remained at about half of mainline revenue.
- Replenishment remained at about half of mainline revenue.
- Burberry Prorsum and London penetration increased by four percentage points to reach 49% of mainline apparel revenue.
- Mens and men's accessories accounted for over half the growth in mainline revenue.

There was positive comparable store sales growth in all four regions during the year.

Asia Pacific

Nearly 90% of Asia Pacific revenue came from retail. China and Hong Kong both delivered double-digit comparable store sales growth in the year, while Korea remained weak.

A net seven stores were opened in the region, focused on upgrading the store portfolio in China and in flagship markets including Hong Kong, with new stores in Pacific Place and Russell Street.

Europe

Retail accounted for nearly 70% of Europe revenue. Following a strong first quarter, comparable store sales growth was broadly unchanged for the remainder of the period. France and Germany were robust and Italy remained weak. The United Kingdom, Burberry's home market, accounted for over 40% of Europe retail revenue and delivered good overall growth, driven by the investment in London stores (Regent Street and Knightsbridge mens).

New store openings were largely in flagship markets, including London, Milan and Rome, which typically benefit more from travelling luxury customers.

Americas

About two-thirds of Americas revenue came from retail. Low single-digit comparable store sales growth in the year was weighted towards the second half. Approaching 10% of Americas retail revenue came from outside the United States, with five stores in Canada, seven in Brazil and two in Mexico at the year end.

Store openings included the rebuilt Chicago flagship, a further store in San Francisco and four openings in Brazil.

Rest of World

Retail accounted for nearly 60% of revenue for Rest of World, with 30 stores at the year end (23 in the Middle East and seven in India). Although uneven, high single-digit comparable store sales growth was achieved in the year, led by India.

Wholesale

24% of revenue (2012: 26%); generated from sales to department stores, multi-brand specialty accounts, 65 franchise stores and Travel Retail.

- Wholesale revenue increased by 1% underlying (down 1% at reported FX).
- H1: up 5% underlying; H2: down 3% underlying as guided.
- Growth in North America, Asia Travel Retail and emerging markets offset by continued planned account and product rationalisation.
- Outerwear and mens outperformed other products.

Asia Pacific

Good growth was achieved during the year in Travel Retail, despite weakness in Korea.

Europe

Europe remains the Group's largest wholesale region at nearly 40% of wholesale revenue. Revenue was impacted by weak demand from domestic customers, especially in Italy, coupled with continuing planned rationalisation of small specialty accounts for brand and credit reasons.

Americas

The Americas is about one-third of Group wholesale revenue. Sales to North American department store customers again performed strongly, despite the greater impact of withdrawing entry price point products in core accessories and outerwear than in other regions. There was a further expansion of dedicated shop-in-shops during the year, reflecting brand segmentation initiatives with key customers.

Rest of World

Wholesale revenue in Rest of World, which is mainly to franchise partners, saw good growth.

At the year end, Burberry had 65 franchise stores, a net increase of eight during the year, including in Jordan, Kazakhstan, Latvia, Estonia and Georgia.

Licensing

5% of revenue (2012: 6%); of which just over 60% is from Japan (split roughly 85% apparel and 15% from three remaining short-term accessories licences), with the balance from global product licences (fragrance, eyewear and watches) and European wholesale childrens.

- Licensing revenue down 1% on an underlying basis (up 1% at reported FX).
- Consistent with full year guidance.
- Fragrance and beauty taken in-house from 1 April 2013.

At constant exchange rates, royalty income from Japan was down compared to last year. Income from the apparel licence, which expires in June 2015, increased slightly, reflecting higher minimum payments, offset by the planned termination and downsizing of the remaining short-term accessories licences in Japan.

Global product licences delivered double-digit percentage growth. Product launches included Body Tender fragrance, the Aviator and Splash sunglasses collections and The Britain watch, starting the realignment of Burberry watches with the brand's luxury positioning.

Burberry began directly operating fragrance and beauty from 1 April 2013. The royalty revenue (£27m in FY 2013) from this product category will no longer be received.

Operating profit analysis**Adjusted operating profit**

£ million	Year to 31 March		% growth	
	2013	2012	reported FX	underlying
Retail/wholesale	335.6	286.9	17	17
Licensing	92.5	90.0	3	1
Adjusted operating profit	428.1	376.9	14	13
Adjusted operating margin	21.4%	20.3%		

Adjusted operating profit increased by 14% to £428.1m, including a £2.9m translation benefit.

Adjusted retail/wholesale operating profit

£ million	Year to 31 March		% change
	2013	2012	reported FX
Revenue	1,889.3	1,748.6	8
Cost of sales	(556.7)	(558.3)	0
Gross margin	1,332.6	1,190.3	12
Gross margin	70.6%	68.1%	
Operating expenses	(997.0)	(903.4)	(10)
Adjusted operating profit	335.6	286.9	17
Operating expenses as % of revenue	52.8%	51.7%	
Adjusted operating margin	17.8%	16.4%	

On 8% revenue growth, retail/wholesale adjusted operating profit increased 17% to £335.6m, resulting in a 140 basis point improvement in operating margin to 17.8%. This included a £12m benefit from a lower performance-related pay charge, due in part to the external environment being more challenging than budgeted. Without this benefit, adjusted operating margin would have been 17.1% compared to 16.4% in FY 2012.

Gross margin increased by 250 basis points, driven by modest price increases, FX benefits on sourcing, improved inventory management and the mix shift to retail.

The operating expenses to revenue ratio increased by 110 basis points, driven in part by the shift to retail. Of the £94m increase, over half related to net new space. Spending by the largest corporate functions (marketing, IT, product and design) was tightly controlled, falling marginally as a percentage of sales, funding further investment in areas including digital.

Licensing operating profit

£ million	Year to 31 March	
	2013	2012
Revenue	109.4	108.6
Cost of sales	-	-
Gross margin	109.4	108.6
Gross margin	100%	100%
Operating expenses	(16.9)	(18.6)
Operating profit	92.5	90.0
Operating margin	84.6%	82.9%

Licensing revenue declined by 1% on an underlying basis (up 1% at reported FX). With lower expenses, operating profit increased slightly to £92.5m, including a £1.7m FX benefit.

Exceptional items

£ million	Year to 31 March	
	2013	2012
Termination of licence relationship	(82.9)	-
Restructuring credit	0.6	-
China put option liability finance credit/(charge)	5.2	(10.2)
	(77.1)	(10.2)

During the year, £82.9m has been recognised as an exceptional item relating to the termination of the fragrance and beauty licence relationship.

- Of the Euro 181m termination payment, £70.9m has been capitalised as an intangible asset and will be amortised on a straight-line basis over the period 1 April 2013 to 31 December 2017. This intangible asset relates to the present value of the anticipated incremental income from fragrance and beauty which will be earned by the Group up to 31 December 2017. The annual amortisation charge is expected to be £15m.
- The remaining £71.3m has been recognised as an expense, together with related costs of £2.7m. It is anticipated that this value will be recovered through increased income from fragrance and beauty beyond 31 December 2017.
- Set up costs of £8.9m were incurred during the second half of the year as Burberry prepared for the transition to direct control. These included marketing, product registration and headcount costs.

The restructuring credit of £0.6m 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 credit/(charge) relates to fair value movements on the put option liability over the non-controlling interest in the acquired Chinese business. The credit in the full year was £5.2m (2012: £10.2m charge).

Taxation

In FY 2013, Burberry had a tax charge of £91.5m (2012: £100.6m), giving a tax rate on adjusted profit of 25.8% (2012: 26.7%). Tax on exceptional items has been recognised as appropriate. The resulting effective tax rate on reported profit is 26.1% (2012: 27.5%).

The tax rate on adjusted profit for FY 2014 is currently expected to be about 25%.

Net cashflow

Cash inflow from operations was £523m, an increase of £40m over last year. This funded significant investment during the year, with capital expenditure of £176m (2012: £153m) and £144m to terminate the fragrance and beauty licence relationship. Other major outflows were dividends (£114m) and tax (£99m). Net cash at 31 March 2013 was £297m (2012: £338m).

Inventory at 31 March 2013 was £351m. Excluding Beauty (£9m), this was a 7% increase year-on-year at constant exchange rates, compared to 12% retail sales growth.

OutlookRetail

In the year to 31 March 2014, Burberry plans to open about 25 mainline stores and close about 15, while opening about ten concessions and closing about the same number. Openings are biased towards the evolution of the portfolio in China and further expansion in Latin America. Following two years of above average space growth, net new openings are planned to contribute low to mid single-digit percentage growth to retail revenue in FY 2014.

Wholesale

Excluding Beauty, Burberry expects underlying wholesale revenue to decrease by about 10% in the six months to 30 September 2013 (2012: £253m). Wholesale customers globally planned more conservatively for Autumn/Winter 2013 and there is a continuing impact from Burberry's strategic rationalisation of wholesale accounts (particularly in Europe) and entry price products (particularly in North America).

In addition, and as previously guided, with Burberry directly operating Beauty from 1 April 2013, wholesale revenue of about £140m and incremental retail/wholesale operating profit of around £25m is still expected in FY 2014. This will be weighted towards the second half, reflecting the impact in the first half of the move from licence to direct operation.

Licensing

In the year to 31 March 2013, licensing revenue, excluding £27m royalty income from fragrance and beauty, was £82m. In the year to 31 March 2014, Burberry expects growth from this level to be slightly positive at constant exchange rates and broadly unchanged at reported exchange rates, with the difference in growth rates largely reflecting the impact of the Japanese Yen hedge rate.

In FY 2014, royalty income from Japan is expected to be broadly unchanged at constant exchange rates year-on-year, with higher minimum payments from the apparel licence offset by ongoing rationalisation of the three remaining accessories licences. The two global product licences (watches and eyewear) are expected to deliver double-digit percentage growth.

Retail/wholesale profit

For FY 2014, the aim is to modestly increase on the operating margin achieved in FY 2013, which was 17.1% without the £12m benefit of a lower performance-related pay charge. Reflecting the evolution and phasing of the business, adjusted PBT for the six months to 30 September 2013 is currently expected to be below the level of the prior year (£173m):

- Revenue continues to be weighted to the second half.
- First half wholesale revenue, excluding Beauty, expected to be down 10% underlying, as guided.
- H1 2012 benefited from a £15m lower performance-related pay charge, as previously disclosed.
- Beauty is expected to be dilutive in H1 2013, reflecting the short-term impact of the transition to direct operation.

Store portfolio

	Directly-operated stores				Franchise stores
	Stores	Concessions	Outlets	Total	
At 31 March 2012	192	208	44	444	57
Additions	23	22	10	55	11
Closures	(9)	(16)	(5)	(30)	(3)
At 31 March 2013	206	214	49	469	65

Store portfolio by region

	Directly-operated stores				Franchise stores
	Stores	Concessions	Outlets	Total	
At 31 March 2013					
Asia Pacific	58	153	12	223	15
Europe	42	58	20	120	30
Americas*	78	2	16	96	3
Rest of World	28	1	1	30	17
Total	206	214	49	469	65

* Three franchise stores in the Americas are in Mexico.

PRINCIPAL RISKS

Effective management of risk is essential to the execution of the Group's strategic themes, the achievement of sustainable shareholder value, the protection of the brand and ensuring good governance.

The Board has overall responsibility for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives (its risk appetite), and for ensuring that risks are managed effectively. The Board has delegated to the Audit Committee the 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 facilitates 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 these. The detailed assessments are then consolidated to provide input into the overall Group risk assessment. See the Corporate Governance Report for further details of the Group's risk management processes and internal controls.

The Board and the executive management team use a combination of different and complementary skills to assess the risks facing the business. In determining its risk appetite the Board considers a variety of information when reviewing the Group operations and in approving key matters reserved for its decision. This information includes:

- updates provided by senior management on key strategic and operational matters;
- information provided for the purposes of deciding whether to approve those significant matters which have been reserved for the Board; and
- Group risk assessments facilitated by the Group's Internal Audit and Risk Assurance Function and the reports of the external auditors.

The risks set out in the table on the following pages represent the principal risks and uncertainties which may adversely impact the performance of the Group and the execution of its key strategic themes. Other factors could also adversely affect Group performance and so the risks set out should not be considered to be a complete set of all potential risks and uncertainties.

The key steps the Group takes to address these principal risks are described in the table under 'Mitigation'. It is not possible for the Group to implement controls to respond to all the risks it may face, and the steps the Group has taken to address certain risks (including those listed) may not manage these risks effectively.

The principal risks are not listed in order of significance and each of the risks should be considered independently. If more than one of the events contemplated by the risks set out occur, it is possible that the combined overall impact of such events may be compounded.

Since the last annual report, the Group's assessment of its principal risks has incorporated the following:

- the macroeconomic outlook has worsened with expectations for global economic growth reducing, adversely impacting consumer confidence and sales growth;
- the expiration of the Japan licence in 2015 will result in the loss of significant revenue to the Group. The Group is preparing plans for its business in Japan following the expiration of the licence; and
- the Group has been directly operating its Beauty business since 1 April 2013. However, ongoing activity to integrate this business into the Group could divert management resources with an adverse impact on the Group's other businesses.



Principal Risks

<i>Risk</i>	<i>Impact</i>	<i>Mitigation</i>
Sustained economic slowdown.	The Group's performance remains strong; however, the sustained economic slowdown has: (i) reduced consumer wealth leading to a reduction in demand; (ii) impacted the financial stability of suppliers and their ability to secure finance which could disrupt the Group's supply chain or lead to an increase in bad debts; and (iii) impacted the financial stability and recovery of banks and other financial institutions, all of which could adversely 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 change in ongoing sales performance. 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 currently exist, with specific initiatives in place designed to retain key individuals. Recent regulatory changes may make it more difficult to remain competitive in the global market for executive talent. Recruitment is ongoing and talent review and succession planning programmes are in place and have been updated during the year.
A substantial proportion of Group profits is reliant upon its licensed business in Japan and other key licensed product categories.	<p>The licence with Sanyo Shokai and Mitsui & Company in Japan expires in 2015, whereupon the royalty income under the licence will cease.</p> <p>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 Group profits.</p>	<p>The Group is preparing plans for the transition of its business in Japan following the expiration of the licence.</p> <p>To minimise risks in Japan the Group has its own operations in Tokyo.</p> <p>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.</p> <p>The risk has been reduced due to the integration of the Beauty business.</p>
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.	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.
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 the continuing activities set out in the Great Brand, Great Company section.
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 dependence on key vendors. The Group has continued to strengthen its internal digital and IT teams and continues to facilitate knowledge transfer to internal resources. Annual financial checks are carried out on all key vendors.

Principal Risks

<i>Risk</i>	<i>Impact</i>	<i>Mitigation</i>
The failure to adequately complete the Beauty transition would adversely affect the Group's return on investment. In addition, this incremental activity could divert management resources resulting in an adverse impact on the Group's existing business.	A failure by the Group to deliver revenue and profit performance.	The Group has established Beauty as the fifth product division staffed by industry experts from both within and outside the organisation with priority being placed on sourcing, distribution and regulatory compliance.
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, with 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 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.
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 regular meetings with senior management to review operational performance. Management and operational structures are continually reviewed to ensure that these support the Group's growth.
The Group's operations (including now its Beauty division) 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.	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. 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 were strengthened during the year. Assurance processes are in place to monitor compliance, with results being reported to the Group Risk Committee and Board Audit Committee.
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 ongoing developments. The Group 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.	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, including in the digital environment. Given the Group's emphasis on digital innovation the team places a particular focus on this area. Where infringements are identified these are addressed through a mixture of criminal and civil legal action and negotiated settlement. 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.

**GREAT BRAND,
GREAT COMPANY**

GREAT BRAND, GREAT COMPANY

Burberry believes that to be a great brand, it must also be a great company. Burberry constantly leverages the energy of its creative thinking culture for positive change, from its own organisation, to its business partnerships, wider community engagement and societal and environmental impact. Commitment to its extended global community is at the heart of the Burberry core values: to Protect, Explore and Inspire, and the business strives to evolve its practices in line with these principles.

1%

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

830

Over 830 audits, visits and trainings conducted in the global supply chain

65%

Tanneries supplying more than 65% of accessories leather are engaged in Burberry's environmental management programme

20%

Further 20% increase in uptake of global Sharesave Scheme

8,000

8,000 hours dedicated to volunteering by associates in 55 cities

155

155 young people participated in Burberry Create, an immersive six-week creative training and employability programme, delivered by Burberry associates

700

700 associates recognised for reaching Long Service milestone anniversaries



BURBERRY BEYOND

Burberry Beyond encompasses all activities relating to Burberry's commitment to driving positive social, cultural and environmental impact globally, underpinned by three pillars: Burberry Impact, Burberry Engage and Burberry Invest.

**BURBERRY
IMPACT**

Leveraging our creative thinking culture to inspire sustainable action

**BURBERRY
ENGAGE**

Harnessing the passions and talents of Burberry associates

**BURBERRY
INVEST**

Supporting and inspiring the next generation of creative thinkers

Burberry Impact

The Burberry Impact programme, covering ethical trade and environmental sustainability, was introduced as a five-year commitment to make meaningful and lasting improvements to workers' employment and workplace conditions, as well as to significantly reduce the company's environmental impact. These commitments, informed by baseline assessments, were developed in partnership with Forum for the Future and with support from the Ethical Trading Initiative. The programme is supported by an advisory committee of external expert stakeholders and the Burberry Strategic Responsibility Council.

Burberry Impact has four areas of focus: people, product, process and property.

People

Burberry expects all its suppliers to comply with local labour and environmental laws and the Burberry Ethical Trading Code of Conduct, providing their workers with safe working conditions and fair pay, and allowing them to exercise their right to freedom of association and collective bargaining.

Further integration of ethical trade principles into commercial decision making continued to be a focus across the business, with opportunities identified to improve labour standards through strong supplier

relationships. Engagement activities included announced and unannounced audits; monitoring; continuous improvement programmes supported by third parties; and the provision of training and confidential worker hotlines.

Burberry continued to provide suppliers with the necessary tools and support to ensure compliance with the Burberry Ethical Trading Policy, including the Burberry Ethical Trading Code of Conduct. The Code is underpinned by the United Nations Universal Declaration of Human Rights, the fundamental conventions of the International Labour Organisation and the Ethical Trading Initiative base code.

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

839* +11%



Recognising the importance of workers in protecting workplace rights, the rollout of NGO-run confidential worker hotlines was extended. Currently 70* factories offer hotline access, giving 30,000* workers a free and confidential consulting, counselling and whistleblowing line.

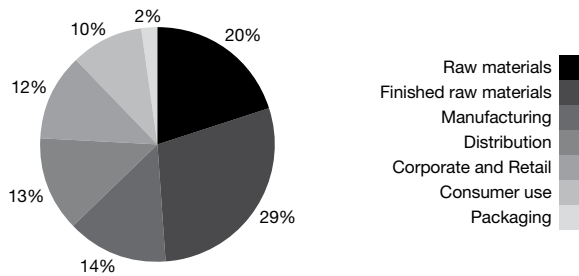
Across its supply chain, Burberry endeavours to work through multi-stakeholder dialogue to contribute to sustainable change. Burberry continued to collaborate with peers and stakeholders, including Business for Social Responsibility and the UN Global Compact, as well as through its membership of the tri-partite Ethical Trading Initiative.

Product

Burberry initiated an environmental baseline assessment of both direct and indirect carbon dioxide equivalent (CO₂e) impacts from raw materials, energy, water, chemical inputs and waste. This detailed analysis enabled the identification of risks and priority areas for the business to focus reduction efforts at a regional, functional and raw material level.

Environmental Baseline Assessment*

(A/W11 and S/S13 as % of CO₂e)



Together, cotton and leather represent 57% of CO₂e[^] from Burberry raw materials. Building collaborative partnerships with the suppliers of these materials is therefore critical to achieving Burberry’s product commitments. Working closely with other luxury brands and the Leather Working Group, Burberry committed to monitoring and improving the environmental management and traceability in its leather supply chain, working with tanneries supplying more than 65%[^] of accessories leather.

Process

Burberry is committed to driving more sustainable outcomes throughout its worldwide operations.

Reflecting its commitment to reducing energy consumption across the supply chain, Burberry conducted energy efficiency assessments at key vendor sites and distribution centres, which account for almost one-third of CO₂e[^] identified in the environmental baseline assessment.

Property

Leveraging the sustainability expertise of the Burberry construction team is crucial to the continued pursuit of more sustainable construction practices and energy efficiency in both existing and new buildings.

Pilot energy saving schemes were introduced after store audits identified up to 65% kilowatt hours[^] of potential energy savings in selected stores. The new Chicago flagship store achieved LEED Silver certification, using innovative technologies to increase efficiency.

Recognising that associate education and engagement is critical to achieving Burberry’s energy efficiency targets, a training programme was established and supported by a global challenge encouraging the submission of creative ideas for sustainable action.

