

26 May 2011

Burberry Group plc

Preliminary results for the year ended 31 March 2011

Burberry Group plc, the global luxury company, today announces its results for the year ended 31 March 2011.

Highlights

- **Strong financial performance**
 - Revenue up 27% to £1.5billion
 - Retail/wholesale revenue up 29%; adjusted operating profit up 59%
 - Adjusted PBT up 39% to £298m; reported PBT £296m
 - Adjusted diluted EPS up 39% to 48.9p; reported diluted EPS 46.9p
 - Full year dividend up 43% to 20.0p
 - Net cash of £298m after £52m spend to date on China acquisition

- **Key strategies continued to underpin operational progress**
 - Double-digit revenue growth in retail and wholesale, in all regions and all product categories
 - Retail revenue up 36% to 64% of sales (2010: 60%)
 - Non-apparel revenue up 35% to 40% of sales (2010: 38%)
 - Product strategies drove growth especially in core outerwear, relaunched menswear and Burberry Prorsum and London
 - Further development of digital initiatives across all channels
 - Good progress on integration of Chinese operations

- **Continued focus in FY 2012 on investing for growth**
 - Capital expenditure planned at £180-200m (2011: £108m)
 - Emphasis on flagship openings and refurbishments in high profile locations including London, Chicago and Hong Kong
 - Accelerating new space growth to 12-13% and 15-20 major renovations
 - Enabled by brand momentum and improved productivity

Angela Ahrendts, Chief Executive Officer, commented:

“Burberry delivered strong operational and financial progress during the year, thanks to the consistent execution of our core strategies by our team and partners, more closely connecting our brand vision and values to consumers around the world. While mindful of global macro challenges in the current year, we will continue to invest to drive growth across our portfolio by channel, region and product.”

All revenue metrics and commentary in the Group Financial Highlights and Business and Financial Review exclude the results of the discontinued Spanish operations. FY 2010 has been re-presented to show these results separately in discontinued operations. Discontinued operations in FY 2011 include an operating loss of £2.1m (2010: nil), restructuring costs of £4.1m (2010: £45.4m) and a nil tax charge (2010: £25.0m).

“Adjusted” excludes:

1. Restructuring credit of £1.0m in 2011 (2010: £3.4m charge) relating to the Group’s cost efficiency programme announced in January 2009.
2. Put option liability finance charge relating to the 15% economic interest in the Chinese business of £3.2m (2010: nil).

Underlying change is calculated at constant exchange rates.

Certain financial data within this announcement have been rounded.

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There will be a presentation today at 9.30am (UK time) to investors and analysts at Horseferry House, Horseferry Road, London, SW1P 2AW. The presentation can be viewed live on the Burberry website (www.burberryplc.com) and can also be accessed live via a dial-in facility on 44 (0)20 7138 0817. The supporting slides and an indexed replay will also be available on the website later in the day.

Burberry will update on trading on 13 July 2011 when it will issue its Interim Management Statement in respect of the First Quarter. The AGM will be held on 14 July 2011.

Certain statements made in this announcement are forward-looking statements. Such statements are based on current expectations and are subject to a number of risks and uncertainties that could cause actual results to differ materially from any expected future results in forward-looking statements.

Burberry Group plc undertakes no obligation to update these forward-looking statements, and will not publicly release any revisions it may make to these forward-looking statements that may result from events or circumstances arising after the date of this document.

All persons, wherever located, should consult any additional disclosures that Burberry Group plc may make in any regulatory announcements or documents which it publishes. All persons, wherever located, should take note of these disclosures.

This announcement does not constitute an invitation to underwrite, subscribe for or otherwise acquire or dispose of any Burberry Group plc shares, in the UK, or in the US, or under the US Securities Act 1933 or in any other jurisdiction.