Global buildings energy CO₂

(CO₂ kgs per £1,000 turnover)

20* + 5%



Burberry Engage

Leveraging core business competences and individual talents in the communities where associates live and work remains a key objective. Burberry continued to encourage its associates to connect with the Burberry Beyond framework, extending its positive impact in new and existing locations. Eight taskforces were established to dynamically embed the framework into ways of working across the global organisation.

Associates were encouraged to dedicate their skills and passions during working hours to volunteering programmes, harnessing their talents to give back to local communities. 2,300[^] associates in 55[^] cities dedicated over 8,000* hours to inspire young people in their local communities.

Employee volunteering hours

Time volunteered by Burberry associates

8,000* + 45%

2013	8,000*
2012	5,500
2011	3,700

Burberry Invest

Burberry Invest supports innovative organisations and programmes in Burberry’s communities worldwide, combining associates’ dedication, knowledge and creativity with corporate financial support and in-kind donations.

Burberry donates 1%* of Group profits before tax to charitable causes, the majority to the Burberry Foundation (UK registered charity number 1123102), an independent charity that aims to help young people realise their dreams and potential through the power of their creativity.

The Foundation has partnered with 32 charities to directly and indirectly inspire over 75,000 young people since it was established in 2008. Today, the Foundation is active in 14 cities around the world.

In addition to financial support, the Foundation made in-kind donations ranging from non-trademark fabric and materials to assist young people enrolled in art and design courses, to the annual Christmas Coat Donation programme, benefiting disadvantaged young people around the world. Total coat donations since its launch in 2008 reached 10,000.

The Foundation launched Burberry Create, a bespoke six to eight week creative training and employability programme, delivered by Burberry associates at corporate locations worldwide. Designed to leverage the full range of Burberry’s competences to develop young people’s creative thinking and problem solving skills through practical work experience, business challenges and mentoring, the programme enriched the lives of 155^ young people in London, New York, Hong Kong, Shanghai and Beijing.

Burberry continued to support the next generation of creative talent through multi-year scholarship funds at the Royal College of Art in the UK and Ball State University in the US.

In response to the devastation caused by Hurricane Sandy in October 2012, the Burberry Foundation and its associates assisted with the rebuilding of lives and communities in the most impacted areas of New York and New Jersey.

Community donations £

Direct contributions made by Burberry

£4.3M* + 16%

2013	4.3*
2012	3.7
2011	3.0

Governance

A global governance system connects Burberry’s global community on people issues, ethical trading, community investment and environmental sustainability policies and initiatives.

The Chief Corporate Affairs Officer is responsible for ethical trade, community and environmental sustainability matters and reports on these topics to the Group Risk Committee and the Board. He also chairs the Strategic Responsibility Council and sits on the Supply Chain Risk Committee.

An advisory board of external stakeholders was established in 2012 to oversee the Burberry Impact Strategy for ethical trade and environmental sustainability.

To reflect the Company’s continued expansion, Burberry strengthened its health and safety team and resources globally. 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, chaired by the Executive Vice President, Chief Financial Officer.

External assurance and performance indicators

To provide confidence in the Burberry Beyond metrics, Burberry appointed Deloitte LLP to review selected sustainability key performance indicators (denoted with *) and to provide limited assurance using the International Standard on Assurance Engagements (ISAE) 3000. Deloitte LLP has assertion tested the indicators (denoted with ^). See the full independent assurance statement and the basis of reporting at www.burberryplc.com.

OUR 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

Burberry maintained its commitment to diversity and equal opportunities in recruitment. Nearly 10,000 associates from over 100 countries are now employed across all continents, with an age span from 16 to 77 and a global management team that is 37% female. The diversity within the Burberry community underpins its energy, vibrancy and connectedness.

Following the establishment of a new Resourcing Centre of Expertise in 2011/12, applications increased by 70% year-on-year and 82% of all recruitment globally was conducted directly.

Increased use of social media directly impacted these results. On LinkedIn, Burberry's followers increased by 250%, leading to applications from the site accounting for 6% of global direct recruitment. In addition to being ranked LinkedIn's 29th most in-demand employer globally, Burberry was the 'most-watched' midsize company by UK students.

Retain

Burberry continued to enhance its retail teams and secure a talent pipeline for the future. A pilot Retail Management Programme was launched to prepare retail associates for a career in store management, through a series of assignments, masterclasses and mentoring support.

An extended and improved new associate on-boarding programme was rolled out in London, New York and Hong Kong, including regular and consistent pre-communication, defined training modules and in-depth insight into the Burberry culture and values over a three-month period.

The Burberry Leadership Council supported the development of 75 high potential associates towards becoming next-generation leaders through international networking opportunities, global strategy off-sites, mentoring from senior executives and leadership training workshops.

Reward

Burberry continued to strengthen the link between reward and performance across the organisation, with all associates in a bonus or incentive scheme and able to share in the success of the business through the All Employee Free Share Plan. Accessibility was improved for the global SAYE programme, complementing existing online applications with the UK launch of text and telephone requests, which contributed to a 20% increase in global take-up.

The Icon Awards programme, which recognises exceptional performance at all levels of the company, reached its sixth anniversary. A record 10,000 nominations were received globally and 97 awards were presented across four regions, in categories inspired by the Burberry brand, heritage and core values.

The Long Service Awards scheme celebrated the loyalty and commitment of around 700 associates who reached milestone service anniversaries with Burberry, including 15 associates with 30 years' service or more.

Reinvent

A new, fully cross-functional and global team was established to integrate Beauty into the wider organisation. This was achieved through strategic recruitment of Beauty expertise and the reallocation of talent within the business. Regional accountability for organisational design and development was ensured, reflecting the diverse markets in which Burberry operates.

The technology function was also evolved to support the Beauty integration, with strategic competences brought in-house.





**CORPORATE
GOVERNANCE**

BOARD OF DIRECTORS

Chairman

Sir John Peace (64)†

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. Sir John is Lord-Lieutenant of Nottinghamshire and was knighted in 2011 for services to business and the voluntary sector.

Executive Directors

Angela Ahrendts (52)†

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 (49)

Executive Vice President, Chief Financial Officer

Stacey Cartwright became Executive Vice President, Chief Financial Officer in June 2008 having joined as Chief Financial Officer in March 2004. Stacey is a non-executive director of GlaxoSmithKline plc. She was previously Chief Financial Officer at Egg plc and held various finance related positions at Granada Group plc. Stacey will step down as a director at the conclusion of the Annual General Meeting on 12 July 2013, and will end her employment with the Group on 31 July 2013.

John Smith (55)

Chief Operating Officer

John Smith became Chief Operating Officer in March 2013, having previously been a non-executive director from December 2009. John was Chief Executive of BBC Worldwide from 2004 to 2012. John joined the BBC in 1989, where he held the positions of Chief Operating Officer, Director of Finance, Property & Business Affairs and Finance Director. 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.

Key to membership of committees

* Audit Committee

† Nomination Committee

‡ Remuneration Committee

Non-Executive Directors

Philip Bowman (60)*†‡

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. Philip is Chief Executive of Smiths Group plc. He previously held the positions of Chief Executive at Scottish Power plc and Chief Executive at Allied Domecq plc. 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 (51)*†‡

Non-Executive Director

Ian Carter was appointed as a non-executive director in April 2007 and is Chairman of the Remuneration Committee. He is President of Hilton Hotels Corporation Global Operations. Previously Ian was CEO of Hilton International Company and Executive Vice President of Hilton Hotels Corporation, and 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 (56)*†‡

Non-Executive Director

Stephanie George was appointed as a non-executive director in March 2006. She also sits on the Board of Lincoln Center. Previously Stephanie was Executive Vice President and Chief Marketing Officer at Time Inc. 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.

David Tyler (60)*†‡

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 is currently Chairman of J Sainsbury plc and Chairman of Hammerson plc. David was Group Finance Director of GUS plc from 1997 until its demerger in October 2006, Chairman of Logica plc from 2007 to 2012 and Chairman of 3i Quoted Private Equity plc from 2007 to 2009. He was a non-executive director of Experian plc from 2006 to 2012 and Reckitt Benckiser Group plc from 2007 to 2009. Earlier in his career, David worked at Unilever plc, County NatWest Limited and Christie's International plc.

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



DIRECTORS' REPORT

The directors present their Annual Report and the audited consolidated financial statements of the Company for the year to 31 March 2013.

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 2013 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 (the duty to promote the success of the company). The Chairman's letter on page 7, the Chief Executive Officer's letter on pages 8 to 11, the Burberry Group Overview and Strategic Themes sections on pages 24 to 51 and the Financial Review on pages 54 to 59 report on the activities and results for the year and give an indication of the Group's future developments. The corporate responsibility (Burberry Beyond) and Our People report is set out in the Great Brand, Great Company section on pages 66 to 71. A description of the principal risks and uncertainties facing the Group is included on pages 60 to 63. The Corporate Governance Report is set out on pages 82 to 92 and the Directors' Remuneration Report is on pages 93 to 104. 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 and sources luxury apparel and accessories, selling through a diversified network of retail (including digital), wholesale and licensing channels worldwide.

Revenue and profit

Revenue from the continuing business during the period amounted to £1,998.7m (2012: £1,857.2m). The profit for the year attributable to equity holders of the Company was £254.3m (2012: £263.3m).

Dividends

The directors recommend that a final dividend of 21.0p per ordinary share (2012: 18.0p) in respect of the year to 31 March 2013 be paid on 1 August 2013 to those persons on the Register of Members as at 5 July 2013.

An interim dividend of 8.0p per ordinary share was paid to shareholders on 25 January 2013 (2012: 7.0p). This will make a total dividend of 29.0p per ordinary share in respect of the financial year to 31 March 2013. The aggregate dividends paid and recommended in respect of the year to 31 March 2013 total £126.4m (2012: £109.5m).

Directors

The names and biographical details of the directors that held office during the year and as at the date of this report are set out on page 76 and are incorporated by reference into this report.

At the 2013 Annual General Meeting, all of the directors will retire and offer themselves for re-election with the exception of Stacey Cartwright.

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 93 to 104.

Directors' share interests

The interests of the directors holding office at 31 March 2013 in the shares of the Company are shown within the Directors' Remuneration Report on page 103. There were no changes to the beneficial interests of the directors between the period 31 March 2013 and 20 May 2013.

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 2013 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 22 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 2013, the Company had 442,160,331 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 2012, 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 2012, shareholders approved resolutions to allot shares up to an aggregate nominal value of £73,000 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 26. 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 by the trusts in the year to 31 March 2013 were in aggregate £1.0m (2012: £0.2m).

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 2013, 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
The Capital Group Companies, Inc	40,656,191	9.20
Thornburg Investment Management	22,193,131	5.03
JP Morgan Chase & Co	21,578,580	4.99
Schroders plc	21,666,352	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 20 May 2013, 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 22 to the financial statements.

Charitable donations

During the year to 31 March 2013, the Group donated £4.3m (2012: £3.7m) 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 66 to 71.

Political donations

The Company made no political donations during the year in line with its policy (2012: £nil). 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 strategy and 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 66 to 71.

Employee involvement

Employee communication

The Group believes that employee communication is important in enhancing the Company culture and connectivity, and in motivating and retaining employees globally. A robust global communications programme, incorporating various physical and digital methods and channels, enables all employees to connect and collaborate closely, and ensures they understand key strategies and other matters of interest and importance, quickly and efficiently.

Social media platform 'Burberry Chat' is the key digital channel used to communicate internally. However, other methods and channels are also actively leveraged, including face-to-face briefings, open discussion forums with senior management, email and instant messaging. Monthly video updates, highlighting the Group's performance and its ongoing strategic initiatives are broadcast globally, as is the monthly creative thinking programme 'Burberry Chat Live', sharing inspirational interviews with employees from around the world. Finally, development of content such as videos and digital web pages to communicate key initiatives, events and other brand messages, continues to enhance internal communication, employee connectivity 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 93 to 104.

The Group again intends to grant during 2013/14 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 66 to 71.

Financial instruments

The Group's financial risk management objectives and policies are set out within note 25 to the financial statements. Note 25 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 2013 (2012: £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 page 97 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.

Details of the service agreements of the executive directors are set out on page 97 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, distributors and 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 reappoint 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 54 to 60, along with details of the Group's cash flows. Details of the Group's liquidity position and borrowing facilities are described in notes 18 and 21. Financial risk management objectives, details of financial instruments and hedging activities, and exposures to credit risk and liquidity risk are described in note 25.

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 Friday, 12 July 2013. 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

20 May 2013

Registered Office:
Horseferry House
Horseferry Road
London
SW1P 2AW

Registered Number: 03458224

CORPORATE GOVERNANCE REPORT

Dear Shareholder,

The Board's role is to provide leadership to the Group to assist it in achieving its strategic aims, and to promote the long-term success of the Group for the benefit of its shareholders and those with whom we connect. For an iconic brand like Burberry with a 157 year heritage guided by the values – to protect, explore and inspire – we believe that this is an important responsibility.

With the integration of Burberry Beauty as the fifth product division and the continued focus on unlocking the potential of the Group's digital platform, the Group's business continues to grow dynamically in a global economic environment which remains uncertain. Consequently a key focus for the Board during the year has been on the execution of the Group's strategy as it has evolved to embrace new opportunities. In particular, how the Group needs to manage and evolve its governance structures and people to support this growth without undue risk to the Group and the Burberry brand and culture.

Last year I reported that the Board would be focusing on how to build on its relevant skills and competencies for the future. This has been a considered focus of the Board during the year with the development of a Board succession plan. The plan sets out a phased strategic approach to refreshing the Board aimed at balancing evolution with stability. The plan aims are to maintain current core competencies which reflect the evolution of the Group's business and to promote diversity both in terms of gender and in the wider sense to reflect the global nature of the Group.

In February 2013 we announced the appointment of John Smith as Chief Operating Officer. With over 20 years' experience in the media industry, John brings a unique skill set in global brand management and new media, combined with strong financial and operational experience.

We announced separately that Stacey Cartwright, Executive Vice President, Chief Financial Officer, had decided to resign following over nine successful years with the Group in order to pursue new interests. Stacey will step down from the Board at the conclusion of the Group's Annual General Meeting on 12 July 2013. The Board would like to thank Stacey for her outstanding contribution to the Group.

Carol Fairweather will join the Board as an executive director on 11 July 2013, and assumes the role of Chief Financial Officer on Stacey's departure. Carol has been with the Group for six years, mostly as Senior Vice President of Group Finance, where she has led the finance team.

Carol has a strong track record as an exceptional partner to the business and the executive team.

The year ahead will continue to be impacted by a challenging external environment. It will also bring significant changes to the rules on directors' remuneration and narrative reporting. Regardless of regulatory changes, I believe that as a global company it is our responsibility to continue to promote high standards of governance and reporting transparency. 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 Burberry's long-term success, for setting its strategic aims and ensuring a framework of prudent and effective controls."

This report sets out the Board's approach and work during the financial year 2012/13 and, together with the Directors' Remuneration Report on pages 93 to 104, includes details of how the Company has applied and complied with the principles and provisions of the UK Corporate Governance Code (the Code). The directors confirm that the Company has complied with the provisions of the Code throughout the year.

Our Board

The Board currently consists of eight members – the Chairman, the Chief Executive Officer, the Executive Vice President, Chief Financial Officer, the Chief Operating Officer and four independent non-executive directors. A list of directors and their biographies is set out on page 76.

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 a culture of openness and trust 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 regular discussions with the Company’s main institutional shareholders.

The major commitments of the Chairman are detailed in his biography on page 76 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 164.

The Company Secretary, Catherine Sukmonowski, is responsible for supporting the Chairman in the delivery of the corporate governance agenda.

Role of the Board

“Burberry continues to experience considerable growth and change. 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 associated risks.”

The Board is ultimately responsible for promoting the long-term success of the Group. The Board leads and provides direction for management by setting strategy and overseeing its implementation by management. The Board is also responsible for oversight of the Group’s systems of governance, internal control and risk management.

Specific key decisions and matters have been reserved for approval by the Board. These include decisions on the Group’s strategy, the annual budget and operating plans, major capital expenditure and transactions, financial results, the dividend, the approval of risk appetite and other governance issues. The matters reserved for the Board’s decision are set out in writing and available on the Company’s website at burberryplc.com.

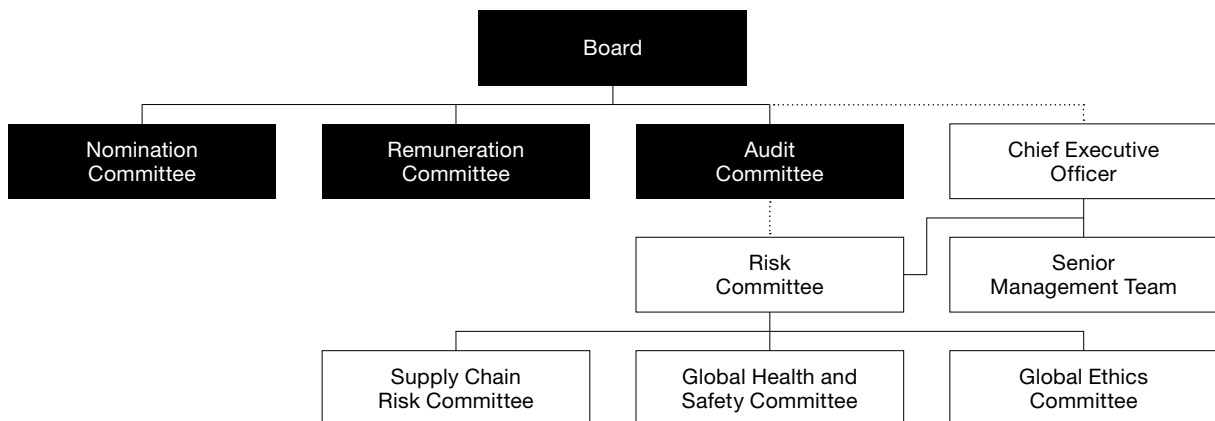
Role of the Board Committees

The Board is supported in its activities 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 discharging their respective responsibilities. 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 89 to 92 are reports from the Audit and Nomination Committees. The report of the Remuneration Committee is set out on pages 93 to 104.



Board effectiveness

“As a Board we strive to provide effective leadership that constructively challenges management but also supports Burberry in achieving its strategic aims.”

Highlights of Board activities during 2012/13

During the year the Board held six scheduled meetings, including an in-depth two-day session on strategy. Each Board member attended all scheduled meetings. In addition, in April 2012 the Board spent five days visiting the Group’s businesses in Asia, including in Shanghai, Tokyo, Taipei and Hong Kong. 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 Board agendas were shaped to ensure that discussion was focused on the Group’s strategic priorities, key monitoring activities, as well as reviews of significant issues. In addition, to allow for opportunities for the Board to engage with senior management to discuss key elements of the business. The table below gives the highlights of how the Board spent its time during 2012/2013 (but is not an exhaustive list of topics covered). Further information on the Group’s strategic focus during the year is set out in the Strategic Themes section starting on page 32.

<i>Month</i>	<i>Strategy/Business Focus</i>	<i>Oversight and Risk</i>	<i>Governance</i>
April	Board visit to Group’s Asia businesses (five days).		
May	Consideration of opportunities for the Beauty business.	Review of 2011/12 preliminary results announcement, Annual Report and Accounts and dividend policy. Review of risk and internal controls process and risk appetite. Business controls. Review of non-audit fees. Review of Notice of AGM.	UK Governance Code and other regulatory requirements for Annual Report. Preparation for AGM. Review of conflicts of interest.
July	Integration of the Beauty business. Business focus: Inventory planning and management.		AGM.
September	Annual strategy session (two days).	Strategic risks and impact on the three-year plan.	Investor relations update.
October/November	Integration of the Beauty business and update on various projects. Consideration of tax policy. Consideration of balance sheet strategy.	Review of 2012/13 interim results and dividend. Review of risk, internal control framework and business controls. Review of audit plan for 2012/13 and reappointment of auditors.	Investor relations update. Regulatory compliance update.
February	Strategic opportunities update.		Board and management succession matters. UK Governance Code update.
March	2013/14 budget approval. Integration of the Beauty business. Marketing strategy update. Business focus: Cyber security. Annual Report planning.		Board and management succession matters. UK Governance Code and regulatory compliance update.

Evaluating our performance in 2012/13

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. The Board will undertake its next externally facilitated review during 2013/14.

One of the recommendations from last year’s review was that the Board should continue to consider its approach to assessing its effectiveness to ensure that it remained meaningful and reflected the collaborative nature of the Board. Consequently this year the Board and Committees followed a more discursive approach to the review which encouraged the directors to express their views on any area of Board and Committee effectiveness. 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.

The non-executive directors, led by the Senior Independent Director, also considered the performance of the Chairman without the Chairman present. The Chairman was commended for his leadership and overall contribution to the Board.

Below is a summary of the key views and recommendations identified in the 2012/13 Board effectiveness review and the actions taken in response to last year's review.

Key Themes	2011/12 Review		2012/13 Review
	Views/recommendations	Actions taken	Views/recommendations
Board composition	To plan for the evolution of the Board and to build on the Board's relevant skills and competencies.	Board composition has been a key focus during the year with the establishment of a Board succession plan (see details on page 86).	Strong support for the succession plan to refresh the Board over the next two years and alignment on core competencies required.
Board/Committee focus	To continue to strengthen the Board's contribution and impact on overseeing strategy. To continue to offer opportunities to engage with senior management responsible for key elements of the business and strategy.	More opportunities for engagement outside of formal meetings and increased interaction with a wide range of senior management (see Highlights of Board activities during 2012/13 on page 84).	The right balance is being struck between time spent on strategy, risks and monitoring. Strong alignment of views on what should be the strategic focus for the coming year. Welcome continued opportunities for non-executive director engagement and interaction with senior management.
Board/Committee effectiveness	To evolve the Board's approach to assessing Board/Committee effectiveness.	A more discursive Board/Committee review process was followed to encourage open and meaningful discussion.	Overall the existing Board and Committee structure works well and provides a good standard of governance as well as support to management. The Board operates with a high level of trust.

The table below gives details of directors' attendance at Board and Committee meetings during the year ended 31 March 2013.

	Board	Audit	Nomination	Remuneration	
				Scheduled	Ad hoc
Sir John Peace	6/6	–	3/3	1/4 ¹	–
Angela Ahrendts	6/6	–	3/3	–	1/1
Philip Bowman	6/6	3/3	3/3	4/4	1/1
Ian Carter	6/6	3/3	3/3	4/4	1/1
Stacey Cartwright	6/6	–	–	–	1/1
Stephanie George	6/6	3/3	3/3	4/4	0/1
David Tyler	6/6	3/3	3/3	4/4	1/1
John Smith ²	6/6	3/3	1/2	2/3	0/1

1. Sir John Peace stepped down as a member of the Remuneration Committee on 12 July 2012.

2. John Smith stepped down as a member of the Committees on 3 March 2013. He also recused himself from meetings where his proposed appointment as Chief Operating Officer was considered.

Any other absences were due to illness.

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.

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 76.

Board and Committee composition

The non-executive directors are drawn from a wide range of industries and backgrounds, including retail, financial services, hotels and hospitality, marketing and media. They have extensive 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, with the exception of Stacey Cartwright, will stand for re-election at the Annual General Meeting on 12 July 2013.

During the year, John Smith was appointed Chief Operating Officer effective 4 March 2013. In this newly created position, John will focus on the operational execution of the Group's brand strategies in the fast moving digital and mobile environment. John has a unique skill set for this role, with his extensive experience in global brand management and new media, combined with a strong financial and operational background. As John has served as a non-executive director on the Board since December 2009, his insights will be invaluable to his new role. John was not present at any Board or Committee meetings at which his proposed appointment was considered.

Separately, Stacey Cartwright, Executive Vice President, Chief Financial Officer, has decided to resign after over nine successful years with the Group in order to pursue new interests. Stacey will step down from the Board at the conclusion of the Group's Annual General Meeting on 12 July 2013 and will finish her employment with the Group at the end of July. Carol Fairweather will join the Board as an executive director on 11 July 2013, and assumes the role of Chief Financial Officer on Stacey's departure.

At the close of the Group's 2012 Annual General Meeting, David Tyler stepped down as Chairman of the Remuneration Committee and Sir John Peace stepped down as a member of the Committee. Ian Carter was appointed as the new Chairman of the Remuneration Committee, while David Tyler continues to serve as a member of the Committee.

Board succession

During the year the Nomination Committee has been focusing on how to evolve the Board's relevant skills and competencies for the future. Following a review by the Nomination Committee, the Board has established a succession plan which sets out a phased strategic approach to refreshing the Board aimed at balancing evolution with stability. The plan aims for the Board to appoint up to four new non-executive directors by the end of 2014, with the expectation that a number of existing non-executive directors will step down from the Board.

All new Board appointments will be based on merit. The Board composition principles are to maintain current core competencies, to add new competencies which reflect the evolution of the Group's business, to ensure compatibility with Burberry's culture and values and to promote diversity including in terms of gender.

Diversity and inclusion

Board succession planning is focused on ensuring the right mix of skills and experience for the Board. The Board believes in the importance of diverse Board membership.

Of the eight directors currently on the Board, three are women including two of the executive directors (comprising 37% of total membership). This means that our Board already reflects the goal as set out in Lord Davies' report

on diversity in Britain's boardrooms, of a minimum of 25% female representation on FTSE 100 boards by 2015.

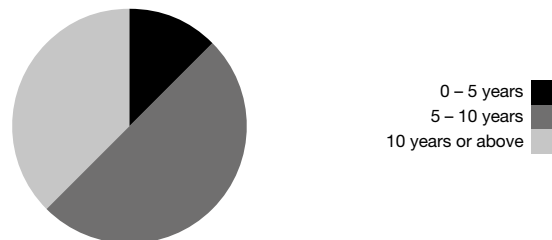
The Board will monitor diversity and take such steps as it considers appropriate to maintain Burberry's position as a meritocratic and diverse business.

The Board believes that it is critical that women are able to succeed at all levels of the organisation. Currently approximately 70% of the total workforce is female and approximately 37% of management are female.

More broadly, diversity is at the heart of Group culture which is characterised by a meritocratic and collaborative ethos. At our Group headquarters in London, 54 different nationalities are represented.

The Company continues to focus on evolving its strategies for recruiting and developing key talent within the business in a way which promotes the Group's cultural values and diverse and meritocratic environment. See the Our People section on page 71.

Board tenure



The balance of tenure of service of the directors is set out in the diagram above. At the time of the 2013 Annual General Meeting, Sir John Peace, Philip Bowman and David Tyler will have served on the Board for 11 years.

The Board is satisfied that all of our non-executive directors are independent. The performance of Philip Bowman, David Tyler and Stephanie George has been subject to a rigorous review including with regard to their independence. The Board has concluded that they contribute valuable insight and experience to Board deliberations and continue to provide independent and constructive challenge to the executive directors. On that basis and keeping in mind the need to ensure a smooth succession as part of the Board succession plan, the Board concluded that these directors remain effective non-executive directors.

Information flow and professional development

The Chairman works closely with the Company Secretary in the planning of the agendas and schedule of Board and Committee meetings and in ensuring that information is made available to Board members on a timely basis and is of a quality appropriate to enable the Board to effectively discharge its duties.

As set out in the table 'Highlights of Board activities during 2012/13' on page 84, the Board is kept up to date on legal, regulatory, compliance and governance matters through advice and regular papers from the Company Secretary, the General Counsel and other advisors.

The Company Secretary assists the Chairman in designing and facilitating a tailored induction programme for new directors and their ongoing training. The Chairman considers the training needs of directors on an ongoing basis.

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 2012, 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 2013, all of the continuing directors with the exception of Stacey Cartwright, will again retire and all will offer themselves for re-election. Carol Fairweather will offer herself for election.

The Board believes that each of the directors standing for re-election or election are effective and accordingly, the Board recommends that shareholders approve the resolutions to be proposed at the 2013 Annual General Meeting relating to the re-election or election of the directors.

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 Company and the Group.

Under the Group's Articles of Association, the Board has the authority to approve '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 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 communication 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. During the year a combination of our Chairman, the Chief Executive Officer and the Executive Vice President, Chief Financial Officer met with 16 of our top 20 investors. The Senior Independent Director and all the other non-executive directors are available to meet with shareholders. The Group also conducts regular independent investor audits 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 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 accept in achieving the Group's strategic objectives (the Board's risk appetite); 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 responsibility including:

- objective assurance provided by Internal Audit 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.

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 Accounts and up to the date of its approval by the Board. This covered all material controls including financial, operational and compliance controls and risk management systems. The process followed by the Board in reviewing the system of internal controls accords with the guidance on internal control issued by the Turnbull Committee. It also accords with the provisions of the UK Corporate Governance Code.

Group approach to 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.

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 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 Executive Vice President, 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 regular basis to discuss performance, operational and budget issues to identify any emerging risks to achieving the budget and 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 view 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 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 to engage with senior management throughout the business on risk monitoring and management.

There are areas of the Group's business where it is necessary to accept risks to achieve a satisfactory return for shareholders, such risks reflecting the Board's overall appetite for risk. During 2012/13 the Audit Committee, in conjunction with the full Board, considered and reviewed the nature and extent of these risks. It is the Group's objective to apply expertise to prudently manage rather than eliminate such risks including keeping them under frequent review.

For details of the principal risks which may adversely impact the performance 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 60 to 63.

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 the Group's 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 region and corporate headquarters.

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 primarily on a central design, supply chain and distribution operation to supply 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, brand protection, 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 and given at an appropriate level, either because of their value or their materiality to 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 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 including prohibiting bribery and corruption.

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 106 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 107 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 Group's internal controls and risk management systems are appropriate and regularly reviewed, together with overseeing the work of the external auditors, approving their remuneration and recommending their appointment.

As the external environment continues to be challenging, during the year the Committee continued to focus on ensuring that the Group's systems and controls are operating effectively, are responsive to this external environment and are evolving in line with the Group's growth (including the integration of the Beauty business).

The Audit Committee met three times during the year. In addition to the usual work of the Committee (as set out on page 90) the Committee considered the following specific matters.

- The assessment of the carrying value of goodwill.
- The accounting treatment and progress of the integration of the fragrance and beauty business.
- Impairment assessment for property, plant and equipment.
- The recoverability of the cost of inventory and the resulting amount of provisioning required.
- The impairment assessment of trade receivables, having taken into account the changes in global economic conditions during the year.
- The Group's tax strategy and the assumptions and judgements applied in order to estimate the amount of corporation tax and deferred tax to be recognised at the period end.
- The calculation of the fair value of the put option over the non-controlling interest in the Group's business in China.

Where these matters related to the financial statements for the period, the Committee reviewed the approach, the estimates and judgements applied, the recommendation of management and the findings of the external auditors.

The Committee has 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 year ending 31 March 2013:

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

* John Smith resigned as a member of the Committee on 3 March 2013.

The Audit Committee met three times during the year. The attendance record of Committee members is recorded in the table on page 85. In addition to the scheduled meetings the Chairman of the Committee meets separately with the Executive Vice President, 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 Executive Vice President, 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 Vice President of Group 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/or international businesses. Details of their experience can be found in their biographies on page 76.

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. In light of its key responsibilities, the Committee considered the following items of usual business during the financial year as set out in the table below.

External auditors

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

<i>Key Committee Roles and Responsibilities</i>	<i>Usual Business Conducted During 2012/13</i>
<p>Financial Reports: The integrity of the Group’s financial statements and formal announcements of the Group’s performance.</p>	<ul style="list-style-type: none"> • Review of the Annual Report and Accounts, annual financial statements, preliminary announcement, and interim announcement. • Assessment of the Group’s ability to continue as a going concern for the foreseeable future. • Consideration of the report of the external auditors on the financial statements for the year, and on the year end audit. • Ensuring compliance with relevant regulations for financial reporting and UK Governance Code.
<p>Risks and Internal Controls: The Group’s internal financial, operational and compliance controls and risk identification and management systems. Review of Group policies for identifying and assessing risks and arrangements for employees to raise concerns (in confidence) about possible improprieties.</p> <p>Review of the effectiveness of the internal audit function.</p>	<ul style="list-style-type: none"> • Review of the Group’s statement in the Governance Report on internal controls and risk management. • Review of business risk assessments. • Treasury Policy review and compliance. • Health and safety reviews. • Whistleblowing reports. • Anti-Bribery Policy compliance.
<p>Internal Audit: Review of the annual internal audit programme and the consideration of findings of any internal investigations and management’s response.</p> <p>Review of effectiveness of the internal audit function.</p>	<ul style="list-style-type: none"> • Consideration of the result of internal audits and management responses to the findings. • Approval of the internal audit plan for 2013/14.
<p>External Auditors: Recommending the appointment of external auditors, approving their remuneration and overseeing their work. Policies on the engagement of the external auditors for the supply of non-audit services.</p>	<ul style="list-style-type: none"> • Review and approval of the proposed audit fee and terms of engagement for the Group’s external auditors PricewaterhouseCoopers LLP for the 2012/13 financial year (see below). • Review and approval of the audit plan for the year presented by the Group’s auditors. Consideration of the key areas of risk and the audit approach applied to these areas, the proposed areas of coverage of the audit, changes of scope and areas of risk in the current year plan and the resource plan. • Review of all non-audit services provided by the Group’s auditors during the period and the fees relating to the services provided (see below on page 91).

Appointment and fees

The Committee has primary responsibility for making a recommendation on the appointment, reappointment 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 2012/13 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 LLP have remained in place as auditors since prior to the IPO of the Company in 2002. They were reappointed with a new lead audit partner following a formal 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 reappointment, remuneration and terms of engagement of PricewaterhouseCoopers LLP as the Group's external auditor. The Committee recommended to the Board that it proposes to shareholders that PricewaterhouseCoopers LLP be reappointed 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 external auditors is an essential part of the audit framework and the assurance that it provides.

The Committee has adopted a policy which sets out a framework for determining whether it is appropriate to engage the Group's auditors for non-audit services. Key considerations are whether the services:

- are naturally tangential to the audit and which the auditors are best placed to provide;
- cannot be regarded as naturally tangential to the audit, but where the external auditors are in a position to provide the best service to the Group due to their previous experience, network within and knowledge of the Group, or market leadership in a particular area; and
- represent a real threat to the perceived independence of the audit team.

Under the policy, the auditors may provide non-audit services that do not prejudice 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 £1.0m, all further requests for work must be referred to the Chairman of the Committee.

During the year, the Group spent £0.8m on non-audit services provided by PricewaterhouseCoopers LLP. 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 appropriate;
- be responsible for overseeing the Board's succession planning requirements including the identification and assessment of potential Board candidates and making recommendations to the Board for its approval; and
- keep under review the leadership needs of, and succession planning for, the Group in relation to both its executive directors and other senior executives. This includes the consideration of recommendations made by the Chief Executive Officer for changes to the executive membership of the Board.

During 2012/13 the Committee has focused on the following matters.

- Executive succession planning. The outcome of this was the appointment on 4 March 2013 of John Smith in the new role of Chief Operating Officer. In addition, the appointment of Carol Fairweather to succeed Stacey Cartwright as Chief Financial Officer when Stacey finishes her tenure.
- Board succession planning with the establishment of a Board succession plan to implement a phased approach to refreshing the Board over the next two years, aimed at balancing evolution with stability (see Board succession on page 86).
- The consideration of Board composition principles (including in relation to diversity) as part of the succession plan.

Board succession and composition will remain a priority for the coming year as the Board executes its succession plan.

Sir John Peace

Chairman, Nomination Committee

Committee membership

The following directors served as members of the Committee throughout the year ended 31 March 2013:

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

* John Smith resigned as a member of the Committee on 3 March 2013.

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.

Activities during the year

The Nomination Committee met three times during the year under review. The table on page 85 gives details of directors' attendance at these meetings.

Other regular attendees at Committee meetings include the Chief Corporate Affairs Officer & General Counsel 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 continuing directors, with the exception of Stacey Cartwright, will do so again at the 2013 Annual General Meeting. Carol Fairweather will offer herself for election.

The biographical details of the current directors can be found on page 76 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.

Annual General Meeting

As required by the UK Corporate Governance Code, the Notice of the 2012 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 2012 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 2013 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 2013 Annual General Meeting and will be available to answer shareholders' questions.

Other governance disclosures

Tax policy

The Group is committed to complying with global tax regulations in a responsible manner with due regard to governments and shareholders, and to engage in open and constructive relationships with tax authorities in the territories in which it operates. The Group's tax planning is consistent with this responsible approach, and it will not enter into arrangements which have tax avoidance as their sole objective.

Tax governance framework

The finance leadership team, led by the Executive Vice President, Chief Financial Officer, is responsible for the Group's tax policy and for the implementation of its tax strategy. This is reviewed on an ongoing basis as part of the regular financial planning cycle. In addition, the Group's tax status is reported regularly to the Group Risk Committee. The Audit Committee is responsible for monitoring all significant tax matters. Audit Committee meetings are occasionally attended by a number of Group officers and employees including the Executive Vice President, Chief Financial Officer, the Vice President Group Tax and the Chief Corporate Affairs Officer & General Counsel, who oversees all corporate responsibility matters.

Share capital

Further information about the Company's share capital, including substantial shareholdings, can be found in the Director's Report on pages 78 to 81.

DIRECTORS' REMUNERATION REPORT

Dear Shareholder,

As the new Chairman of the Remuneration Committee (the 'Committee'), I am pleased to introduce the Directors' Remuneration Report for the year ended 31 March 2013 which has been prepared by the Committee and approved by the Board.

Firstly, I would like to extend my thanks to David Tyler, who has provided strong leadership as chair of the Committee during the last five years. I am delighted to be given the opportunity to lead the Committee as we continue to encourage the executive directors to deliver exceptional performance and shareholder value, by ensuring that the Group's remuneration policy is aligned to the business strategy and shareholders' interests.

2012/13 has once again presented a challenging external environment for Burberry. While we expect the external global environment to remain challenging, the team is intensely focused on optimising the significant opportunities that exist for the brand across geographies and product divisions, with particular emphasis on unlocking the potential of our digital platform and our newly-integrated fragrance and beauty business.

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. In 2012/13, Burberry grew revenue by 8% and adjusted PBT by 14% in a challenging global environment. Management's consistent execution of key strategies and dynamic response to issues and opportunities delivered this solid performance.

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 also strongly aligned to performance and delivering a sustainable increase in shareholder value. The Group's remuneration policy is set out on pages 94 and 95 and this will continue to be the policy for the coming year.

As part of the Enterprise and Regulatory Reform Bill, the UK Government released its draft remuneration reporting regulations during the year. The Committee has been monitoring these developments and, in the coming year, will be reviewing executive remuneration arrangements and reporting in light of these proposed changes. The Committee's review will take into account the strategic plan, the performance and growth of the Group and the global luxury goods sector, other regulatory developments, shareholder expectations and global market practice.

Investors will be aware that John Smith has been appointed as Chief Operating Officer and that Stacey Cartwright will be departing Burberry at the end of July 2013. Following his appointment as an executive director, John Smith resigned his membership of the Remuneration Committee.

The Committee will continue to engage with shareholders on any key changes to executive remuneration arrangements and looks forward to gaining your support on this report when it is put to vote at the Annual General Meeting in July 2013.

Ian Carter

Chairman, Remuneration Committee

Committee Membership

The following directors served as members of the Committee throughout the financial year ending 31 March 2013:

Members	Appointment Date	Resignation Date
Ian Carter (Chairman from 12 July 2012)	18 May 2007	–
David Tyler (Chairman until 12 July 2012)	23 March 2007	–
Philip Bowman	21 June 2002	–
Stephanie George	19 May 2006	–
Sir John Peace	21 June 2002	12 July 2012
John Smith	2 February 2010	3 March 2013

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 burberrypc.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 five occasions. Details of attendance at those meetings are set out in the Corporate Governance report on page 85.

At the invitation of the Committee, except where their own remuneration was being discussed, the following people attended meetings and provided advice to the Committee: Sir John Peace (Chairman), Angela Ahrendts (Chief Executive Officer), Stacey Cartwright (Executive Vice President, Chief Financial Officer), Michael Mahony (Chief Corporate Affairs Officer), Anne-Soline Thorndike (Senior Vice President, Reward and Recognition) and Catherine Sukmonowski (Company Secretary).

Towers Watson has been the appointed advisor to the Committee since 2011. 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 their 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 strongly linked to performance and internationally competitive, taking into account the global markets in which it operates and from which it recruits. 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.
- **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 applied 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 102.