GROUP FINANCIAL HIGHLIGHTS

Revenue of £1,501m, up 27% at reported FX (2010: £1,185m)

Adjusted retail/wholesale operating margin at record level of 15.6% (2010: 12.7%), with 390 basis point improvement in gross margin partly offset by higher operating expenses, as guided

Adjusted profit before tax up 39% to £297.9m (2010: £214.8m)

Tax rate on adjusted profit before tax of 27.9% (2010: 27.4%), in line with guidance

Adjusted diluted earnings per share up 39% to 48.9p (2010: 35.1p)

Full year dividend per share up 43% to 20.0p (2010: 14.0p), broadly in line with 40% dividend payout ratio based on adjusted EPS

£ million	Year to 31 March*		% change	
	2011	2010	reported	underlying
			<i>FX</i>	
<i>Continuing operations</i>				
Revenue	1,501.3	1,185.1	27	24
Cost of sales	(491.6)	(423.9)	(16)	
Gross margin	1,009.7	761.2	33	
Operating expenses [#]	(708.6)	(541.3)	(31)	
Adjusted operating profit	301.1	219.9	37	34
Net finance charge [#]	(3.2)	(5.1)	37	
Adjusted profit before taxation	297.9	214.8	39	36
Exceptional items	(2.2)	(3.4)		
Profit before taxation	295.7	211.4		
Taxation	(83.2)	(58.8)		
Discontinued operations	(6.2)	(70.4)		
Non-controlling interest	2.1	(0.8)		
Attributable profit	208.4	81.4		
Adjusted EPS (pence)[~]	48.9	35.1		
EPS (pence) [~]	46.9	18.4		
Weighted average number of ordinary shares (millions)	444.0	441.9		

* FY 2010 has been re-presented to show the results of the discontinued Spanish operations separately. Discontinued operations in 2011 include an operating loss of £2.1m (2010: nil), restructuring costs of £4.1m (2010: £45.4m) and a nil tax charge (2010: £25.0m)

Adjusted measures exclude restructuring costs and the Chinese put option liability finance charge

[#] Operating expenses in the table above exclude restructuring costs - a £1.0m credit in 2011 (2010: £3.4m charge) included in the reported expenses of £707.6m (2010: £544.7m). The net finance charge in the table above excludes a £3.2m Chinese put option liability finance charge (2010: nil) included in the reported finance charge of £6.4m (2010: £5.1m)

[~] EPS is calculated on a diluted basis

BUSINESS AND FINANCIAL REVIEW

2010/11 review

In 2010/11, Burberry delivered a 27% increase in revenue and a 39% increase in adjusted profit before tax. The growth in retail and wholesale (revenue up 29%, adjusted operating profit up 59%) was driven by the consistent execution of Burberry's five core strategies.

Leveraging the franchise

- **Burberry's product strategies continued to drive growth.** Outerwear contributed over half of apparel sales in mainline retail, with about 30% growth year-on-year, helped by strong sales of both fashion and core styles. In menswear, where Spring/Summer 2011 was the first collection designed entirely in-house, revenue grew by 31% in the year, with good initial results in tailoring. Clearer segmentation helped top of the pyramid Burberry Prorsum and London outperform, as consumers responded to design-driven outerwear and monthly capsules.
- **Burberry's marketing strategies and use of digital media to connect with consumers** drove brand awareness, reach and sales growth. The roll out of the new global digital platform at Burberry World (burberry.com) began during the fourth quarter, introducing consumers to a fully immersive brand experience as well as improved functionality for online shopping. Digital technology (or retail theatre), which includes internal and external screens, touch screen technology and iPads, was rolled out to key stores, enabling, for example, the February runway show to be streamed to customer events in nearly 40 stores. In social media, Burberry now has over six million Facebook fans globally.
- **The restructuring of the Spanish business announced in February 2010 is largely complete.** The domestic collection was discontinued from the end of Autumn/Winter 2010, with only the global collection distributed from Spring/Summer 2011 on a more limited and appropriate basis (two mainline stores, 20 retail concessions and fewer than 100 wholesale accounts). This business is now integrated within Burberry's European regional structure and reports as such.

Intensifying non-apparel development

- **Non-apparel grew 35% and is now 40% of retail/wholesale revenue, up from 38%** in the prior year. Non-apparel accounted for nearly half of the group's revenue growth in the period.
- **Large leather goods again contributed half of non-apparel retail sales**, led by growth in core replenishment styles and mens accessories, where the assortment was significantly expanded. Mens accounts for just over 10% of mainline retail non-apparel sales, significantly lower than apparel, highlighting the opportunity in this category over time.
- **Innovative design contributed to strong growth in soft accessories**, especially ladies scarves, driven by more diverse styles and fabric weights. Shoes continued to progress, achieving 7% of mainline retail sales.