Remuneration structure

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

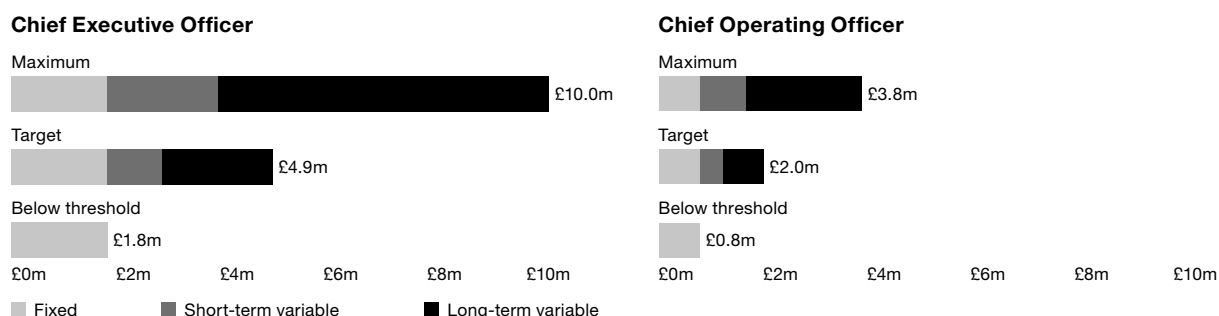
Key elements of executive directors' remuneration

<i>Purpose</i>	<i>Operation</i>	<i>Maximum opportunity and link to performance</i>
<p>Base salary To recognise the responsibilities, experience and ability of our talent in a competitive global environment, keeping our people focused on and passionate about the brand.</p>	<p>Salaries are benchmarked against global companies of similar size and/or global reach within the luxury goods sector and/or companies with high-profile global brands, and to a lesser extent comparable UK companies.</p> <p>The Committee considers the impact of any base salary increase on the total remuneration package.</p>	<p>Increases for the executive directors are set within the same framework and same ranges as other employees, taking into account individual performance, overall contribution to the business during the year, cost to the Company, as well as the external economic climate.</p>
<p>Annual bonus To reward executive directors for achieving annual financial targets linked to the strategic plans agreed by the Board.</p>	<p>The Committee reviews the performance condition(s) annually to ensure it remains appropriate and aligned with Group strategy.</p> <p>The targets are set before the start of each year by reference to budget, strategic plan, long-term financial goals, latest projections for the year ahead and broker earnings estimates for Burberry and its competitors.</p> <p>Actual bonus awards are subject to the discretion of the Committee.</p>	<p>Maximum awards are:</p> <ul style="list-style-type: none"> · 200% of salary for the CEO · 150% of salary for other executive directors <p>Performance condition:</p> <ul style="list-style-type: none"> · Adjusted PBT over one year
<p>Co-Investment Plan (CIP) To incentivise consistent performance and further align executive directors' interests with those of shareholders, by encouraging share ownership.</p>	<p>Executive directors may voluntarily invest all or part of their annual bonus in Burberry shares for three years and receive a contingent award of matching shares.</p> <p>The ratio of matching shares awarded depends on annual performance during the relevant bonus year. The number of matching shares that actually vest is then also subject to a three-year performance condition.</p> <p>The Committee reviews the performance condition(s) to ensure it remains appropriate and aligned with the Group's strategy and long-term goals. The targets are reviewed at the same time to ensure they are demanding yet realistic, given latest Group strategy, prior performance and external expectations.</p> <p>A cash payment equivalent to the value of dividends which would have been received during the deferral period is paid on matching shares that vest.</p>	<p>Maximum awards (subject to executives investing their bonus):</p> <p>The ratio for matching share awards depends on Adjusted PBT performance during the year:</p> <ul style="list-style-type: none"> · In a year of maximum performance, the ratio is 2:1 · In a year of target performance, the ratio is 1:1 · Below target performance, the match does not operate · Straight-line award between <p>As a percentage of salary, the maximum award is 400% (that is a 2x match on a 200% of salary bonus)</p> <p>The performance condition on vesting is:</p> <ul style="list-style-type: none"> · Adjusted PBT growth over three years · 25% vesting for 5% per annum · 100% vesting for 10% per annum · Straight-line vesting between

Purpose	Operation	Maximum opportunity and link to performance
<p>Restricted Share Plan (RSP) To focus executive directors on sustainable long-term performance.</p>	<p>Each year, the Committee determines whether to make awards of nil-cost options under the Restricted Share Plan to executive directors.</p> <p>If an award is made, the number of nil-cost options that vest is determined at the end of a three-year performance period. Once the level of performance has been determined, vesting is phased over three, four and five years.</p> <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. Ultimately, the successful implementation of our key strategic themes (outlined on pages 32 to 51) are reflected in our Adjusted PBT and TSR performance.</p>	<p>Maximum awards:</p> <ul style="list-style-type: none"> · 200% of salary <p>Performance conditions for executive directors:</p> <ul style="list-style-type: none"> · 50% on Adjusted PBT growth over three years: <ul style="list-style-type: none"> – 25% vesting for 10% per annum – 100% vesting for 15% per annum – Straight-line vesting between · 50% on relative TSR vs. sector peers over three years: <ul style="list-style-type: none"> – 25% vesting for median – 100% vesting for upper quartile – Straight-line vesting between · Vesting: 50% after three years and 25% after each of four and five years
<p>Pension To offer market competitive benefits.</p>	<p>Executive directors participate in defined contribution arrangements. Participants may elect to receive a portion of their entitlement as a cash supplement.</p>	<p>Company contribution: 30% of salary per annum</p>
<p>Other benefits To protect the well-being of employees, allowing them to focus on the business.</p>	<p>Benefits for executive directors include private medical insurance, life assurance, long-term disability insurance, car and clothing allowances.</p>	<p>Benefit levels are reviewed on an annual basis</p>
<p>All-employee share plans To encourage employee share ownership at all levels.</p>	<p>Burberry operates two all-employee share plans:</p> <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 or a cash equivalent (where shares are not possible) are made annually to all eligible employees under the UK Share Incentive Plan and International Freeshare Plans. The executive directors elected not to participate in the Freeshare Plans. 	<p>Sharesave: maximum savings amount of £3,000 per annum, with which Burberry shares can be purchased with a 20% discount.</p> <p>Share Incentive Plan and International Freeshare Plan: awards with a value of up to £500 per annum.</p>

A One-Off grant was granted to Angela Ahrendts following consultation with shareholders during 2010 and the details of this grant are set out in detail on page 101.

Indicative levels of total remuneration at each of: (1) maximum, (2) target and (3) below threshold performance scenarios are illustrated below:



Notes

1. 'Maximum' remuneration includes fixed pay plus 100% of annual bonus, a 2x/1.5x CIP match on this bonus and a 200%/150% of salary RSP award for the CEO/COO.
2. 'Target' remuneration includes fixed pay plus 50% of annual bonus, a 1x/0.75x CIP match on this bonus and a 100%/75% of salary RSP award for the CEO/COO.
3. 'Below threshold' remuneration includes fixed pay only (salary, pension, benefits and allowances).
4. No share price growth has been applied to share awards included in these indicative total remuneration figures.

Service agreements

Angela Ahrendts

Angela Ahrendts relocated from the USA 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. Stacey Cartwright will be stepping down as a director at the conclusion of the Annual General Meeting on 12 July 2013, and will terminate her employment with the Group on 31 July 2013. Upon her departure from the Company all her outstanding share awards will lapse, in accordance with the rules of the relevant plans.

Stacey Cartwright has served as a non-executive director of GlaxoSmithKline plc from 1 April 2011 and it was agreed that fees earned in connection with this appointment may be retained by her. From 1 April 2012 to 31 March 2013 this was £85,000 (1 April 2011 to 31 March 2012: £75,000).

John Smith

John Smith is employed by Burberry as Chief Operating Officer under a service agreement dated 6 February 2013. His term of employment as an executive director commenced on 4 March 2013 for an indefinite period. Following his appointment as an executive director, John Smith resigned his membership of all Board Committees.

Burberry may terminate John Smith's appointment by giving 12 months' notice. During this notice period, John Smith would continue to receive salary and benefits only. John Smith may terminate the service agreement on 12 months' notice. Upon termination, all share awards would be treated in accordance with the rules of the relevant plan.

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 76.

Audited information

Executive directors

The remuneration of the executive directors of Burberry Group plc in the period 1 April 2012 to 31 March 2013 is detailed below.

Aggregate emoluments for executive directors

	Salary £'000	Pension cash supplement £'000	Allowances paid in cash ⁴ £'000	Bonus £'000	Benefits ⁵ £'000	Aggregate emoluments £'000
Angela Ahrendts						
Year to 31 March 2013	1,020	256 ¹	387	1,545	52	3,260
Year to 31 March 2012	990	255 ¹	387	1,980	76	3,688
Stacey Cartwright						
Year to 31 March 2013	615	185 ²	32	698	8	1,538
Year to 31 March 2012	600	147 ²	32	900	10	1,689
John Smith						
Year to 31 March 2013 ³	46	14 ²	2	–	2	64

1. Angela Ahrendts receives a portion of her annual pension contribution as a cash supplement, further details of which are contained in the section below entitled 'Pension entitlements'.
2. Stacey Cartwright and John Smith receive their full annual pension contribution as a cash supplement, further details of which are contained in the section below entitled 'Pension entitlements'.
3. John Smith became an executive director on 4 March 2013, the emoluments shown in the table above are for the period 4 March 2013 to 31 March 2013 only. His fees received during 2012/13 for services as a non-executive director are shown in the table on page 102. In total, John Smith received £130,000 in the year to 31 March 2013 (2012: £72,000).
4. Allowances paid in cash include car, clothing and (for Angela Ahrendts only) an overseas allowance.
5. Benefits include private medical insurance, life assurance and long-term disability insurance.

Salary

For 2013/14 Angela Ahrendts' salary will be increased by 3.5% to £1,066,000. This increase is consistent with those for the Group's employees generally. John Smith became an executive director on 4 March 2013 with a salary of £575,000, this will be reviewed in July 2014.

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 2013, the cash supplement was £256,000 (2012: £255,333). The contribution paid into the Burberry Defined Contribution Pension Plan was £50,000 (2012: £41,667).

Stacey Cartwright

Stacey Cartwright is entitled to an annual pension contribution equal to 30% of base salary. She has elected that the full amount be paid as a cash supplement. For the year to 31 March 2013, the cash supplement was £184,500 (2012: £147,420). The contribution paid into her personal pension plan was nil in the year to 31 March 2013 (2012: £32,580).

John Smith

John Smith is entitled to an annual pension contribution equal to 30% of base salary. He has elected that the full amount be paid as a cash supplement. For the period 4 March 2013 to 31 March 2013, the cash supplement was £13,690.

Annual bonus outcomes 2012/13

For the year to 31 March 2013, the Company did not achieve the maximum Adjusted PBT target and so the annual bonus did not pay out at the maximum level. The 2012/13 Adjusted PBT achieved was ahead of the target level set by the Committee, which resulted in bonuses for both Angela Ahrendts and Stacey Cartwright of 75% of maximum, as set out in the table below. Angela Ahrendts has elected to invest 100% of this bonus into shares under the CIP, as detailed later in this report. John Smith did not receive a bonus for the period 4 March 2013 to 31 March 2013.

	Maximum bonus opportunity (% of salary)	Level of Adjusted PBT achieved	2012/13 bonus payment (% of maximum)	2012/13 bonus payment (% of salary)	2012/13 bonus payment (£'000)
Angela Ahrendts	200%	Between target and maximum	75%	150%	1,545
Stacey Cartwright	150%	Between target and maximum	75%	113%	698

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 2013	Vesting	Expiry date
			As at 1 April 2012	Granted during the year	Lapsed during the year	Exercised during the year			
Angela Ahrendts									
RSP	11/06/2007	nil	54,397	-	-	54,397 ¹	-	11/06/2011 to 11/06/2012	10/06/2017
	01/06/2009 ⁸	nil	450,000	-	-	225,000 ¹	225,000	01/06/2012 to 01/06/2014	31/05/2019
CIP Matching	09/06/2010 ⁹	nil	501,536	-	-	-	501,536	09/06/2013	08/06/2015
	07/06/2011 ⁹	nil	300,252	-	-	-	300,252	07/06/2014	06/06/2016
	18/07/2012 ⁹	nil	-	326,736 ²	-	-	326,736	18/07/2015	17/07/2017
One-Off grant	08/12/2010 ¹⁰	nil	500,000	-	-	-	500,000	01/04/2015	31/03/2016
Sharesave ¹¹	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 ⁸	nil	265,000	-	-	132,500 ³	132,500	01/06/2012 to 01/06/2014	31/05/2019
	10/06/2010 ⁸	nil	78,000	-	-	-	78,000	10/06/2013 to 10/06/2015	09/06/2020
	13/06/2012 ⁸	nil	-	83,333 ⁴	-	-	83,333	13/06/2015 to 13/06/2017	12/06/2022
CIP Matching	09/06/2010 ⁹	nil	214,944	-	-	-	214,944	09/06/2013	08/06/2015
	07/06/2011 ⁹	nil	130,791	-	130,791 ⁵	-	-	07/06/2014	06/06/2016
	18/07/2012 ⁹	nil	-	148,516 ²	-	-	148,516	18/07/2015	17/07/2017
Sharesave ¹¹	30/06/2009	321.0	2,827	-	-	2,827 ⁶	-	01/09/2012	28/02/2013

- The market value of Burberry shares on the date of exercise (26 July 2012) was 1266p.
- The market value of Burberry shares on the date of grant (18 July 2012) was 1212p.
- The market value of Burberry shares on the date of exercise (18 July 2012) was 1212p.
- The market value of Burberry shares on the date of grant (13 June 2012) was 1377p.
- Matching shares lapsed when Invested shares sold (14 February 2013).
- The market value of Burberry shares on the date of exercise (3 September 2012) was 1329p.
- The highest and lowest share prices in the year are set out on page 103.
- RSP awards granted in 2009, 2010 and 2012 vest in full if Burberry achieves at least upper quartile TSR relative to its global peers and at least 10% per annum PBT growth (15% per annum for 2012 awards). 12.5% vest if TSR exceeds the median of the peer group or if PBT growth exceeds 3% per annum (10% per annum for 2012 awards), straight-line vesting between these points.
- For CIP awards made in 2010, 25% vest if growth in PBT achieves 5% per annum over three years, 100% vest if PBT growth exceeds 7% per annum (straight-line basis between these points). For CIP awards made in 2011 and 2012, 25% vest if growth in PBT achieves 5% per annum over three years, 100% vest if PBT growth exceeds 10% per annum, straight-line vesting between these points.
- The One-Off grant is subject to strategic and financial objectives, as outlined on page 101.
- The Sharesave is an all-employee plan and has no performance conditions.

The Burberry Senior Executive Restricted Share Plan

In June 2012, Stacey Cartwright was granted an award of shares under the Restricted Share Plan ('RSP'), totalling 83,333 shares (with a face value of £1,147,495 at the grant date of 13 June 2012). This award will lapse in full when Stacey Cartwright ceases to be an employee of the Group.

The third tranche of RSP awards made in 2007 vested during the year. The performance conditions for these awards were tested in 2010 (with 57.5% of each grant lapsing). The first tranche of RSP awards made in 2009 vested in full during the year, as both the three-year Adjusted PBT growth and relative TSR performance conditions were met in full in 2012.

The TSR group for the 2009, 2010 and 2012 awards comprises, Coach, Compagnie Financière Richemont, Estée Lauder, Fossil, Fifth & Pacific (formerly Liz Claiborne), Geox, Hermès International, Hugo Boss, Inditex, Luxottica Group, LVMH Moët Hennessy Louis Vuitton, Nike, Nordstrom, Polo Ralph Lauren, PPR, Saks, Swatch, Tiffany & Co, and Tod's. Bulgari were acquired by LVMH in 2011 and so is no longer included in the group.

The vesting outcome based on three-year PBT growth is calculated using Adjusted PBT as disclosed in the Annual Accounts. The vesting outcome based on relative TSR is calculated by Towers Watson.

The Burberry Co-Investment Plan

No Co-Investment Plan ('CIP') matching awards vested during the year, as no awards were made under the plan in 2009 (as there were no 2008/09 annual bonuses).

Angela Ahrendts and Stacey Cartwright chose to reinvest the full amount of their 2011/12 bonus into shares and were subsequently granted matching awards under the CIP during 2012/13 based on a 2:1 match. Angela Ahrendts received an award of 326,736 shares (with a face value of £3,960,040 at grant) and Stacey Cartwright received an award of 148,516 shares (face value of £1,800,014 at grant). Angela Ahrendts' award may vest subject to the following performance condition: 25% of the award may vest if growth in Adjusted PBT is 5% per annum over three years, 100% may vest if Adjusted PBT growth is equal to or exceeds 10% per annum over three years. Vesting will occur on a straight-line basis between these points. None of the award will vest if Adjusted PBT growth is below 5% per annum.

Stacey Cartwright's 2012/13 CIP matching award will lapse in full when she ceases to be an employee of the Group.

For the year ended 31 March 2013, Angela Ahrendts intends to invest 100% of her bonus after the deduction of tax into Burberry shares under the CIP. Full details of the associated matching award will appear in the 2013/14 Directors' Remuneration Report.

The vesting outcome based on three-year PBT growth is calculated using Adjusted PBT as disclosed in the Annual Accounts.

One-Off Grant to Angela Ahrendts

Following consultation with the Company's largest shareholders in 2010, the Chief Executive Officer was awarded a nil-cost 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. These objectives include:

- 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 considered appropriate in assessing the fairness of vesting the award to the Chief Executive Officer and the shareholders.

The Committee assesses progress towards achieving these objectives each year. At the end of 2012/13 the Committee again 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;
 - successful integration of Beauty;
 - strong growth in accessories revenue;
 - progress in building the brand's global retail presence;
 - the performance and growth in under-penetrated markets; and
 - increases in gross margin
- double-digit growth in adjusted PBT in the 2012/13 year; and
- the outstanding leadership demonstrated by the Chief Executive Officer.

The Committee resolved that the objectives had been achieved in full during 2012/13.

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-year savings contract (and five-year savings contract in the UK) 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 2013. The gains have arisen in respect of RSP awards granted in 2007 and 2009 and a Sharesave award granted in 2009 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 2013 £'000
	Exercised during the year	Retained as at 31 March 2013			
Angela Ahrendts	279,397	–	1,203	2,335	3,538
Stacey Cartwright	135,327	–	504	1,130	1,634

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 director fee structure will be reviewed during 2013. 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 2013.

	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 2013 £'000			Year to 31 March 2012
		Fees	Allowances ⁴	Total	£'000 Total
Sir John Peace	20 June 2002	350	2	352	350
Philip Bowman	11 June 2002	115	2	117	117
Ian Carter ¹	16 April 2007	84	14	98	82
Stephanie George	23 January 2006	70	14	84	82
John Smith ²	27 November 2009	64	2	66	72
David Tyler ³	20 June 2002	76	2	78	92
Total		759	36	795	795

1. Ian Carter was appointed Chairman of the Remuneration Committee on 12 July 2012 and so was entitled to the fee as Remuneration Committee Chairman from that date.

2. John Smith became an executive director on 4 March 2013. The fees shown for 2012/13 above are therefore for the period 1 April 2012 to 3 March 2013. The remuneration he has received during the year for services as an executive director is shown in the emoluments table on page 98.

3. David Tyler stepped down as Chairman of the Remuneration Committee on 12 July 2012 and so was no longer entitled to the fee as Remuneration Committee Chairman from that date.

4. Allowances for all non-executive directors included a £2,000 travel allowance for a Board off-site meeting in Asia.

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 2013	Holding of ordinary shares as at 31 March 2012
Angela Ahrendts ¹	365,460	237,590
Stacey Cartwright ¹	452,261	450,210
John Smith	2,560	1,529
Sir John Peace	195,738	175,738
Philip Bowman	75,000	65,000
Ian Carter	34,712	26,690
Stephanie George	41,600	24,600
David Tyler	44,000	40,000

1. Includes Invested Shares under the Co-Investment Plan.

There have been no further changes in the above interests between 31 March 2013 and 20 May 2013. There are no other non-beneficial interests.

Shareholding Policy

To ensure continued alignment with the interests of shareholders, the Board has set a minimum shareholding requirement for directors and senior executives as follows:

- three times base salary for the Chief Executive Officer;
- one and a half times base salary for other Executive Directors;
- one times base salary for other senior executives; and
- the Chairman and non-executive directors are expected to hold shares with a market value of £6,000 for each year of their appointment.

Senior executives are expected to retain a portion of shares acquired on the exercise of options and awards until such guidelines are met. During the year the directors have complied with this policy. John Smith became an executive director on 4 March 2013 and will now be expected to make progress towards his executive shareholding requirement of one and a half times base salary.

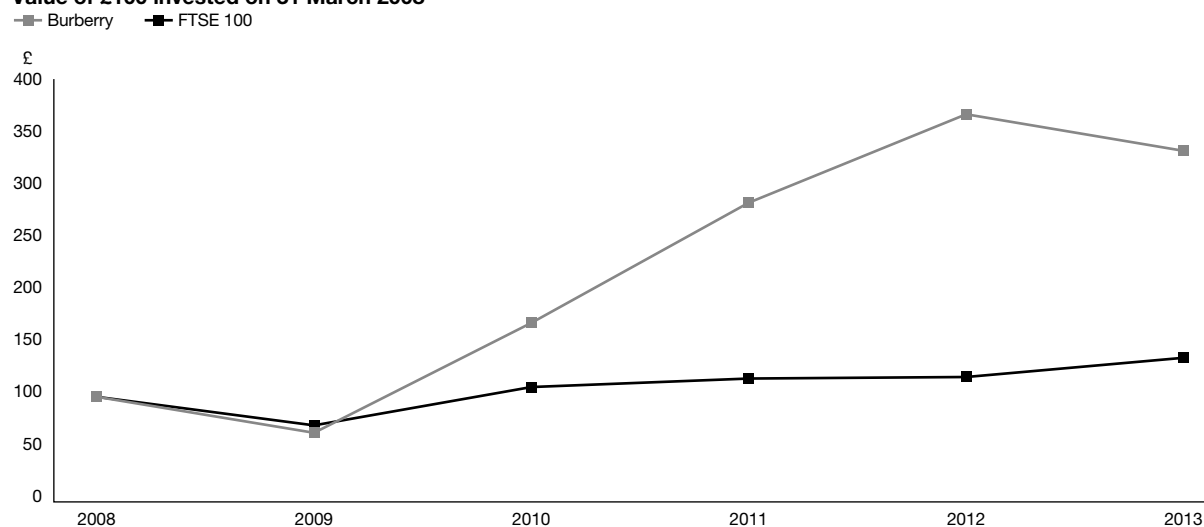
Share Price

The market value of Burberry Group plc shares on 31 March 2013 was 1329p. The highest and lowest market prices of an ordinary share in the year were 1586p and 1000p respectively.