Accelerating retail-led growth

- **Retail sales increased by 36%** in the year, accounting for almost 70% of sales in the second half. Excluding the acquired Chinese stores, Burberry opened a net 26 mainline stores.
- **Average selling space increased by 9%** (excluding China). Store openings were biased towards high potential markets including Brazil, Mexico and India, additional childrenswear stores (mainly in Asia), further trials of Burberry Brit (currently seven stores), trial Burberry Black/Blue stores (currently two in Hong Kong) and the Japanese non-apparel joint operation (currently two mainline stores and 14 concessions).
- **Initiatives to drive retail productivity contributed to comparable store sales growth of 11% in the year**, excluding the acquired stores in China. These included monthly flow of new product, digital marketing, in-store technology, improved replenishment capabilities and continued progress on customer service.

Investing in under-penetrated markets

- **The integration of the stores acquired in China has progressed well.** All 50 stores have been transferred to Burberry China, three have been closed and ten new stores have been opened, all in provincial capitals. The recently opened flagship in Beijing showcases the group's most advanced digital store technology. Improved inventory availability, initial staff training and better buying and merchandising have all contributed to early productivity gains.
- **Emerging Markets accounted for 16% of retail/wholesale revenue, up from 11% last year.** Emerging Markets include China, the Middle East, Latin America, Russia, Turkey and India, as well as other smaller markets. Burberry continued to enter new markets, such as Armenia, Egypt, Israel and Mongolia via franchise agreements, while taking more established businesses, such as China, under direct control. Burberry has also entered into a joint operation, subject to receiving government licences and approvals, to run five stores in the Kingdom of Saudi Arabia which are currently under franchise. Three directly-operated stores were opened during the year in India and three in Latin America.
- **US wholesale grew by over 30%.** Product innovation, improved replenishment and clearer label segmentation for the first full year drove strong sell-through in department stores, leading to Burberry being allocated more selling space. The number of dedicated wholesale corners for Spring/Summer 2011 doubled compared to a year ago, albeit from a small base, with new corners across all product categories.

Pursuing operational excellence

- **The business model at Burberry further evolved to support the shift towards monthly flow of new product,** requiring greater synchronisation than ever before across all functions and all channels. As an example, in November 2010, the Winter Storms floorset was rolled out to 260 stores in the same week, supported by a full digital marketing campaign.
- **Further investments were made in planning, replenishment, supply chain and logistics** to support the 29% growth in retail/wholesale revenue and the 390 basis point improvement in gross margin. Capacity at Burberry's manufacturing facility in Castleford, Yorkshire, which produces its heritage rainwear, doubled during the year.
- **Around 80% of stores are covered by SAP** and preparations are underway for deployment in China and the Middle East in the coming months, with smaller emerging markets thereafter. IT is now an integral partner in delivering retail and marketing initiatives, including Burberry World, retail theatre and major events, such as the Beijing launch in April 2011.

2011/12 outlook

While mindful of the global macro challenges in 2011/12, Burberry remains confident in its strategies. With a strong financial position, Burberry will continue to invest for growth in the current year.

Revenue

The revenue guidance for retail, wholesale and licensing given on page 14 is consistent with that given in April 2011.

Operating margin

In FY 2010/11, Burberry delivered a record adjusted retail/wholesale operating margin of 15.6%. Gross margin and operating expenses will continue to be dynamically managed to enable further investment in the business:

- to evolve its business model, organisation and infrastructure (in areas including customer service, planning and supply chain) and
- to drive long-term growth (including flagship transitional costs and digital initiatives across all channels).

For FY 2011/12, Burberry expects to deliver a modest improvement in operating margin. However, with investment weighted to the first half, operating margin in the six months to September 2011 is currently expected to be lower than in the same period last year.

Capital expenditure

Capital expenditure in FY 2010/11 was £108m, below guidance of around £130m, reflecting delayed cash outflow on certain projects.

In FY 2011/12, capital expenditure is planned at £180-£200m, partly reflecting this delayed spend from 2010/11. Given the brand momentum and increased store productivity, the year-on-year uplift is mainly in retail, balanced between new stores and refurbishments. New space growth is planned to accelerate to 12-13% (excluding acquired China stores), while the number of major renovations is planned to increase significantly to between 15 and 20.

Retail investment will be clustered in flagship markets, including London, Paris and Milan; Chicago; and Hong Kong, Shanghai and São Paulo.

Investment in IT business projects will continue at around £30m, with the emphasis on increasing connectivity between Burberry and its suppliers, employees, customers and partners.

Revenue analysis

Revenue by channel

£ million	Year to 31 March		% change	
	2011	2010	reported FX	underlying
Retail*#	962.3	710.1	36	32
Wholesale*#	440.6	377.5	17	16
Licensing	98.4	97.5	1	(4)
Revenue – continuing operations	1,501.3	1,185.1	27	24
Discontinued Spanish operations	49.3	94.8	(48)	(46)
	1,550.6	1,279.9	21	19

* FY 2010 re-presented to exclude discontinued Spanish operations (retail £39m; wholesale £56m). FY 2011 Spain discontinued sales are £26m retail; £23m wholesale

Burberry acquired its Chinese operations with effect from 1 September 2010. Excluding China in both FY 2010 and FY 2011 gives underlying growth of 20% in retail and 25% in wholesale

Retail

64% of revenue (2010: 60%); generated from 174 mainline stores, 199 concessions within department stores, 44 outlets and digital commerce

Retail sales increased by 32% on an underlying basis (36% at reported FX). China, which transferred from wholesale to retail on 1 September 2010 following the acquisition of the former franchisees' operations, contributed 12% of this underlying growth. New space in other regions generated a further 9% of the underlying growth.

Comparable store sales in the year increased by 11% (H1: 9%; H2: 13%), with mainline stores significantly outperforming in line with the strategy. In mainline stores, average selling prices increased again, largely reflecting mix (greater penetration of Burberry Prorsum and London with continued outperformance from outerwear) and improved full price sell-through. Traffic benefited from digital marketing initiatives and the introduction in the second half of the year of monthly flow of products, offering newness for consumers. Replenishment styles accounted for nearly half of mainline revenue - up by nearly ten percentage points in the last year.

Asia Pacific, where retail accounted for about 80% of revenue in the year, performed strongly, with double-digit comparable store sales growth throughout the period, led by Hong Kong and Taiwan. Excluding China, a net seven stores were opened in the region, of which five were clustered in Hong Kong. Comparable store sales growth of the acquired business in China was about 30% in the second half. These sales were not included in Burberry's 11% comparable growth in the year.

Europe delivered double-digit comparable growth in the year, with the focus of investment on both mainline stores, including London Heathrow Terminal 5 and the first Burberry Brit trial outside the United States, in Milan, as well as new concessions for non-apparel and Brit in prestige department stores.

Americas' performance improved in the second half of the year. In the United States, Burberry opened a further four Brit trial stores. Outside the United States, Burberry opened its fourth store in Canada, as well as its first two stores in Brazil and its first in Mexico.

The Burberry Middle East joint operation, with 15 stores in the region, delivered a strong fourth quarter due to increased tourist activity. Further investment was made in the Dubai regional office and in retail expertise.

Average retail selling space increased by 18% in the year (H1: 11%; H2: 26%), of which China (both acquired and new stores) contributed 9% in the year (H1: 3%; H2: 16%).

Wholesale

29% of revenue (2010: 32%); generated from sales to department stores, multi-brand specialty accounts, Emerging Market franchisees and Travel Retail

Excluding China, underlying wholesale revenue increased by 25% in the year. This reflects restocking by wholesale customers as well as robust consumer demand for the Burberry brand. Improved planning, supply chain and logistics capabilities enabled Burberry to satisfy higher in-season orders and to achieve better order fulfilment rates. Menswear performed very strongly, especially in the second half, as Spring/Summer 2011 was the first collection designed entirely in-house, following the termination of the final regional menswear licences.

By region, Asia Pacific, the Americas and Emerging Markets all performed strongly. A net nine stores were opened by franchisees during the year. Europe, which accounts for about 40% of group wholesale revenue, showed more moderate growth as the business continued to focus on key department store customers and rationalise small, non brand-enhancing specialty accounts. Initial sales of the Spring/Summer 2011 global collection in Spain contributed 2% to the 25% underlying growth in the full year (H1: nil; H2: 4% contribution to growth).

Including China, wholesale revenue increased by 16% on an underlying basis (up 17% at reported FX).