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 2008. 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 2008



Audit statement

In their audit opinion on page 107, 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', 'Annual bonus outcomes 2012/13', 'Share Schemes and long-term incentive arrangements', 'The Burberry Senior Executive Restricted Share Plan', 'The Burberry Co-Investment Plan', 'One-Off Grant to Angela Ahrendts', 'The Sharesave Scheme', 'Gains made by directors on share options and awards', 'Chairman and non-executive directors', 'Directors' Interests' and the disclosures under the heading, 'Share Price' on pages 98 to 103.

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.

Approved by the Board and signed on its behalf by:

Ian Carter

Chairman, Remuneration Committee
20 May 2013

**FINANCIAL
STATEMENTS**

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 76 confirm that, to the best of 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 78 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.

We have audited the Group financial statements of Burberry Group plc for the year ended 31 March 2013 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, Analysis of Net Cash 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 106, 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 2013 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 81, 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 2013 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, 20 May 2013

Group Income Statement

	Note	Year to 31 March 2013 £m	Year to 31 March 2012 £m
Continuing operations			
Revenue	3	1,998.7	1,857.2
Cost of sales		(556.7)	(558.3)
Gross profit		1,442.0	1,298.9
Net operating expenses	4	(1,096.2)	(922.0)
Operating profit		345.8	376.9
Financing			
Finance income		3.4	2.9
Finance expense		(3.7)	(3.6)
Other financing income/(charges)		5.2	(10.2)
Net finance income/(charge)	7	4.9	(10.9)
Profit before taxation	5	350.7	366.0
Taxation	8	(91.5)	(100.6)
Profit for the year from continuing operations		259.2	265.4
Profit/(loss) for the year from discontinued operations		-	(0.3)
Profit for the year		259.2	265.1
Attributable to:			
Owners of the Company		254.3	263.3
Non-controlling interest		4.9	1.8
Profit for the year		259.2	265.1
Earnings per share			
Basic	9	58.3p	60.4p
Diluted	9	57.0p	59.3p
Earnings per share from continuing operations			
Basic	9	58.3p	60.4p
Diluted	9	57.0p	59.3p
		£m	£m
Reconciliation of adjusted profit before taxation:			
Profit before taxation		350.7	366.0
Exceptional items:			
Termination of licence relationship	6	82.9	-
Restructuring credit relating to continuing operations	6	(0.6)	-
Put option liability finance (credit)/charge	6	(5.2)	10.2
Adjusted profit before taxation – non-GAAP measure		427.8	376.2
Adjusted earnings per share – non-GAAP measure			
Basic	9	71.6p	62.8p
Diluted	9	70.0p	61.6p
Dividends per share			
Interim	10	8.00p	7.00p
Proposed final (not recognised as a liability at 31 March)	10	21.00p	18.00p

Group Statement of Comprehensive Income

	Note	Year to 31 March 2013 £m	Year to 31 March 2012 £m
Profit for the year		259.2	265.1
Other comprehensive income:			
Cash flow hedges	22	5.7	3.3
Foreign currency translation differences		36.0	(3.8)
Tax on other comprehensive income:			
Cash flow hedges		(1.3)	(0.8)
Foreign currency translation differences		(1.4)	(0.2)
Other comprehensive income/(expense) for the year, net of tax		39.0	(1.5)
Total comprehensive income for the year		298.2	263.6
Total comprehensive income attributable to:			
Owners of the Company		291.1	261.2
Non-controlling interest		7.1	2.4
		298.2	263.6

Group Balance Sheet

	Note	As at 31 March 2013 £m	As at 31 March 2012 £m
ASSETS			
Non-current assets			
Intangible assets	11	210.2	133.1
Property, plant and equipment	12	409.1	328.8
Investment properties	13	2.7	2.8
Deferred tax assets	14	117.6	84.1
Trade and other receivables	15	39.9	22.3
Derivative financial assets	17	0.2	14.7
		779.7	585.8
Current assets			
Inventories	16	351.0	311.1
Trade and other receivables	15	159.6	145.2
Derivative financial assets	17	20.1	3.2
Income tax receivables		9.4	10.1
Cash and cash equivalents	18	426.4	546.9
		966.5	1,016.5
Assets classified as held for sale	27	-	8.3
		966.5	1,024.8
Total assets		1,746.2	1,610.6
LIABILITIES			
Non-current liabilities			
Trade and other payables	19	(108.0)	(104.9)
Deferred tax liabilities	14	(0.8)	(1.4)
Derivative financial liabilities	17	(0.7)	(0.2)
Retirement benefit obligations		(0.6)	(0.8)
Provisions for other liabilities and charges	20	(19.8)	(15.1)
		(129.9)	(122.4)
Current liabilities			
Bank overdrafts and borrowings	21	(129.8)	(208.6)
Derivative financial liabilities	17	(0.1)	(1.9)
Trade and other payables	19	(339.8)	(324.4)
Provisions for other liabilities and charges	20	(12.9)	(8.2)
Income tax liabilities		(80.9)	(53.7)
		(563.5)	(596.8)
Total liabilities		(693.4)	(719.2)
Net assets		1,052.8	891.4
EQUITY			
Capital and reserves attributable to owners of the Company			
Ordinary share capital	22	0.2	0.2
Share premium account		203.6	202.6
Capital reserve	22	37.0	33.9
Hedging reserve	22	9.3	4.9
Foreign currency translation reserve	22	151.0	118.6
Retained earnings		615.9	507.1
		1,017.0	867.3
Non-controlling interest in equity		35.8	24.1
Total equity		1,052.8	891.4

The consolidated financial statements of Burberry Group plc (registered number 03458224) on pages 108 to 153 were approved by the Board on 20 May 2013 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 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	22	-	-	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 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
Profit for the year		-	-	-	254.3	254.3	4.9	259.2
Other comprehensive income:								
Cash flow hedges	22	-	-	5.7	-	5.7	-	5.7
Foreign currency translation differences		-	-	33.8	-	33.8	2.2	36.0
Tax on other comprehensive income		-	-	(2.7)	-	(2.7)	-	(2.7)
Total comprehensive income for the year		-	-	36.8	254.3	291.1	7.1	298.2
Transfer between reserves		-	-	3.1	(3.1)	-	-	-
Transactions with owners:								
Employee share incentive schemes								
Value of share options granted		-	-	-	24.9	24.9	-	24.9
Value of share options transferred to liabilities		-	-	-	(1.3)	(1.3)	-	(1.3)
Tax on share options granted		-	-	-	(1.9)	(1.9)	-	(1.9)
Exercise of share awards		-	1.0	-	-	1.0	-	1.0
Purchase of own shares by ESOP trusts		-	-	-	(46.4)	(46.4)	-	(46.4)
Capital contribution by non-controlling interest		-	-	-	-	-	0.4	0.4
De-recognition of non-controlling interest	30	-	-	-	(4.2)	(4.2)	4.2	-
Dividends paid in the year		-	-	-	(113.5)	(113.5)	-	(113.5)
Balance as at 31 March 2013		0.2	203.6	197.3	615.9	1,017.0	35.8	1,052.8

Group Statement of Cash Flows

	Note	Year to 31 March 2013 £m	Year to 31 March 2012 £m
Cash flows from operating activities			
Operating profit		345.8	376.9
Operating loss from discontinued operations		–	(0.3)
Termination of licence relationship	6	71.3	–
Depreciation		94.5	74.3
Amortisation		16.7	13.3
Net impairment charges		11.3	6.8
Write-down of assets held for sale		–	4.5
Loss on disposal of property, plant and equipment and intangible assets		0.1	0.3
Fair value losses/(gains) on derivative instruments		2.0	(5.7)
Charges in respect of employee share incentive schemes		24.9	31.8
Increase in inventories		(39.2)	(61.8)
Increase in receivables		(32.0)	(17.6)
Increase in payables		27.6	60.0
Cash generated from operating activities		523.0	482.5
Interest received		3.5	2.7
Interest paid		(2.6)	(3.3)
Taxation paid		(99.0)	(108.2)
Net cash generated from operating activities		424.9	373.7
Cash flows from investing activities			
Purchase of property, plant and equipment		(158.1)	(126.1)
Purchase of intangible assets		(17.8)	(27.0)
Payment to terminate licence relationship	6	(144.1)	–
Proceeds from sale of asset held for sale	27	0.1	–
Acquisition of subsidiaries, net of cash acquired		(1.0)	(23.5)
Net cash outflow from investing activities		(320.9)	(176.6)
Cash flows from financing activities			
Dividends paid in the year	10	(113.5)	(95.9)
Dividends paid to non-controlling interest		–	(3.3)
Capital contributions by non-controlling interest		0.4	4.9
Issue of ordinary share capital		1.0	0.6
Sale of own shares by ESOP trusts		–	0.1
Purchase of own shares by ESOP trusts		(46.4)	(60.7)
Repayments of borrowings		(1.3)	–
Net cash outflow from financing activities		(159.8)	(154.3)
Net (decrease)/increase in cash and cash equivalents		(55.8)	42.8
Effect of exchange rate changes		12.8	(2.4)
Cash and cash equivalents at beginning of year		339.6	299.2
Cash and cash equivalents at end of year		296.6	339.6

Analysis of Net Cash

	Note	As at 31 March 2013 £m	As at 31 March 2012 £m
Cash and cash equivalents as per the Balance Sheet	18	426.4	546.9
Bank overdrafts	21	(129.8)	(207.3)
Cash and cash equivalents per the Statement of Cash Flows		296.6	339.6
Bank and other borrowings	21	–	(1.3)
Net cash		296.6	338.3

1. Basis of preparation

Burberry Group plc and its subsidiaries (the Group) is a global luxury goods manufacturer, wholesaler and retailer. The Group also licences third parties to manufacture and distribute products using the 'Burberry' trade marks. All of the companies which comprise the Group are controlled 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 or interpretations issued and made effective for the financial period commencing on 1 April 2012 that have had a material impact on the financial statements of the Group.

As at 31 March 2013, 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 2014 and has 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 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 2014 and has 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 2014 and has been endorsed by the EU. Any potential impact of this new standard will be limited to disclosure, and it is not considered likely to have a material impact.

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 been endorsed by the EU. Any potential impact of this new standard will be limited to disclosure, and it is not considered likely to have a material impact.

Amendment to IAS 1 Financial statement presentation

The amendment requires entities to group items presented in Other Comprehensive Income on the basis of whether they will be recycled through profit or loss at a later date, when specific conditions are met. The amendment is effective from 1 July 2012. The amendments do not address which items are presented in Other Comprehensive Income, and as such the impact on the Group will be limited to presentation.

Basis of consolidation

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

Valuation of the fragrance and beauty intangible

The Group made a payment to Interparfums SA of €181.2m on 21 December 2012 to terminate the existing fragrance and beauty licence relationship (£142.2m at the spot rate at the time of exercise). This has resulted in the recognition of an intangible asset of £70.9m and an expense of £71.3m in the current period. In order to identify the carrying value of the intangible asset acquired, management was required to estimate the incremental income that will be earned by the Group from 1 April 2013 to 31 December 2017, which represents the remaining period of the original licence, prior to its termination. A value-in-use calculation has been performed, based on the key forecast assumptions including: sales of products until 2017, by product category; operating margins achieved on this activity; tax charged on the incremental profits; the working capital required to support this activity; and anticipated tax relief on the payment made to acquire the intangible asset. Such forecast assumptions are inherently uncertain and the actual cash flows between 1 April 2013 and 31 December 2017 may differ materially from these assumptions. Refer to notes 6 and 11 for further details of the accounting for this transaction.

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 19 and 25 for further details of the put option liability.

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 12 for further details of property, plant and equipment.

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 of finished goods and future usage of raw materials. Refer to note 16 for further details of the carrying value of inventory.

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 8 and 14 for further details of income and deferred tax balances.

1. Basis of preparation (continued)

Key sources of estimation and judgement (continued)

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 15 and 25 for further details on the net carrying value and credit quality of trade receivables.

Impairment of goodwill

The Group is required to test at least annually 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 11 for further details of goodwill balances.

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. Non-controlling interests in subsidiaries are identified separately from the Group's equity, and are initially measured either at fair value or at a value equal to the non-controlling interests' share of the identifiable net assets acquired. The choice of the basis of measurement is an accounting policy choice for each individual business combination. The excess of the cost of acquisition together with the value of any non-controlling interest over the fair value 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.

2. Accounting policies (continued)

d) Share schemes

The Group operates a number of equity-settled share based compensation schemes, under which services are received from employees (including executive directors) as consideration for equity instruments of the Company. The cost of the share based incentives is measured with reference to the fair value of the equity instruments awarded at the date of grant. Appropriate option pricing models, including Black-Scholes and Monte Carlo, are used to determine the fair value of the awards made. The fair value takes into account the impact of any market performance conditions, but the impact of non-market performance conditions is not considered in determining the fair value on the date of grant. 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.

In some circumstances, employees may provide services in advance of the grant date. The grant date fair value is estimated for the purposes of recognising the expense during the period between the service commencement period and the grant 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.

When options and awards are exercised, they are settled either via issue of new shares in the Company, or through shares held in an ESOP trust, depending on the terms and conditions of the relevant scheme. The proceeds received from the exercises, net of any directly attributable transaction costs, are credited to share capital and share premium accounts.

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 payables 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.

2. Accounting policies (continued)

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 as they fall due and comprises the amount of contributions to the schemes.

Defined benefit schemes

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

The liability recognised on 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 the cost of acquisition together with the value of any non-controlling interest, 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, licences and other intangible assets

The cost of securing and renewing trade marks and licences, 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 or licence. 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 in 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:

Type of asset	Category of property, plant and equipment	Useful life
Land	Freehold land and buildings	Not depreciated
Freehold buildings	Freehold land and buildings	Up to 50 years
Leaseholds	Leasehold improvements	Over the unexpired term of the lease
Plant, machinery, fixtures and fittings	Fixtures, fittings and equipment	3 – 8 years
Retail fixtures and fittings	Fixtures, fittings and equipment	2 – 5 years
Office equipment	Fixtures, fittings and equipment	5 years
Computer equipment	Fixtures, fittings and equipment	Up to 5 years
Assets in the course of construction	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). Non-financial assets, other than goodwill, for which an impairment has been previously recognised are reviewed for possible reversal of impairment at each reporting date.

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.

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.

2. Accounting policies (continued)

n) Taxation

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

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 income tax is recognised, using the liabilities method, 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.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entities or different taxable entities where there is an intention to settle the balances on a net basis.

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 owners of the Company 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 owners of the Company.

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	18	Loans and receivables	Amortised cost
Trade and other receivables	15	Loans and receivables	Amortised cost
Trade and other payables	19	Other financial liabilities	Amortised cost
Borrowings	21	Other financial liabilities	Amortised cost
Put option over non-controlling interest	19	Derivative instrument	Fair value through profit and loss
Forward foreign exchange contracts ⁽¹⁾	17	Derivative instrument	Fair value through profit and loss
Equity swap contracts	17	Derivative instrument	Fair value through profit and loss
Onerous lease	20	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

On the Balance Sheet, cash and cash equivalents comprise cash and short-term deposits with a maturity date of three months or less, held with banks and liquidity funds. In the Statement of Cash Flows, cash and cash equivalents also include bank overdrafts, which 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 movement in 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 exchange rate prevailing at the date of the transaction. 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 2013	Year to 31 March 2012	As at 31 March 2013	As at 31 March 2012
Euro	1.22	1.16	1.18	1.20
US Dollar	1.58	1.60	1.52	1.60
Chinese Yuan Renminbi	9.91	10.15	9.44	10.07
Hong Kong Dollar	12.25	12.38	11.79	12.41
Korean Won	1,758	1,775	1,691	1,811

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 126.9: £1 in the year to 31 March 2013 (2012: Yen 133.1: £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 6 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 owners 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 the Group'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 USA. Licensing revenues are generated through the receipt of royalties from the Group'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 2013 £m	Year to 31 March 2012 £m	Year to 31 March 2013 £m	Year to 31 March 2012 £m	Year to 31 March 2013 £m	Year to 31 March 2012 £m
Retail	1,416.6	1,270.3	–	–	1,416.6	1,270.3
Wholesale	472.7	478.3	–	–	472.7	478.3
Licensing	–	–	111.4	118.9	111.4	118.9
Total segment revenue	1,889.3	1,748.6	111.4	118.9	2,000.7	1,867.5
Inter-segment revenue ⁽¹⁾	–	–	(2.0)	(10.3)	(2.0)	(10.3)
Revenue from external customers	1,889.3	1,748.6	109.4	108.6	1,998.7	1,857.2
Depreciation and amortisation	111.1	87.6	–	–	111.1	87.6
Net impairment charges	11.3	6.8	–	–	11.3	6.8
Other non-cash expenses						
Share based payments	19.9	25.4	5.0	6.4	24.9	31.8
Adjusted operating profit	335.6	286.9	92.5	90.0	428.1	376.9
Exceptional items ⁽²⁾					(77.1)	(10.2)
Finance income					3.4	2.9
Finance expense					(3.7)	(3.6)
Profit before taxation					350.7	366.0

(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 6 for details of exceptional items.

	Retail/Wholesale		Licensing		Total	
	Year to 31 March 2013 £m	Year to 31 March 2012 £m	Year to 31 March 2013 £m	Year to 31 March 2012 £m	Year to 31 March 2013 £m	Year to 31 March 2012 £m
Additions to non-current assets	253.6	150.7	–	–	253.6	150.7
Total segment assets	1,094.0	875.5	4.2	4.5	1,098.2	880.0
Goodwill					86.3	81.2
Cash and cash equivalents					426.4	546.9
Taxation					127.0	94.2
Assets relating to discontinued Spanish operations					8.3	8.3
Total assets per Balance Sheet					1,746.2	1,610.6

3. Segmental analysis (continued)

	Year to 31 March 2013 £m	Year to 31 March 2012 £m
Revenue by product		
Accessories	734.3	689.4
Womens	618.2	582.5
Mens	464.2	410.5
Childrens/Other	72.6	66.2
Retail/Wholesale	1,889.3	1,748.6
Licensing	109.4	108.6
Total	1,998.7	1,857.2

	Year to 31 March 2013 £m	Year to 31 March 2012 £m
Revenue by destination		
Asia Pacific	745.3	652.5
Europe	560.3	552.6
Americas	463.3	434.5
Rest of World	120.4	109.0
Retail/Wholesale	1,889.3	1,748.6
Licensing	109.4	108.6
Total	1,998.7	1,857.2

Revenue to external customers originating in the UK totalled £491.7m for the year to 31 March 2013 (2012: £471.2m).

Revenue to external customers originating in foreign countries totalled £1,507.0m for the year to 31 March 2013 (2012: £1,386.0m). This amount includes £419.5m of external revenues originating in the US (2012: £392.9m) and £259.6m of external revenues originating in China (2012: £213.9m).

The total of non-current assets other than financial instruments and deferred tax assets located in the UK is £211.5m (2012: £111.7m). The remaining £421.1m of non-current assets are located in other countries (2012: £375.3m), with £161.8m located in North America (2012: £146.8m) and £73.5m located in China (2012: £67.0m).

4. Net operating expenses

	Year to 31 March 2013 £m	Year to 31 March 2012 ⁽¹⁾ £m
	Note	
Selling and distribution costs	604.2	510.5
Administrative expenses	410.3	412.3
Property rental income under operating leases	(0.6)	(0.8)
Exceptional items		
Termination of licence relationship	6	82.9
Restructuring costs	6	(0.6)
Total	1,096.2	922.0

(1) The year ended 31 March 2012 has been re-presented to reallocate certain costs from administrative expenses to selling and distribution to better reflect the nature of these costs.