Licensing

7% of revenue (2010: 8%); of which approximately two-thirds from Japan (split roughly two-thirds apparel and one-third from various short-term non-apparel licences) and the balance from global product licences (fragrance, eyewear and timepieces) and European wholesale childrenswear

Total licensing revenue in the year declined by 4% on an underlying basis, in line with guidance. Revenue was up 1% at reported FX, reflecting the strength of the yen, which is largely hedged 12 months forward.

The planned termination of the final regional menswear licences and the Japanese leather goods licence reduced revenue by £6m, as expected. Other Japanese royalty income was broadly flat year-on-year, while the global product licences delivered double-digit growth.

During the year, Burberry strengthened its organisation to manage relationships with global product licensees more intensively, more closely aligning strategies to realise the potential of licensed products in line with owned categories. In December 2010, Burberry and Interparfums extended certain terms of their fragrance licence by one year.

Burberry continues to evaluate integration opportunities in licensing.

Operating profit analysis

Adjusted operating profit

£ million	Year to 31 March		% change	
	2011	2010	reported FX	underlying
Retail/wholesale	219.5	137.7	59	58
Licensing	81.6	82.2	(1)	(6)
Adjusted operating profit	301.1	219.9	37	34
<i>Adjusted operating margin</i>	<i>20.1%</i>	<i>18.6%</i>		

Adjusted operating profit in the year increased by 37% to £301.1m, including a £6.3m benefit from exchange rates.

Retail/wholesale adjusted operating profit

£ million	Year to 31 March		% change reported FX
	2011	2010	
Revenue	1,402.9	1,087.6	29
Cost of sales	(491.6)	(423.9)	(16)
Gross margin	911.3	663.7	37
<i>Gross margin</i>	64.9%	61.0%	
Operating expenses	(691.8)	(526.0)	(32)
Adjusted operating profit	219.5	137.7	59
<i>Operating expenses as % of sales</i>	49.3%	48.3%	
<i>Adjusted operating margin</i>	15.6%	12.7%	

Retail/wholesale adjusted operating profit grew by 59% to £219.5m, up £82m year-on-year. A gross margin increase of 390 basis points was partly offset by higher operating expenses as guided.

Gross margin

Gross margin for the year increased by 390 basis points to 64.9%. In the first half, gross margin improved by 670 basis points, driven by increased full price sell-through resulting from strategies implemented in the second half of the previous year. Following the 1,400 basis point improvement in the second half of FY 2009/10, the second half increase in FY 2010/11 was, as expected, more modest (up 170 basis points). This reflected the shift to retail from wholesale, a further but more moderate improvement in mainline sell-through and higher sales of replenishment styles, offset in part by a mix shift to Burberry Prorsum and London.

Operating expenses

Operating expenses as a percentage of revenue were 49.3% in the full year (H1: 49.5%; H2: 49.1%).

Regional expenses, which are about two-thirds of total costs, grew by less than the rate of sales growth, despite the shift to retail and an increased investment of about £40m in new ventures such as China, Latin America, India and the Japanese non-apparel joint operation. This operating leverage was then re-invested in corporate initiatives to drive future growth, in areas such as design, customer service, IT and marketing. The cost of share schemes increased by about £15m year-on-year, with a similar increase currently expected in FY 2011/12.

Licensing operating profit

£ million	Year to 31 March		Year to 31 March 2011 underlying
	2011	2010	
Revenue	98.4	97.5	94.0
Cost of sales	-	-	-
Gross margin	98.4	97.5	94.0
<i>Gross margin</i>	100%	100%	
Operating expenses	(16.8)	(15.3)	(17.0)
Operating profit	81.6	82.2	77.0
<i>Operating margin</i>	82.9%	84.3%	

Licensing revenue declined by 4% on an underlying basis, up 1% at reported FX. With slightly higher operating expenses as Burberry strengthened its in-house team, operating profit was £81.6m, a margin of 82.9%.

Exceptional items

£ million	Year to 31 March	
	2011	2010
Restructuring credit/(costs)	1.0	(3.4)
Chinese put option liability finance charge	(3.2)	-
	(2.2)	(3.4)

Restructuring

The restructuring credit of £1.0m relates to the release of a provision held in respect of the cost efficiency programme announced in January 2009 (2010: £3.4m charge).

15% economic interest in the Chinese business

As disclosed at the time of the transaction, there is a 15% economic interest held by a third party in the acquired China business. As there is a put option which is exercisable from 2020, accounting rules state that the discounted value of the estimated ultimate liability must be recognised on the balance sheet (£47.3m at 31 March 2011). In subsequent periods, there may be two adjustments taken through the income statement. Firstly, any change to the estimate of the ultimate liability will be taken through operating profit. Secondly, the unwind of the discount (together with the impact of any change in discount rate) will be taken through interest. Both of these will be treated as exceptional items and excluded from adjusted profit before tax. The £3.2m non-cash charge taken in the year represents the unwind of the discount in the seven months since acquisition.

Taxation

In FY 2010/11, Burberry had a tax charge of £83m, giving a tax rate, as guided, of 27.9% (2010: 27.4%).

The tax rate on adjusted profit for FY 2011/12 is currently expected to be about 27%.

Discontinued operations

Burberry has now largely completed the restructuring of its Spanish operations announced in February 2010. The results have been included in discontinued operations as below.

£ million	Year to 31 March	
	2011	2010
Adjusted operating result	(2.1)	-
Restructuring costs	(4.1)	(45.4)
Taxation	-	(25.0)
Loss for discontinued Spanish operations	(6.2)	(70.4)

In FY 2010/11, the discontinued operations generated sales of £49.3m (2010: £94.8m) and an adjusted operating loss of £2.1m (2010: nil). This is better than guided due to more effective clearance of residual inventory and tight cost control during the exit period. In FY 2011/12, sales of the global collection in Spain through all channels will be reported within Europe.

Following a small credit in the second half, the charge associated with restructuring Spain was £4.1m in the year. Cash spend was £20m.

Net cash and balance sheet

Net cash at 31 March 2011 was £298m, up from £262m at 31 March 2010, notwithstanding the £52m investment to date in acquiring the China business and £108m of capital expenditure. Working capital was broadly neutral in the year. Other major outflows were restructuring spend (£20m), tax paid (£98m) and dividends (£69m).

Inventory at 31 March 2011 was £248m, an increase of 49% year-on-year, reflecting growth in the business. Of the £81m increase, roughly one-third is in China and two-thirds is the investment to support monthly flow of new products and increased replenishment.

In March 2011, Burberry renegotiated its revolving credit facility, now totalling £300m and maturing in June 2016. The pricing and terms of this new facility are significantly improved compared to the previous £260m facilities which have been cancelled.

Outlook

The following guidance for retail, wholesale and licensing is consistent with that given in April 2011.

Retail

In the year to 31 March 2012, Burberry plans an increase of 12-13% in average retail selling space. This includes a net 20-25 additional mainline stores with a bias towards China, Latin America and the Middle East. In addition, the 50 stores acquired in China will add about 12% to average selling space in the first half of the year.

Wholesale

In the six months to 30 September 2011, Burberry projects wholesale revenue excluding China to increase by a mid teens percentage at constant exchange rates. Good progress is expected from the Americas, Travel Retail and Emerging Markets and sales of the global collection in Spain are expected to continue to contribute a low single-digit percentage to this growth.

Including China, wholesale revenue in the first half is projected to increase by a mid single-digit percentage at constant exchange rates (2010: £226m).

Licensing

In the year to 31 March 2012, Burberry expects licensing revenue at constant exchange rates to increase by a mid single-digit percentage. This assumes all Japanese apparel and non-apparel royalty income is received at contractual minimum levels as originally planned.

On this basis, underlying licensing revenue from Japan is expected to be broadly flat year-on-year. A step-up in royalty income from the apparel licence, which was negotiated in October 2009, will be offset by the planned termination of additional non-apparel licences in Japan. The global fragrance, eyewear and timepieces product licences are expected to deliver double-digit growth.

In the year to 31 March 2012, licensing revenue at reported FX is expected to increase by a high single-digit percentage, reflecting a more favourable yen hedge rate year-on-year.