5. Profit before taxation

	Note	Year to 31 March 2013 £m	Year to 31 March 2012 £m
Profit before taxation is stated after charging/(crediting):			
Depreciation of property, plant and equipment			
Within cost of sales		0.5	0.3
Within selling and distribution costs ⁽¹⁾		76.2	59.6
Within administrative expenses ⁽¹⁾		17.7	14.3
Amortisation of intangible assets			
Within selling and distribution costs		2.0	–
Within administrative expenses		14.7	13.3
Loss on disposal of property, plant and equipment and intangible assets		0.1	0.3
Net impairment charge relating to retail assets		11.3	3.8
Net impairment charge relating to intangible assets		–	3.0
Employee costs ⁽²⁾		385.6	358.7
Operating lease rentals			
Minimum lease payments		142.6	112.0
Contingent rents		73.7	70.9
Net exchange (gain)/loss included in the Income Statement		(5.0)	3.3
Trade receivables net impairment charge		2.1	1.4
Exceptional items			
Termination of licence relationship	6	82.9	–
Restructuring costs	6	(0.6)	–
Put option liability finance charges	6	(5.2)	10.2

(1) The year ended 31 March 2012 has been re-presented to reallocate certain costs from administrative expenses to selling and distribution to better reflect the nature of these costs.

(2) Excludes costs relating to the setup of the Burberry Beauty business which have been included within exceptional items for the year ended 31 March 2013 (refer note 6).

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 2013 £m	Year to 31 March 2012 £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	1.3	1.1
Audit related assurance services	0.1	0.2
Services relating to taxation		
Compliance services	0.2	0.1
Advisory services	0.4	0.3
Other non-audit related services	0.2	0.1
Total	2.5	2.1

6. Exceptional items

Termination of licence relationship

During the year ended 31 March 2013, a total of £82.9m has been recognised as an exceptional item relating to the termination of the fragrance and beauty licence relationship with Interparfums SA. A tax credit of £19.1m has been recognised on this exceptional charge in the current period.

On 16 July 2012, the Group exercised its right to terminate its fragrance and beauty licence relationship with Interparfums SA in exchange for a payment of €181.2m (£142.2m at the spot rate of €1.27: £1 on the date of exercise). The payment was made on 21 December 2012 (£144.1m at the spot rate prevailing on the date of payment) and the termination was effective from 1 April 2013. The terms of the termination were set out in the licence agreement, as modified by a subsequent transition agreement signed on 10 October 2012. If the licence relationship had not been terminated it would have expired on 31 December 2017.

£70.9m of this payment has been capitalised as an intangible asset within the category 'trade marks, licences and other intangible assets' (refer note 11).

The remaining £71.3m, which does not qualify to be capitalised as an intangible asset, has been recognised as an expense in the current period. The £71.3m expense has been recognised as an exceptional item, due to the size and nature of the transaction. Other costs, which were incurred by the Group in the year as a result of the transaction, have been included within the total reported exceptional item of £82.9m relating to the termination of the fragrance and beauty licence relationship. These other costs are separately presented in order to provide additional consideration of the underlying performance of the Group's ongoing business in the year.

The analysis of the exceptional item relating to the termination of the fragrance and beauty licence relationship and details of the other costs are as follows:

	Year to 31 March 2013 £m
Payment to Interparfums SA	71.3
Professional fees	0.5
Net foreign exchange loss	2.2
Set up costs	8.9
Total exceptional item relating to termination of licence relationship	82.9

Professional fees

Professional fees of £0.5m were incurred as a result of the transaction, mainly relating to legal services, tax advice and valuation services.

Net foreign exchange loss

The payment to Interparfums SA was hedged through taking out forward contracts, which matured on 21 December 2012. These contracts had a combined effective average rate of €1.26: £1, compared to the €1.27: £1 used to initially record the transaction. This has resulted in a difference of £2.2m between the Sterling equivalent of the amount to settle the creditor with Interparfums SA and the amount to settle the forward contract.

Set up costs

Set up costs of £8.9m were incurred during the year. These set up costs will not recur in future years, and solely represent expenses incurred as a result of transitioning the fragrance and beauty business from a licensed operation to a directly operated business. The direct operation is effective from 1 April 2013 and hence these set up costs did not relate to the Group's ongoing business in the year. Further costs incurred in relation to the fragrance and beauty business from 1 April 2013 will not be treated as exceptional, other than amortisation of the intangible asset relating to the termination of the licence relationship.

The set up costs include marketing costs which would have been borne by Interparfums SA if the licence relationship had not been terminated; the cost of employees hired in the current year to support the direct operation from 1 April 2013; rental costs for a new distribution centre for the Beauty business; system development expenses; consultancy fees, registration fees and contractual obligations in relation to equipment and inventory purchases arising from the transition agreement.

6. Exceptional items (continued)**Restructuring costs**

During the year ended 31 March 2013, an exceptional credit was recognised for the release of £0.6m of the restructuring provision held in respect of the cost efficiency programme announced in the year to 31 March 2009. A tax charge of £0.1m has been recognised in relation to this exceptional credit in the current period.

Put option liability finance income/charges

The exceptional financing credit of £5.2m for the year ended 31 March 2013 (2012: charge of £10.2m) 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 19 for further details of the carrying value of the put option liability. No tax has been recognised on this item, as it is not considered to be deductible for tax purposes.

7. Financing

	Note	Year to 31 March 2013 £m	Year to 31 March 2012 £m
Bank interest income		3.4	2.9
Finance income		3.4	2.9
Interest expense on bank loans and overdrafts		(2.3)	(2.3)
Bank charges		(1.4)	(1.3)
Finance expense		(3.7)	(3.6)
Other financing charges — put option liability	6	5.2	(10.2)
Net finance income/(charge)		4.9	(10.9)

8. Taxation

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

	Year to 31 March 2013 £m	Year to 31 March 2012 £m
Current tax		
UK corporation tax		
Current tax on income for the year to 31 March 2013 at 24% (2012: 26%)	79.4	79.9
Double taxation relief	(0.5)	(1.7)
Adjustments in respect of prior years	1.0	(1.7)
	79.9	76.5
Foreign tax		
Current tax on income for the year	37.2	36.8
Adjustments in respect of prior years	10.2	(1.5)
Total current tax	127.3	111.8
Deferred tax		
UK deferred tax		
Origination and reversal of temporary differences	(19.8)	(1.1)
Impact of changes to tax rates	1.6	1.3
Adjustments in respect of prior years	(1.2)	(0.4)
	(19.4)	(0.2)
Foreign deferred tax		
Origination and reversal of temporary differences	(15.7)	(16.0)
Impact of changes to tax rates	—	(0.1)
Adjustments in respect of prior years	(0.7)	5.1
Total deferred tax	(35.8)	(11.2)
Total tax charge on profit	91.5	100.6

8. Taxation (continued)

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

	Year to 31 March 2013 £m	Year to 31 March 2012 £m
Current tax		
Recognised in other comprehensive income		
Current tax charge on exchange differences on loans (foreign currency translation reserve)	6.8	0.1
Total current tax recognised in other comprehensive income	6.8	0.1
Recognised in equity		
Current tax credit on share options (retained earnings)	(7.3)	(13.8)
Total current tax recognised directly in equity	(7.3)	(13.8)
Deferred tax		
Recognised in other comprehensive income		
Deferred tax credit on cash flow hedges deferred in equity (hedging reserve)	(0.3)	(0.6)
Deferred tax charge on cash flow hedges transferred to income (hedging reserve)	1.6	1.4
Deferred tax (credit)/charge on exchange differences on loans (foreign currency translation reserve)	(5.4)	0.1
Total deferred tax recognised in other comprehensive income	(4.1)	0.9
Recognised in equity		
Deferred tax charge/(credit) on share options (retained earnings)	9.2	(3.6)
Total deferred tax recognised directly in equity	9.2	(3.6)

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 2013 £m	Year to 31 March 2012 £m
Profit before taxation	350.7	366.0
Tax at 24% (2012: 26%) on profit before taxation	84.2	95.2
Rate adjustments relating to overseas profits	(7.4)	(8.9)
Permanent differences	0.9	8.3
Current year tax losses not recognised	2.9	3.2
Adjustments in respect of prior years	9.3	1.5
Adjustments to deferred tax relating to changes in tax rates	1.6	1.3
Total taxation charge	91.5	100.6

Total taxation recognised in the Group Income Statement arises on:

	Year to 31 March 2013 £m	Year to 31 March 2012 £m
Adjusted profit before taxation	110.5	100.6
Exceptional items	(19.0)	-
Total taxation charge	91.5	100.6

9. Earnings per share

The calculation of basic earnings per share is based on profit or loss attributable to owners 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 2013 £m	Year to 31 March 2012 £m
Attributable profit for the year before exceptional items ⁽¹⁾ and discontinued operations	312.4	273.8
Effect of exceptional items ⁽¹⁾ (after taxation)	(58.1)	(10.2)
Attributable profit for the year from continuing operations	254.3	263.6
Attributable loss from discontinued operations	-	(0.3)
Attributable profit for the year	254.3	263.3

(1) Refer to note 6 for details of exceptional items.

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. Refer to note 26 for additional information on the terms and conditions of the employee share incentive schemes.

	Year to 31 March 2013 Millions	Year to 31 March 2012 Millions
Weighted average number of ordinary shares in issue during the year	436.2	435.9
Dilutive effect of the employee share incentive schemes	10.3	8.4
Diluted weighted average number of ordinary shares in issue during the year	446.5	444.3

10. Dividends paid to owners of the Company

	Year to 31 March 2013 £m	Year to 31 March 2012 £m
Prior year final dividend paid 18.00p per share (2012: 15.00p)	78.6	65.4
Interim dividend paid 8.00p per share (2012: 7.00p)	34.9	30.5
Total	113.5	95.9

A final dividend in respect of the year to 31 March 2013 of 21.00p (2012: 18.00p) per share, amounting to £91.5m (2012: £78.6m), 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 1 August 2013 to shareholders on the register at the close of business on 5 July 2013.

11. Intangible assets

Cost	Goodwill £m	Trade marks, licences and other intangible assets £m	Computer software £m	Total £m
As at 1 April 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 in the course of construction (note 12)	–	1.9	1.3	3.2
Business combinations	6.6	–	–	6.6
As at 31 March 2012	81.2	25.7	69.9	176.8
Effect of foreign exchange rate changes	5.1	0.1	0.8	6.0
Additions	–	73.2	15.1	88.3
Disposals	–	–	(2.1)	(2.1)
As at 31 March 2013	86.3	99.0	83.7	269.0
Accumulated amortisation and impairment				
As at 1 April 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
Effect of foreign exchange rate changes	–	–	0.5	0.5
Charge for the year	–	2.1	14.6	16.7
Disposals	–	–	(2.1)	(2.1)
As at 31 March 2013	–	14.4	44.4	58.8
Net book value				
As at 31 March 2013	86.3	84.6	39.3	210.2
As at 31 March 2012	81.2	13.4	38.5	133.1

Fragrance and beauty intangible asset

On 16 July 2012, the Group exercised its right to terminate its fragrance and beauty licence relationship with Interparfums SA in exchange for a payment of €181.2m (£142.2m at the spot rate at the time of exercise). The payment was made on 21 December 2012 and the termination was effective from 1 April 2013. The terms of the termination were set out in the licence agreement, as modified by a subsequent transition agreement signed on 10 October 2012. If the licence relationship had not been terminated it would have expired on 31 December 2017. The payment of €181.2m has given rise to an intangible asset of £70.9m and an expense of £71.3m at the spot rate of €1.27: £1 on 16 July 2012.

The intangible asset relates to the present value of the anticipated incremental income which will be earned by the Group, as a result of selling fragrance and beauty products through retail and wholesale channels rather than under licence, from 1 April 2013 to 31 December 2017, being the remaining period of the original licence, prior to its termination. In order to identify the carrying value of the intangible asset acquired, a value-in-use calculation has been performed, based on key forecast assumptions including: sales of products until 2017, by product category; operating margins achieved on this activity; tax charged on the incremental profits; the working capital required to support this activity; and anticipated tax relief on the payment made to acquire the intangible asset. Such forecast assumptions are inherently uncertain and the actual cash flows between 1 April 2013 and 31 December 2017 may differ materially from these assumptions.

The asset is presented within the intangible asset category 'trade marks, licences and other intangible assets'. It will be amortised on a straight-line basis over the period 1 April 2013 to 31 December 2017.

The remaining £71.3m, which does not qualify to be capitalised as an intangible asset, has been recognised as an expense in the current period (refer to note 6).

11. Intangible assets (continued)Impairment testing of goodwill

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

	As at 31 March 2013 £m	As at 31 March 2012 £m
China ⁽¹⁾	44.7	41.9
Korea	24.4	22.8
Other	17.2	16.5
Total	86.3	81.2

(1) The goodwill reported for China does not include any goodwill attributable to the non-controlling interest.

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 have been prepared using management's approved financial plans for the three years ending 31 March 2016. These plans contain management's best view of the expected performance for the year ending 31 March 2014 and the expected growth rates for the two years ending 31 March 2015 and 31 March 2016. The plans are based on the performance achieved in the current year and management's knowledge of the market environment and future business plans. A terminal value has been included in the value-in-use calculation based on the cash flows for the year ending 31 March 2016 incorporating the assumption that there is no growth beyond 31 March 2016.

For the material goodwill balances of China and Korea, a sensitivity analysis has been performed on the value-in-use calculations by assuming no growth beyond the year ending 31 March 2014. This sensitivity analysis indicated significant headroom between the recoverable amount under this scenario and the carrying value of goodwill and therefore management considered no further detailed sensitivity analysis was required.

The discount rates for China and Korea were 15.6% and 13.1% respectively (2012: 14.4%; 12.5%).

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.

12. Property, plant and equipment

Cost	Freehold land and buildings	Leasehold improvements	Fixtures, fittings and equipment ⁽¹⁾	Assets in the course of construction	Total
	£m	£m	£m	£m	£m
As at 1 April 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 in the course of construction	–	3.2	11.0	(17.4)	(3.2)
Business combination	–	–	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
Effect of foreign exchange rate changes	2.9	12.3	8.9	(0.4)	23.7
Additions	15.0	53.5	78.0	18.8	165.3
Disposals	–	(17.9)	(16.8)	–	(34.7)
Transfer from assets held for sale (note 27)	28.8	–	6.5	–	35.3
Reclassification from assets in the course of construction	3.3	7.6	18.8	(29.7)	–
As at 31 March 2013	104.2	303.1	366.3	23.2	796.8
Accumulated depreciation and impairment					
As at 1 April 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
Effect of foreign exchange rate changes	0.5	6.1	4.6	–	11.2
Charge for the year	1.3	37.2	55.9	–	94.4
Disposals	–	(17.9)	(16.7)	–	(34.6)
Transfer from assets held for sale (note 27)	20.5	–	6.5	–	27.0
Net impairment charge on assets	–	5.4	5.9	–	11.3
As at 31 March 2013	39.2	141.2	207.3	–	387.7
Net book value					
As at 31 March 2013	65.0	161.9	159.0	23.2	409.1
As at 31 March 2012	37.3	137.2	119.8	34.5	328.8

(1) Included in fixtures, fittings and equipment are finance lease assets with a net book value of £3.4m (2012: £2.0m).

(2) During the year ended 31 March 2012, £18.6m of assets were reclassified from fixtures and fittings to leasehold improvements as this was more representative of the nature of these assets.

During the year to 31 March 2013, a net impairment charge of £11.3m (2012: £3.8m) was identified as part of the annual impairment review of the retail store assets.

Where indicators of impairment were identified, the impairment review compared the value-in-use of the assets to the carrying values at 31 March 2013. The pre-tax cash flow projections were based on financial plans of expected revenues and costs of each retail cash generating unit, as approved by management, and extrapolated beyond the budget year to the lease exit dates using growth rates and inflation rates appropriate to each store's location. The pre-tax discount rates used in these calculations were between 11.8% and 18.2% (2012: between 10.8% and 16.7%), based on the Group's weighted average cost of capital adjusted for country-specific tax rates and risks.

13. Investment properties

	2013	2012
Cost	£m	£m
As at 1 April	3.6	3.8
Effect of foreign exchange rate changes	–	(0.2)
As at 31 March	3.6	3.6
Accumulated depreciation		
As at 1 April	0.8	0.8
Effect of foreign exchange rate changes	–	(0.1)
Charge for the year	0.1	0.1
As at 31 March	0.9	0.8
Net book value	2.7	2.8

The Group leases out a freehold property in France 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 2013 (2012: £0.7m).

Based on a valuation report prepared by Cushman & Wakefield, the market valuation of the investment property is £11.3m, using closing exchange rates at 31 March 2013 (2012: £11.2m). 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.

14. 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 2013 £m	As at 31 March 2012 £m
Deferred tax assets	117.6	84.1
Deferred tax liabilities	(0.8)	(1.4)
Net amount	116.8	82.7

	As at 31 March 2013 £m	As at 31 March 2012 £m
The movement in the deferred tax account is as follows:		
As at 1 April	82.7	68.6
Effect of foreign exchange rate changes	3.4	0.2
Credited to the Income Statement	35.8	11.2
Credited/(charged) to other comprehensive income	4.1	(0.9)
(Charged)/credited to equity	(9.2)	3.6
As at 31 March	116.8	82.7

14. 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

	Capital allowances £m	Unrealised inventory profit and other provisions £m	Derivative instruments £m	Unused tax losses £m	Other £m	Total £m
As at 1 April 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	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
Effect of foreign exchange rate changes	0.1	(0.1)	–	(0.3)	0.4	0.1
(Credited)/charged to the Income Statement	(1.5)	(0.9)	–	4.1	(7.1)	(5.4)
As at 31 March 2013	25.4	(3.5)	1.5	–	(16.6)	6.8

Deferred tax assets

	Capital allowances £m	Unrealised inventory profit and other provisions £m	Share schemes £m	Derivative instruments £m	Unused tax losses £m	Other £m	Total £m
As at 1 April 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	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
Effect of foreign exchange rate changes	(1.2)	1.9	–	–	0.7	2.1	3.5
Credited/(charged) to the Income Statement	23.3	(2.7)	4.1	–	(2.7)	8.4	30.4
(Charged)/credited to other comprehensive income	–	–	–	(1.3)	–	5.4	4.1
Charged to equity	–	–	(9.2)	–	–	–	(9.2)
As at 31 March 2013	25.9	35.4	31.5	(1.5)	2.7	29.6	123.6

Deferred tax balances within the Other category in the analysis above include temporary differences arising on provisions, deferred income and unrealised exchange differences deferred in equity.

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 £22.3m (2012: £20.3m) in respect of losses and temporary timing differences amounting to £68.7m (2012: £57.8m) that can be set off against future taxable income. There is a time limit for the recovery of £14.1m of these potential assets (2012: £13.0m) which ranges from six to ten years (2012: seven to ten years).

Included within other temporary differences above is a deferred tax liability of £0.6m (2012: £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 £4.8m (2012: £2.0m).

15. Trade and other receivables

	As at 31 March 2013 £m	As at 31 March 2012 £m
Non-current		
Deposits and other receivables	29.3	17.9
Prepayments	10.6	4.4
Total non-current trade and other receivables	39.9	22.3
Current		
Trade receivables	116.6	103.0
Provision for doubtful debts	(7.3)	(7.6)
Net trade receivables	109.3	95.4
Other receivables		
Financial	10.4	8.0
Non-financial	15.2	18.4
Prepayments	21.6	19.2
Accrued income	3.1	4.2
Total current trade and other receivables	159.6	145.2
Total trade and other receivables	199.5	167.5

Included in trade and other receivables are non-financial assets of £47.4m (2012: £42.0m).

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 2013, trade receivables of £27.0m (2012: £28.0m) were impaired. The amount of the provision against these receivables was £7.3m as of 31 March 2013 (2012: £7.6m). It was assessed that a portion of the receivables is expected to be recovered. The ageing of the impaired trade receivables is as follows:

	As at 31 March 2013 £m	As at 31 March 2012 £m
Current	0.5	0.2
Less than one month overdue	20.4	21.8
One to three months overdue	1.8	1.3
Over three months overdue	4.3	4.7
	27.0	28.0

As at 31 March 2013, trade receivables of £5.4m (2012: £0.1m) were overdue but not impaired. The ageing of these overdue receivables is as follows:

	As at 31 March 2013 £m	As at 31 March 2012 £m
Less than one month overdue	3.7	0.1
One to three months overdue	1.7	-
	5.4	0.1

15. Trade and other receivables (continued)

Movement on the provision for doubtful debts is as follows:

	Year to 31 March 2013 £m	Year to 31 March 2012 £m
As at 1 April	7.6	12.1
Increase in provision for doubtful debts	2.5	2.1
Receivables written off during the year as uncollectable	(2.4)	(5.9)
Unused provision reversed	(0.4)	(0.7)
As at 31 March	7.3	7.6

As at 31 March 2013 there were no impaired receivables within other receivables (2012: £0.4m).

The carrying amounts of the Group's non-derivative financial assets excluding cash and cash equivalents are denominated in the following currencies:

	Year to 31 March 2013 £m	Year to 31 March 2012 £m
Sterling	7.5	14.9
US Dollar	21.4	16.5
Euro	40.6	36.1
Chinese Yuan Renminbi	29.2	22.7
Other currencies	53.4	35.3
	152.1	125.5

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.