APPENDIX

Reconciliation of FY 2009/10 results

£ million	FY 2010 As previously reported	Discontinued Spanish operations*	FY 2010 re- presented
Adjusted profit before taxation	214.8	-	214.8
Exceptional items	(48.8)	45.4	(3.4)
Profit before taxation	166.0	45.4	211.4
Taxation	(83.8)	25.0	(58.8)
Discontinued operations	-	(70.4)	(70.4)
Non-controlling interest	(0.8)		(0.8)
Attributable profit	81.4	-	81.4

* £45.4m of Spain restructuring costs and £25.0m tax charge relating to discontinued operations

Retail/wholesale revenue by destination* (re-presented)

£ million	Year to 31 March		% growth	
	2011	2010	reported FX	underlying
Europe [#]	474.6	421.8	13	15
Asia Pacific [~]	457.1	282.7	62	53
Americas	386.5	324.7	19	16
Rest of World	84.7	58.4	45	43
Total excluding Spain	1,402.9	1,087.6	29	27

* Excludes the results of the discontinued Spanish operations

[#] FY 2010 restated to include continuing parts of Spain business

[~] Japan accounts for less than 2% of group retail/wholesale revenue

Retail/wholesale revenue by product category*

£ million	Year to 31 March		% change	
	2011	2010	reported FX	underlying
Non-apparel	563.3	416.6	35	32
Womenswear	456.6	373.4	22	21
Menswear	325.9	249.4	31	29
Childrenswear	55.5	43.3	28	23
Other	1.6	4.9	(67)	(67)
Total excluding Spain	1,402.9	1,087.6	29	27

* Excludes results of the discontinued Spanish operations

Store portfolio

	Directly-operated stores				Franchise stores
	Mainline stores	Concessions	Outlets	Total	
At 31 March 2010*	131	134	47	312	97
Additions [#]	28	45	2	75	13
Closures	(2)	(11)	(7)	(20)	(4)
Transfers [~]	17	31	2	50	(50)
At 31 March 2011	174	199	44	417	56

* Excluding concessions in Spain

[#] Including 20 concessions in Spain opened in Q4 to sell global collection

[~] Transfers are the 50 acquired Chinese stores

Store portfolio by region

At 31 March 2011	Directly-operated stores				Franchise stores
	Mainline stores	Concessions	Outlets	Total	
Europe*	37	50	17	104	20
Asia Pacific	48	147	8	203	15
Americas [#]	72	-	18	90	3
Rest of World	17	2	1	20	18
Total	174	199	44	417	56

* Including 20 concessions in Spain opened in Q4 to sell global collection

[#] Three franchise stores in the Americas are in Mexico

Sales to franchise stores reported in wholesale revenue

Retail net selling square footage

At 31 March	000s square feet
2007	650
2008	740
2009	845
2010	890
2010 (restated)*	800
2011 [#]	1,010

* Excluding concessions in Spain

[#] Including China and 20 concessions in Spain selling global collection

GROUP INCOME STATEMENT

	Note	Year to 31 March 2011 £m	Year to 31 March 2010 ⁽¹⁾ £m
Continuing operations			
Revenue	2	1,501.3	1,185.1
Cost of sales		(491.6)	(423.9)
Gross profit		1,009.7	761.2
Net operating expenses	3	(707.6)	(544.7)
Operating profit		302.1	216.5
Financing			
Interest receivable and similar income		1.9	1.1
Interest payable and similar charges		(5.1)	(6.2)
Other financing charges		(3.2)	–
Net finance charge	5	(6.4)	(5.1)
Profit before taxation	4	295.7	211.4
Taxation	6	(83.2)	(58.8)
Profit for the year from continuing operations		212.5	152.6
Loss for the year from discontinued operations	22	(6.2)	(70.4)
Profit for the year		206.3	82.2
Attributable to:			
Equity holders of the Company		208.4	81.4
Non-controlling interest		(2.1)	0.8
Profit for the year		206.3	82.2
Earnings per share			
– basic	7	47.9p	18.8p
– diluted	7	46.9p	18.4p
Earnings per share from continuing operations			
– basic	7	49.3p	35.1p
– diluted	7	48.3p	34.4p
Reconciliation of adjusted profit before taxation:			
		£m	£m
Profit before taxation		295.7	211.4
Exceptional items:			
– restructuring (credit)/charge relating to continuing operations	4	(1.0)	3.4
– put option liability finance charge	4	3.2	–
Adjusted profit before taxation – non-GAAP measure		297.9	214.8
Adjusted earnings per share – non-GAAP measure			
– basic	7	49.9p	35.9p
– diluted	7	48.9p	35.1p
Dividends per share			
– interim	8	5.00p	3.50p
– proposed final (not recognised as a liability at 31 March)	8	15.00p	10.50p

(1) The results for the year to 31 March 2010 have been re-presented to show the results of the discontinued Spanish operations separately.