16. Inventories

	As at 31 March 2013 £m	As at 31 March 2012 £m
Raw materials	14.7	5.7
Work in progress	0.7	0.5
Finished goods	335.6	304.9
Total inventories	351.0	311.1

The cost of inventories recognised as an expense and included in cost of sales for the continuing and discontinued operations amounted to £535.8m (2012: £539.3m). The net movement in inventory provisions included in cost of sales for the year ended 31 March 2013 was a cost of £8.6m (2012: £4.4m).

The cost of inventories physically destroyed in the year is £5.5m (2012: £8.3m).

17. Derivative financial instrumentsCash flow hedges

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. 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.

Derivative financial assets

	As at 31 March 2013 £m	As at 31 March 2012 £m
Forward foreign exchange contracts – cash flow hedges	8.3	3.2
Equity swap contracts – held for trading	12.0	14.7
Total position	20.3	17.9
Comprising:		
Total non-current position	0.2	14.7
Total current position	20.1	3.2

Derivative financial liabilities

	As at 31 March 2013 £m	As at 31 March 2012 £m
Forward foreign exchange contracts – cash flow hedges	(0.1)	(1.9)
Equity swap contracts – held for trading	(0.7)	(0.2)
Total position	(0.8)	(2.1)
Comprising:		
Total non-current position	(0.7)	(0.2)
Total current position	(0.1)	(1.9)

Net derivative financial instruments

	As at 31 March 2013 £m	As at 31 March 2012 £m
Book value	19.5	15.8
Fair value	19.5	15.8

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 2013 £m	As at 31 March 2012 £m
Notional principal amounts of the outstanding forward foreign exchange contracts	200.1	168.6
Notional principal amounts of the outstanding equity swap contracts	20.1	15.9
Net (loss)/gain on derivatives held for trading for the year recognised within net operating expenses in the Income Statement	(3.4)	6.8

17. Derivative financial instruments (continued)**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. They are usually not closed out prior to the contractual maturity. The foreign currency cash flows 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 2013				
Forward exchange contracts used for hedging:				
Outflow		(194.8)	(116.0)	(78.8)
Inflow		202.6	120.6	82.0
	8.2	7.8	4.6	3.2
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

The contractual maturity profile of non-current financial liabilities is shown in note 25.

18. Cash and cash equivalents

	As at 31 March 2013 £m	As at 31 March 2012 £m
Cash at bank and in hand	234.7	262.6
Short-term deposits	191.7	284.3
Total	426.4	546.9

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

19. Trade and other payables

	As at 31 March 2013 £m	As at 31 March 2012 £m
Non-current		
Deferred consideration	–	1.1
Put option liability over non-controlling interest	55.0	57.8
Other payables	5.1	3.9
Deferred income and non-financial accruals	47.9	42.1
Total non-current trade and other payables	108.0	104.9
Current		
Trade payables	118.2	118.8
Other taxes and social security costs	24.6	23.3
Deferred consideration	1.1	1.1
Other payables	9.1	5.8
Accruals	140.6	138.3
Deferred income and non-financial accruals	46.2	37.1
Total current trade and other payables	339.8	324.4
Total trade and other payables	447.8	429.3

Included in trade and other payables are non-financial liabilities of £118.7m (2012: £102.5m) of which £47.9m are non-current (2012: £42.1m).

19. Trade and other payables (continued)

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 1 September 2015 in the case of the call option, and after 1 September 2020 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 fair value of the put option has been derived using a present value calculation, incorporating observable and non-observable inputs (Level 3). The key inputs applied in arriving at the value of the put option are the future performance of the Group and that of the Group's business in China; the Burberry Group plc market capitalisation at the date of exercise; and the risk adjusted discount rate for China, taking into account the risk free rate in China.

The maturity of the Group's non-current financial liabilities excluding derivatives, retirement benefit obligations and onerous lease provisions, is as follows:

	As at 31 March 2013 £m	As at 31 March 2012 £m
Between one and two years	1.2	1.9
Between two and three years	1.1	0.7
Between three and four years	0.5	0.3
Between four and five years	0.3	0.1
Over five years	57.0	59.8
Total	60.1	62.8

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

20. Provisions for other liabilities and charges

	Property obligations £m	Restructuring costs £m	Other costs £m	Total £m
Balance as at 1 April 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
Effect of foreign exchange rate changes	0.6	–	(0.2)	0.4
Created during the year	10.1	–	5.0	15.1
Discount unwind	0.4	–	–	0.4
Utilised during the year	(1.8)	(1.0)	(0.6)	(3.4)
Released during the year	(2.0)	(0.6)	(0.5)	(3.1)
Balance as at 31 March 2013	25.8	1.9	5.0	32.7

	As at 31 March 2013 £m	As at 31 March 2012 £m
Analysis of total provisions:		
Non-current	19.8	15.1
Current	12.9	8.2
Total	32.7	23.3

The non-current provisions relate to provisions for onerous leases and property reinstatement costs which are expected to be utilised within 23 years. Of the total £1.9m restructuring provision (2012: £3.5m), £1.7m represents a current liability (2012: £3.3m). The majority of this relates to the closure of the Spanish operations. The £0.2m non-current portion relates to onerous leases (2012: £0.2m).

21. Bank overdrafts and borrowings

	As at 31 March 2013 £m	As at 31 March 2012 £m
Unsecured:		
Bank overdrafts	129.8	207.3
Bank borrowings	–	0.8
Other borrowings	–	0.5
Total	129.8	208.6

Included within bank overdrafts is £125.6m (2012: £204.7m) representing balances on cash pooling arrangements in the Group.

The Group has a number of committed and uncommitted overdraft and borrowing facilities agreed with third party banks. At 31 March 2013, the Group held bank overdrafts of £4.2m (2012: £2.6m) excluding balances on cash pooling arrangements.

On 28 March 2011, a £300m multi-currency revolving credit facility was agreed with a syndicate of third party banks. At 31 March 2013, there were no outstanding drawings (2012: £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. The facility matured and was repaid in full on 1 October 2012.

At 31 March 2012 other borrowings related to a loan provided by a minority interest partner totalling £0.5m. The loan matured and was repaid in full on 29 March 2013. Interest was 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.

22. Share capital and reserves

Allotted, called up and fully paid share capital	Number	£m
Ordinary shares of 0.05p (2012: 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
Allotted on exercise of options during the year	3,392,223	–
As at 31 March 2013	442,160,331	0.2

At 31 March 2013, 30,027 of the 0.05p ordinary shares in issue are held as treasury shares (2012: 30,027).

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 2013, no ordinary shares were repurchased by the Company under this authority (2012: 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 2013 the amounts offset against this reserve are £88.1m (2012: £41.9m). As at 31 March 2013, the ESOP trusts held 6.9m shares (2012: 3.3m) in the Company, with a market value of £91.7m (2012: £49.0m). In the year to 31 March 2013 the Burberry Group plc ESOP trust has waived its entitlement to dividends of £1.0m (2012: £0.2m).

During the year profits of £3.1m (2012: £5.0m) 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.

22. Share capital and reserves (continued)

	Other Reserves			Total £m
	Capital reserve £m	Hedging reserve £m	Foreign currency translation reserve £m	
Balance as at 1 April 2011	28.9	2.4	123.2	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	—	(0.8)	(0.2)	(1.0)
Total comprehensive income for the year	—	2.5	(4.6)	(2.1)
Transfer between reserves	5.0	—	—	5.0
Balance as at 31 March 2012	33.9	4.9	118.6	157.4
Other comprehensive income:				
Cash flow hedges — gains deferred in equity	—	6.9	—	6.9
Cash flow hedges — gains transferred to income	—	(1.2)	—	(1.2)
Foreign currency translation differences	—	—	33.8	33.8
Tax on other comprehensive income	—	(1.3)	(1.4)	(2.7)
Total comprehensive income for the year	—	4.4	32.4	36.8
Transfer between reserves	3.1	—	—	3.1
Balance as at 31 March 2013	37.0	9.3	151.0	197.3

23. 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 2013 £m	As at 31 March 2012 £m
Amounts falling due:		
Within one year	139.9	118.6
Between two and five years	343.6	330.6
After five years	177.6	191.1
Total	661.1	640.3

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 2013 £m	As at 31 March 2012 £m	As at 31 March 2013 £m	As at 31 March 2012 £m
Amounts falling due:				
Within one year	0.7	0.7	1.2	0.7
Between two and five years	3.0	2.8	1.5	1.6
After five years	1.5	2.0	0.2	0.4
Total	5.2	5.5	2.9	2.7

24. Capital commitments

	As at 31 March 2013 £m	As at 31 March 2012 £m
Capital commitments contracted but not provided for:		
Property, plant and equipment	25.8	35.7
Intangible assets	1.6	2.0
Total	27.4	37.7

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.

25. Financial risk management

Other than derivatives, the Group's principal financial instruments comprise cash and short-term deposits, external borrowings, trade and other 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 riskForeign 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 17). 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 2013, the Group has performed sensitivity analysis to determine the effect of non-Sterling currencies strengthening/weakening by 20% (2012: 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 decrease/increase post-tax profit for the year by £5.2m (2012: increase/decrease £3.0m). 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 £6.4m (2012: £12.1m).

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.

25. Financial risk management (continued)

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

	As at 31 March 2013 £m	As at 31 March 2012 £m
Sterling	0.2	–
US Dollar	(4.1)	(4.4)
Euro	18.1	27.6
Other currencies	(0.1)	(0.5)
Total	14.1	22.7

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 £1.2m (2012: £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 floating rate financial liabilities at 31 March 2013 are £129.8m (2012: £208.6m). This includes cash pool overdraft balances of £125.6m (2012: £204.7m) which are offset by cash balances for the purpose of interest calculations. At 31 March 2013, if interest rates on the remaining borrowings of £4.2m (2012: £3.9m) had been 100 basis points higher/lower (2012: 100 basis points) with all other variables held constant, post-tax profit for the year would have been £nil (2012: £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 £3.2m (2012: £1.8m).

The floating rate financial assets, being short-term deposits, are £191.7m as at 31 March 2013 (2012: £284.3m). At 31 March 2013, if interest rates on short-term deposits had been 100 basis points higher/lower (2012: 100 basis points), with all other variables held constant, post-tax profit for the year would have been £2.0m (2012: £2.8m) 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 materially 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 7% 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 15.

During the year the Group entered into a retail leasing arrangement in the Republic of Korea. As part of this arrangement, a KRW 27bn (£16.0m) 15 year interest free loan was provided to the landlord. The Group holds a registered mortgage over the leased property for the equivalent value of the loan which acts as collateral. At 31 March 2013 the discounted fair value of the loan is £8.7m. Other than this arrangement, the Group does not hold any other collateral as security. The maximum exposure to credit risk at the reporting date with respect to trade and other receivables is approximated by the carrying amount on the Balance Sheet.

25. Financial risk management (continued)

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 €0.1m (2012: €0.2m), CHF 0.3m (2012: CHF 0.3m), BRL nil (2012: BRL 0.6m), INR 0.2m (2012: INR 0.2m) and AED 0.3m (2012: AED nil) which is held as collateral at a number of European banks.

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 21.

All short-term trade payables, 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 2013	As at 31 March 2012
In more than one year, but not more than two years	7.3	3.8
In more than two years, but not more than three years	3.3	2.7
In more than three years, but not more than four years	1.8	4.2
In more than four years, but not more than five years	1.2	1.2
In more than five years	148.0	184.0
Total financial liabilities	161.6	195.9

Non-current financial liabilities relate to lease liabilities, property-related accruals, derivatives, retirement benefit obligations, onerous lease provisions 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 2013, the Group had net cash of £296.6m (2012: £338.3m) and total equity excluding non-controlling interest of £1,017.0m (2012: £867.3m). The Group has access to a facility of £300m which was undrawn at 31 March 2013. For further details refer to note 21.

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.

26. 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 93 to 104 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 2013 £m	Year to 31 March 2012 £m
Wages and salaries	306.5	271.4
Social security costs	42.2	44.5
Share based compensation (all awards and options settled in shares)	24.9	31.8
Other pension costs	13.4	11.0
Total	387.0	358.7

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

	Number of employees	
	Year to 31 March 2013	Year to 31 March 2012
Europe	4,029	3,579
Americas	1,670	1,560
Asia Pacific	2,855	2,619
Rest of World	313	233
Total	8,867	7,991

Share options granted to directors and employees

The Group operates a number of equity-settled share based compensation 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, which has market-based performance conditions attached, has 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 25).

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 22 June 2012, 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 2012. These options are exercisable for a period of up to six months from 1 September 2015 and 1 September 2017 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.

26. Employee costs (continued)

The fair value per option for the grant was determined as £1.54. The key factors used in determining the fair value were as follows:

Share price at contract commencement date	£13.53
Exercise price	£11.04
Life of award	Equivalent to vesting period
Dividend yield	2.63%
Expected volatility	35.7%
Risk free interest rate	0.22%

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 2013	Weighted average exercise price	Year to 31 March 2012
Outstanding at 1 April	682.5p	1,022,728	430.6p	863,271
Granted during the year	1,104.0p	355,589	1,049.0p	436,609
Lapsed and forfeited during the year	873.9p	(107,359)	550.6p	(107,857)
Withdrawn during the year	861.3p	(15,872)	599.0p	(16,534)
Exercised during the year	321.8p	(245,769)	408.4p	(152,761)
Outstanding at 31 March	895.7p	1,009,317	682.5p	1,022,728
Exercisable at 31 March	321.0p	4,231	399.0p	1,365

The weighted average share price at the respective exercise dates in the year was £12.80 (2012: £13.15).

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 2013	Number of shares under option as at 31 March 2012
26 June 2008 – 28 February 2012	399.0p	–	1,365
30 June 2009 – 28 February 2013	321.0p	4,231	258,753
30 June 2009 – 28 February 2015	321.0p	58,996	58,996
30 June 2010 – 28 February 2014	557.0p	223,877	250,817
30 June 2010 – 28 February 2016	557.0p	33,609	38,987
24 June 2011 – 28 February 2015	1,049.0p	319,531	363,667
24 June 2011 – 28 February 2017	1,049.0p	42,352	50,143
22 June 2012 – 28 February 2016	1,104.0p	310,822	–
22 June 2012 – 28 February 2018	1,104.0p	15,899	–
Total		1,009,317	1,022,728

Burberry Senior Executive Restricted Share Plan 2004 (the RSP)

On 13 June 2012 and 16 November 2012, further awards of 2,441,559 and 127,588 ordinary shares respectively were made to senior management under the RSP (2012: 1,223,402 and 59,165). 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 in 2009 and 2010 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%) vests 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.

26. Employee costs (continued)

Awards granted in 2011 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%) vests 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 grant.

Awards granted in 2012 vest in full only if the Group achieves at least upper quartile TSR relative to its global peers and at least 15% per annum adjusted PBT growth. A proportion of an award (12.5%) vests if TSR performance exceeds the median of the peer group or if adjusted PBT growth exceeds 10% 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.

Obligations under this plan will be met either by market purchase shares via the ESOP trust or by the issue of ordinary shares of the Company.

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

	Year to 31 March 2013	Year to 31 March 2012
Outstanding at 1 April	9,335,537	9,478,807
Granted during the year	2,569,147	1,282,567
Lapsed and forfeited during the year	(1,110,076)	(535,871)
Exercised during the year	(3,035,410)	(889,966)
Outstanding at 31 March	7,759,198	9,335,537
Exercisable at 31 March	425,204	428,043

The weighted average share price at the respective exercise dates in the year was £12.86 (2012: £14.00).

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

Term of the award	Number of awards as at 31 March 2013	Number of awards as at 31 March 2012
2 August 2004 – 1 August 2014	–	15
21 July 2005 – 20 July 2015	11,612	13,021
10 August 2006 – 9 August 2016	21,860	101,820
27 November 2006 – 26 November 2016	4,645	4,645
11 June 2007 – 10 June 2017	55,206	232,510
21 November 2007 – 20 November 2017	15,853	34,271
25 June 2008 – 24 June 2018	324,179	583,743
1 June 2009 – 31 May 2019	2,026,748	4,912,999
8 June 2009 – 7 June 2019	–	1,192
30 June 2009 – 29 June 2019	2,750	5,500
20 November 2009 – 19 November 2019	3,000	16,019
10 June 2010 – 9 June 2020	1,832,688	2,176,747
22 November 2010 – 21 November 2020	32,442	33,942
20 June 2011 – 19 June 2021	1,038,241	1,159,948
21 November 2011 – 20 November 2021	59,165	59,165
13 June 2012 – 12 June 2022	2,203,221	–
16 November 2012 – 15 November 2022	127,588	–
Total	7,759,198	9,335,537

26. Employee costs (continued)

The fair values for the awards granted on 13 June 2012 and 16 November 2012 were £12.39 and £11.04 respectively.

The key factors used in determining the fair value of the awards were as follows:

	13 June 2012	16 November 2012
Share price at grant date	£13.41	£11.95
Exercise price	£nil	£nil
Life of award	Equivalent to vesting period	Equivalent to vesting period
Dividend yield	2.63%	2.63%
Expected volatility	35.6%	39.7%
Risk free interest rate	0.47%	0.40%

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.

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 were met by the issue of ordinary shares of the Company.

The number of options outstanding and exercisable at 1 April 2012 was 105,000. These options were all exercised during the current year ended 31 March 2013, for an exercise price of £2.30. The share price on the date of exercise was £11.89. No more share options remain outstanding in relation to the IPO Option Scheme.

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 2013	Weighted average exercise price	Year to 31 March 2012
Outstanding at 1 April	295.6p	109,167	285.3p	150,252
Exercised during the year	306.0p	(8,334)	258.0p	(41,085)
Outstanding at 31 March	294.7p	100,833	295.6p	109,167
Exercisable at 31 March	294.7p	100,833	295.6p	109,167

The weighted average share price at the respective exercise dates in the year was £14.80 (2012: £16.00).

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 2013	Number of shares under option as at 31 March 2012
13 June 2003 – 12 June 2013	258.0p	70,001	75,001
2 August 2004 – 1 August 2014	378.0p	30,832	34,166
Total		100,833	109,167

26. 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 18 July 2012 190,380 ordinary shares were granted under this scheme (2012: 159,510). All awards vest after three years and the vesting of these share awards is dependent on continued employment over the vesting period.

The fair value of the awards was determined as £12.32. The key factors used in determining the fair value were as follows:

	18 July 2012
Share price at grant date	£12.32
Exercise price	£nil
Life of award	Equivalent to vesting period
Expected volatility	35.9%
Risk free interest rate	0.23%

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 2013	Year to 31 March 2012
Outstanding at 1 April	348,920	268,060
Granted during the year	190,380	159,510
Lapsed and forfeited during the year	(72,920)	(61,770)
Exercised during the year	(12,190)	(16,880)
Outstanding at 31 March	454,190	348,920
Exercisable at 31 March	27,710	33,980

Share options were exercised on a regular basis during the period. The weighted average share price during the period was £13.11 (2012: £13.31).

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

Term of the award	Number of awards as at 31 March 2013	Number of awards as at 31 March 2012
12 July 2002 – 18 July 2082 ⁽¹⁾	4,450	5,600
30 August 2003 – 18 July 2082 ⁽¹⁾	6,000	7,550
20 August 2004 – 18 July 2082 ⁽¹⁾	10,100	11,950
1 September 2005 – 18 July 2082 ⁽¹⁾	7,160	8,880
1 June 2010 – 18 July 2082 ⁽¹⁾	154,260	181,740
1 June 2011 – 18 July 2082 ⁽¹⁾	110,160	133,200
18 July 2012 – 18 July 2082 ⁽¹⁾	162,060	–
Total	454,190	348,920

(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.

26. 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 18 July 2012, 1,734,471 ordinary shares were awarded (2012: 1,816,507). The awards are also subject to secondary performance conditions.

Awards granted in June 2010 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%) vests 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 vests if adjusted PBT growth is below 5% per annum.

Awards granted in June 2011 and 2012 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%) vests 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 vests if adjusted PBT growth is below 5% per annum.

The fair value of the awards granted on 18 July 2012 was determined as £12.12. The key factors used in determining the fair value were as follows:

	18 July 2012
Share price at grant date	£12.12
Exercise price	£nil
Life of award	Equivalent to vesting period
Expected volatility	35.9%
Risk free interest rate	0.23%

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 2013	Year to 31 March 2012
Outstanding at 1 April	4,096,240	3,958,168
Granted during the year	1,734,471	1,816,507
Lapsed and forfeited during the year	(604,032)	(20,975)
Withdrawn during the year	(47,064)	–
Exercised during the year	–	(1,657,460)
Outstanding at 31 March	5,179,615	4,096,240
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 2013	Number of awards as at 31 March 2012
8 June 2010 – 7 June 2015	2,150,552	2,279,733
7 June 2011 – 6 June 2016	1,409,022	1,749,005
14 June 2011 – 13 June 2016	67,502	67,502
18 July 2012 – 17 July 2017	1,552,539	–
Total	5,179,615	4,096,240

26. Employee costs (continued)*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 2013	Year to 31 March 2012
Outstanding at 1 April	850,000	850,000
Granted during the year	–	–
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 2013	Number of awards as at 31 March 2012
8 December 2010 – 31 March 2016	850,000	850,000
Total	850,000	850,000

27. 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. The property was subsequently written down to its fair value less costs to sell.

During the year ended 31 March 2013, an asset classified as held for sale with a carrying value of £0.1m was sold, for a price of £0.1m. The current conditions in the Spanish property market indicate that it may be difficult to realise the sale of the remaining property within twelve months. As a result, £8.3m has been transferred back into property, plant and equipment, representing the carrying value at 31 March 2013 of this property, which was previously classified as held for sale. Management remains committed to selling the property and continues to actively market it 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 2013 £m	Year to 31 March 2012 £m
Salaries and short-term benefits	9.5	10.2
Termination payments	0.4	–
Post-employment benefits	0.1	0.2
Share based compensation	6.6	6.9
Total	16.6	17.3

29. Principal subsidiaries

Company	Note	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
Burberry France SASU		France	Luxury goods retailer and wholesaler
Burberry (Suisse) SA ⁽¹⁾		Switzerland	Luxury goods retailer
Burberry (Spain) Retail SL		Spain	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
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%)	30	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 2013, 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 2013. 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.

On 30 April 2013, the Group increased its equity holding in Burberry International K.K. to 71%, as a result of the exercise of an option over the 20% equity stake previously held by a minority interest partner, Mitsui and Co Limited (refer note 30).

Details of all Burberry subsidiaries will be annexed to the next Annual Return of Burberry Group plc to be filed at Companies House.

30. Non-controlling interest in Burberry International K.K.

On 29 March 2013, Burberry International Holdings Limited, a wholly owned subsidiary of Burberry Group plc, signed an amendment to the shareholder agreement for Burberry International Kabushiki Kaisha, a company in which Burberry International Holdings Limited held a controlling 51% interest at 31 March 2013. The amendment entitles Burberry International Holdings Limited to the option to acquire the remaining equity in Burberry International K. K. from the minority interest partners, Mitsui and Co., Ltd and Sanyo Shokai Limited, at a nominal fixed price on or after 1 April 2013 and 1 April 2014 respectively. The amendment also required the outstanding borrowings from Mitsui and Co., Ltd in Burberry International K.K. to be repaid, as described in note 21.

As a result of acquiring these call options, it is deemed that the risks and rewards of ownership of the non-controlling interest in Burberry International K. K. has transferred to Burberry International Holdings Limited. Consequently, the non-controlling interest has been derecognised, resulting in a transfer of £4.2m in the year, from non-controlling interest to equity attributable to owners of the Company.

31. Contingent Liabilities

The Group is subject to claims against it and tax audits covering, amongst others, valued added taxes, sales taxes, customs duties, corporate taxes and payroll taxes. These arise in the normal course of business and in a number of jurisdictions. These matters are inherently difficult to quantify. Where appropriate, the estimated cost of known obligations have been provided in these accounts in accordance with the Group's accounting policies. While changes to the amounts that may be payable could be material to the results or cash flows of the Group in the period in which they are recognised the Group does not expect the outcome of these contingent liabilities to have a material effect on the Group's financial condition.

Five Year Summary

	Continuing operations					
Year to 31 March	2009	2010	2010 ⁽¹⁾	2011	2012	2013
Revenue by channel	£m	£m	£m	£m	£m	£m
Retail	629.7	748.8	710.1	962.3	1,270.3	1,416.6
Wholesale	489.2	433.6	377.5	440.6	478.3	472.7
Retail/Wholesale	1,118.9	1,182.4	1,087.6	1,402.9	1,748.6	1,889.3
Licensing	82.6	97.5	97.5	98.4	108.6	109.4
Total revenue	1,201.5	1,279.9	1,185.1	1,501.3	1,857.2	1,998.7
Profit by channel	£m	£m	£m	£m	£m	£m
Retail/Wholesale	110.1	137.7	137.7	219.5	286.9	335.6
Licensing	70.7	82.2	82.2	81.6	90.0	92.5
Adjusted operating profit⁽²⁾	180.8	219.9	219.9	301.1	376.9	428.1
Retail/Wholesale analysis	%	%	%	%	%	%
Gross margin	52.1	59.7	61.0	64.9	68.1	70.6
Adjusted operating expenses as a percentage of sales ⁽²⁾	42.3	48.1	48.3	49.3	51.7	52.8
Adjusted operating margin ⁽²⁾	9.8	11.6	12.7	15.6	16.4	17.8
Licensing analysis	%	%	%	%	%	%
Licensing operating margin	85.6	84.3	84.3	82.9	82.9	84.6
Summary profit analysis	£m	£m	£m	£m	£m	£m
Adjusted operating profit⁽²⁾	180.8	219.9	219.9	301.1	376.9	428.1
Net finance charge ⁽²⁾	(6.2)	(5.1)	(5.1)	(3.2)	(0.7)	(0.3)
Adjusted profit before taxation⁽²⁾	174.6	214.8	214.8	297.9	376.2	427.8
Exceptional items	(190.7)	(48.8)	(3.4)	(2.2)	(10.2)	(77.1)
Profit/(loss) before taxation	(16.1)	166.0	211.4	295.7	366.0	350.7
Taxation	11.0	(83.8)	(58.8)	(83.2)	(100.6)	(91.5)
Discontinued operations	–	–	(70.4)	(6.2)	(0.3)	–
Non-controlling interest	(0.9)	(0.8)	(0.8)	2.1	(1.8)	(4.9)
Attributable profit/(loss)	(6.0)	81.4	81.4	208.4	263.3	254.3
Retail/Wholesale revenue by product division	£m	£m	£m	£m	£m	£m
Accessories	366.3	419.6	416.6	563.3	689.4	734.3
Womens	412.8	415.5	373.4	456.6	582.5	618.2
Mens	298.4	288.5	249.4	325.9	410.5	464.2
Childrens/Other	41.4	58.8	48.2	57.1	66.2	72.6
Retail/Wholesale revenue by destination	£m	£m	£m	£m	£m	£m
Asia Pacific	240.0	282.7	282.7	457.1	652.5	745.3
Europe	379.8	408.1	421.8	474.6	552.6	560.3
Americas	308.9	324.8	324.7	386.5	434.5	463.3
Spain	144.5	107.1	–	–	–	–
Rest of World	45.7	59.7	58.4	84.7	109.0	120.4
Financial KPIs						
Total revenue growth ⁽³⁾	+7%	+1%	N/A	+24%	+23%	+8%
Growth in accessories revenue ⁽³⁾	+12%	+10%	N/A	+32%	+22%	+8%
Growth in retail revenue ⁽³⁾	+14%	+15%	N/A	+32%	+31%	+12%
Number of stores	419	440	312	417	444	469
Number of stores in Emerging Markets	91	111	111	136	154	173
Retail/Wholesale gross margin	52.1%	59.7%	61.0%	64.9%	68.1%	70.6%
Adjusted retail/wholesale operating margin ⁽²⁾	9.8%	11.6%	12.7%	15.6%	16.4%	17.8%
Adjusted diluted EPS growth ⁽²⁾	-4%	+16%	+16%	+39%	+26%	+14%

(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) Adjusted for exceptional items.

(3) Growth rate is year-on-year underlying change, i.e. at constant exchange rates.

Five Year Summary

Year to 31 March	2009	2010	2011	2012	2013
Earnings and dividends	pence per share	pence per share	pence per share	pence per share	pence per share
Adjusted earnings per share – diluted ⁽¹⁾	30.2	35.1	48.9	61.6	70.0
Earnings per share – diluted	(1.4)	18.4	46.9	59.3	57.0
Diluted weighted average number of ordinary shares (millions)	438.1	441.9	444.0	444.3	446.5
Dividend per share (on a paid basis)	12.0	12.2	15.5	22.0	26.0

Year to 31 March	2009	2010	2011	2012	2013
Net Cash Flow	£m	£m	£m	£m	£m
Adjusted operating profit ⁽¹⁾	180.8	219.9	301.1	376.9	428.1
Discontinued operations	–	–	(2.1)	2.5	–
Restructuring spend	(15.8)	(26.7)	(20.3)	(8.6)	(1.0)
Depreciation and amortisation	45.1	52.3	62.6	87.6	111.2
Employee share scheme costs	4.5	18.1	28.3	31.8	24.9
Decrease/(increase)in inventories	49.0	81.4	(58.0)	(61.8)	(39.2)
Decrease/(increase)in receivables	2.1	50.3	(8.1)	(17.4)	(32.0)
(Decrease)/increase in payables	(34.7)	36.0	68.0	70.1	17.6
Other non-cash items	16.7	0.2	(5.1)	1.4	13.4
Cash flow from operations	247.7	431.5	366.4	482.5	523.0
Capital expenditure	(89.9)	(69.9)	(108.4)	(153.1)	(175.9)
Payment to terminate licence relationship	–	–	–	–	(144.1)
Proceeds from sale of assets held for sale	–	–	–	–	0.1
Capital contributions from JV partners	–	7.4	7.0	4.9	0.4
Acquisitions	(0.3)	(2.0)	(51.9)	(23.5)	(1.0)
Net interest	(5.9)	(5.0)	(3.2)	(0.6)	0.9
Tax paid	(26.3)	(51.3)	(98.1)	(108.2)	(99.0)
Free cash flow	125.3	310.7	111.8	202.0	104.4
Dividends	(51.7)	(52.5)	(68.7)	(99.2)	(113.5)
ESOP trust purchases / other	(5.1)	(3.5)	(5.6)	(60.0)	(45.4)
Exchange difference	3.3	(0.3)	(1.6)	(2.4)	12.8
Total movement in net cash	71.8	254.4	35.9	40.4	(41.7)
Net cash	7.6	262.0	297.9	338.3	296.6

As at 31 March	2009	2010	2011	2012	2013
Balance Sheet	£m	£m	£m	£m	£m
Intangible assets	57.5	64.6	114.7	133.1	210.2
Property, plant and equipment	258.6	256.1	281.8	328.8	409.1
Inventories	262.6	166.9	247.9	311.1	351.0
Trade and other receivables	196.7	139.4	147.7	167.5	199.5
Trade and other payables	(186.2)	(226.7)	(367.8)	(429.3)	(447.8)
Taxation (including deferred taxation)	23.4	(13.5)	16.9	39.1	45.3
Net cash	7.6	262.0	297.9	338.3	296.6
Other net assets	(76.3)	(45.3)	(5.4)	2.8	(11.1)
Net assets	543.9	603.5	733.7	891.4	1,052.8

(1) Adjusted for exceptional items.

We have audited the parent Company financial statements of Burberry Group plc for the year ended 31 March 2013 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 106, 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 2013;
- 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 2013.

Andrew Kemp (Senior Statutory Auditor)

For and on behalf of PricewaterhouseCoopers LLP, Chartered Accountants and Statutory Auditors, London, 20 May 2013

Company Balance Sheet

	Note	As at 31 March 2013 £m	As at 31 March 2012 £m
Fixed assets			
Investments	C	2,203.7	2,055.3
		2,203.7	2,055.3
Current assets			
Debtors receivable within one year	D	0.4	0.4
Debtors receivable after one year	D	424.0	994.9
Derivative assets maturing within one year		11.8	-
Derivative assets maturing after one year		0.2	14.7
Cash at bank and in hand		0.3	0.1
		436.7	1,010.1
Creditors – amounts falling due within one year	E	(377.9)	(336.7)
Net current assets		58.8	673.4
Total assets less current liabilities		2,262.5	2,728.7
Creditors – amounts falling due after more than one year	E	(1,435.9)	(2,092.1)
Derivative liabilities maturing after one year		(0.7)	(0.2)
Provisions for liabilities		(1.4)	(1.4)
Net assets		824.5	635.0
Capital and reserves			
Called up share capital	F	0.2	0.2
Share premium account	F	203.6	202.6
Capital reserve	F	0.9	0.9
Hedging reserve	F	4.1	4.1
Profit and loss account	F	615.7	427.2
Total shareholders' funds	F	824.5	635.0

The financial statements on pages 157 to 161 were approved by the Board on 20 May 2013 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. The Company is the sponsoring entity of The Burberry Group plc ESOP Trust and The Burberry Group plc SIP Trust (collectively known as the ESOP trusts). These financial statements have been prepared by consolidating the ESOP Trusts into the financial statements of the Company. The purpose of the ESOP trusts is to purchase shares of the Company in order to satisfy Group share based payment arrangements.

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

The Group operates a number of equity-settled share based compensation schemes, under which services are received from employees (including executive directors) as consideration for equity instruments of the Company. The cost of the share based incentives is measured with reference to the fair value of the equity instruments awarded at the date of grant. Appropriate option pricing models, including Black-Scholes and Monte Carlo, are used to determine the fair value of the awards made. The fair value takes into account the impact of any market performance conditions, but the impact of non-market performance conditions is not considered in determining the fair value on the date of grant. 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.

In some circumstances, employees may provide services in advance of the grant date. The grant date fair value is estimated for the purposes of recognising the expense during the period between the service commencement period and the grant date.

The grant by the Company of options over its equity instruments to employees of subsidiary undertakings in the Group is treated as a capital contribution. In the Company's accounts, the cost of the share based incentives is recognised over the vesting period of the awards as an increase in investment in subsidiary undertakings, with a corresponding increase in equity.

When options and awards are exercised, they are settled either via issue of new shares in the Company, or through shares held in an ESOP trust, depending on the terms and conditions of the relevant scheme. The proceeds received from the exercises, 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).

B. Accounting policies (continued)

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.

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 2012	2,055.3
Additions	148.4
As at 31 March 2013	2,203.7

Additions in the year include the investment in Burberry Beauty Limited.

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 2013 £m	As at 31 March 2012 £m
Prepayments	0.4	0.4
Debtors receivable within one year	0.4	0.4
Amounts owed by Group companies	423.1	993.6
Prepayments	0.9	1.3
Debtors receivable after one year	424.0	994.9
Total debtors	424.4	995.3

Included in amounts receivable from Group companies are loans of £79.4m (2012: £75.0m) which are interest bearing.

The interest rate earned is based on relevant national LIBOR equivalents plus 1.77%.

E. Creditors

	As at 31 March 2013 £m	As at 31 March 2012 £m
Amounts owed to Group companies	377.5	336.3
Accruals	0.4	0.4
Creditors – amounts falling due within one year	377.9	336.7
Amounts owed to Group companies	1,435.9	2,092.1
Creditors – amounts falling due after more than one year	1,435.9	2,092.1
Total creditors	1,813.8	2,428.8

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 (2012: 0.05p) each		
As at 1 April 2012	438,768,108	0.2
Allotted on exercise of options during the year	3,392,223	–
As at 31 March 2013	442,160,331	0.2

As at 31 March 2013, 30,027 of the 0.05p ordinary shares in issue are held as treasury shares (2012: 30,027).

Reconciliation of movement in Company shareholders' funds

	Share capital £m	Share premium £m	Capital reserve £m	Hedging reserve £m	Profit and loss account £m	Total equity £m
As at 31 March 2011	0.2	192.5	0.9	4.1	514.0	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	4.1	427.2	635.0
Retained profit for the year before dividends paid	–	–	–	–	323.5	323.5
Dividends paid	–	–	–	–	(113.5)	(113.5)
Total recognised profit for the year	–	–	–	–	210.0	210.0
Employee share option scheme						
· value of share options granted	–	–	–	–	24.9	24.9
· exercise of share options	–	1.0	–	–	–	1.0
Purchase of shares by ESOP trusts	–	–	–	–	(46.4)	(46.4)
As at 31 March 2013	0.2	203.6	0.9	4.1	615.7	824.5

Profit for the year on ordinary activities, but before dividends payable, was £323.5m (2012: £37.9m). 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 2013, 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 2013 the amounts offset against this reserve are £88.1m (2012: £41.9m). As at 31 March 2013, the ESOP trusts held 6.9m shares (2012: 3.3m) in the Company, with a market value of £91.7m (2012: £49.0m). In the year to 31 March 2013 the ESOP trusts have waived their entitlement to dividends of £1.0m (2012: £0.2m).

The capital reserve consists of the capital redemption reserve arising on the purchase of own shares.

G. Dividends

	Year to 31 March 2013 £m	Year to 31 March 2012 £m
Prior year final dividend paid 18.00p per share (2012: 15.00p)	78.6	65.4
Interim dividend paid 8.00p per share (2012: 7.00p)	34.9	30.5
Total	113.5	95.9

A final dividend in respect of the year to 31 March 2013 of 21.00p (2012: 18.00p) per share, amounting to £91.5m (2012: £78.6m), 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 1 August 2013 to shareholders on the register at the close of business on 5 July 2013.

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 2013 is £nil (2012: £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 (2012: £0.1m).

SHAREHOLDER INFORMATION

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 cost 8p per minute plus network extras. 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 Depository Receipts

Burberry has a sponsored Level 1 American Depository 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 Friday, 12 July 2013 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 burberrypc.com.

The voting results for the 2013 Annual General Meeting will be accessible on the Company's website at burberrypc.com shortly after the meeting.

Dividends

An interim dividend for the financial year ended 31 March 2013 of 8.0p per ordinary share was paid on 25 January 2013.

A final dividend of 21.0p per share has been proposed and, subject to approval at the Annual General Meeting on 12 July 2013, will be paid according to the following timetable:

Final dividend record date:	5 July 2013
Deadline for return of DRIP mandate forms:	11 July 2013
Final dividend payment date:	1 August 2013

The ADR local payment date will be approximately five business days after the proposed dividend payment date for ordinary shareholders.

Dividends can be paid by BACS directly into a UK bank account, with the tax voucher being sent to the shareholder's address. This is the easiest way for shareholders to receive dividend payments and avoids the risk of lost or out of date cheques. A dividend mandate form is available from Equiniti or at shareview.co.uk.

Dividends payable in foreign currencies

Equiniti are able to pay dividends to shareholder bank accounts in over 30 currencies 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 2013 and future dividends to qualify for the DRIP, completed application forms must be returned to Equiniti by 11 July 2013.

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 cost 8p per minute plus network extras. 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	10 July 2013
Annual General Meeting	12 July 2013
First half trading update	October 2013
Interim results announcement	November 2013
Third quarter trading update	January 2014
Second half trading update	April 2014
Preliminary results announcement	May 2014

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.

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 USA, or under the USA Securities Act 1933 or any other jurisdiction.

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 USA or UK investments. These operations are commonly known as boiler rooms.

If you receive any unsolicited investment advice, get the correct name of the person and organisation and check that they are properly authorised by the FCA before getting involved by visiting www.fca.org.uk/register/

If you deal with an unauthorised firm, you will not be eligible to receive payment under the Financial Services Compensation Scheme if things go wrong.

If you think you have been approached by an unauthorised firm you should contact the FCA consumer helpline on 0800 111 6768.

More detailed information can be found on the FCA website at www.fca.org.uk/consumers/protect-yourself/unauthorised-firms.

Website

This Annual Report and other information about Burberry, including share price information and details of results announcements, are available at burberryplc.com.

EXECUTIVE TEAM

Executive Directors

Angela Ahrendts
Chief Executive Officer

Stacey Cartwright
Executive Vice President,
Chief Financial Officer

John Smith¹
Chief Operating Officer

Carol Fairweather²
Chief Financial Officer Designate

Senior Management

Christopher Bailey
Chief Creative Officer

Roberto Canevari
Chief Supply Chain Officer

Simona Cattaneo
Senior Vice President, Beauty

Yvonne Chan
Senior Vice President,
Beauty & Partnership Business,
Asia Pacific

Virginie Costa
Chief Financial Officer &
Chief Operating Officer, Americas

John Douglas
Chief Technology Officer

Ryad Djellas
Chief Financial Officer,
Asia Pacific

Jon Ehlen
Senior Vice President,
Beauty & Partner Businesses,
Americas

Fabrizio Fabbro
Senior Vice President,
Product Development

Alessandro Fabrini
Senior Vice President, Licensing

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 Hepe³
President, Americas

Scott Jameson
Chief Financial Officer, Architecture

Donald Kohler
Senior Vice President, Planning

Andrew Maag
President, Europe &
Emerging Markets

Michael Mahony
Chief Corporate Affairs Officer
& General Counsel

Sarah Manley
Chief Marketing Officer

Matt McEvoy
Senior Vice President,
Strategy & New Business
Development

Marianne Naberhaus
Senior Vice President,
Wholesale Americas

Karin Ong
Chief Operations Officer,
Asia Pacific

Stuart Pemble
Chief Financial Officer, Marketing,
IT, CMD & Digital Commerce

Pascal Perrier
Chief Executive Officer,
Asia Pacific

Paul Price
Chief Merchandising Officer

Edouard Roche
Senior Vice President,
Merchandising Europe

Steve Sacks
Chief Customer Officer

Mark Taylor
Chief People Officer

Eugenia Ulasewicz⁴
President, Americas

1. From 4 March 2013
2. Director from 11 July 2013
3. From 10 January 2013
4. Until 10 January 2013