GROUP STATEMENT OF COMPREHENSIVE INCOME

	Note	Year to 31 March 2011 £m	Year to 31 March 2010 £m
Profit for the year		206.3	82.2
Other comprehensive income:			
– cash flow hedges	18	4.9	17.3
– foreign currency translation differences		(15.3)	(6.7)
Tax on other comprehensive income:			
– cash flow hedges		(1.4)	(5.0)
– foreign currency translation differences		2.0	(6.6)
Other comprehensive expense for the year, net of tax		(9.8)	(1.0)
Total comprehensive income for the year		196.5	81.2
Total comprehensive income attributable to:			
Equity holders of the Company		198.8	79.8
Non-controlling interest		(2.3)	1.4
		196.5	81.2

GROUP BALANCE SHEET

	Note	As at 31 March 2011 £m	As at 31 March 2010 £m
ASSETS			
Non-current assets			
Intangible assets	9	114.7	64.6
Property, plant and equipment	10	281.8	256.1
Investment properties	11	3.0	–
Deferred tax assets		70.4	39.2
Trade and other receivables	12	15.2	11.0
Derivative financial assets		9.2	1.7
		494.3	372.6
Current assets			
Inventories	13	247.9	166.9
Trade and other receivables	12	132.5	128.4
Derivative financial assets		1.6	2.6
Income tax receivables		8.3	0.7
Cash and cash equivalents	14	466.3	468.4
		856.6	767.0
Assets classified as held for sale	22	13.5	–
		870.1	767.0
Total assets		1,364.4	1,139.6
LIABILITIES			
Non-current liabilities			
Trade and other payables	15	(84.4)	(26.5)
Deferred tax liabilities		(1.8)	(1.6)
Derivative financial liabilities		–	(0.2)
Retirement benefit obligations		(0.6)	(0.5)
Provisions for other liabilities and charges	16	(9.6)	(5.5)
		(96.4)	(34.3)
Current liabilities			
Bank overdrafts and borrowings	17	(168.4)	(206.4)
Derivative financial liabilities		(3.9)	(9.0)
Trade and other payables	15	(283.4)	(200.2)
Provisions for other liabilities and charges	16	(18.6)	(34.4)
Income tax liabilities		(60.0)	(51.8)
		(534.3)	(501.8)
Total liabilities		(630.7)	(536.1)
Net assets		733.7	603.5
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Ordinary share capital	18	0.2	0.2
Share premium account		192.5	186.1
Capital reserve	18	28.9	27.2
Hedging reserve	18	2.4	(1.1)
Foreign currency translation reserve	18	123.2	136.3
Retained earnings		366.4	241.4
		713.6	590.1
Non-controlling interests in equity		20.1	13.4
Total equity		733.7	603.5

GROUP STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to owners of the Company				Total £m	Non- controlling interest £m	Total equity £m
		Ordinary Share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m			
Balance as at 1 April 2009		0.2	175.9	164.0	199.2	539.3	4.6	543.9
Profit for the year		–	–	–	81.4	81.4	0.8	82.2
Other comprehensive income:								
Cash flow hedges	18	–	–	17.3	–	17.3	–	17.3
Foreign currency translation differences		–	–	(7.3)	–	(7.3)	0.6	(6.7)
Tax on other comprehensive income		–	–	(11.6)	–	(11.6)	–	(11.6)
Total comprehensive (expense)/income for the year		–	–	(1.6)	81.4	79.8	1.4	81.2
Transactions with owners:								
Employee share incentive schemes								
– value of share options granted		–	–	–	18.1	18.1	–	18.1
– tax on share options granted		–	–	–	9.3	9.3	–	9.3
– exercise of share options		–	10.2	–	(8.3)	1.9	–	1.9
Purchase of own shares by ESOP trusts		–	–	–	(7.5)	(7.5)	–	(7.5)
Treasury shares		–	–	–	(0.4)	(0.4)	–	(0.4)
Sale of own shares by ESOP trusts		–	–	–	2.1	2.1	–	2.1
Capital contribution by non-controlling interest		–	–	–	–	–	7.4	7.4
Dividends paid in the period		–	–	–	(52.5)	(52.5)	–	(52.5)
Balance as at 31 March 2010		0.2	186.1	162.4	241.4	590.1	13.4	603.5
Profit/(Loss) for the year		–	–	–	208.4	208.4	(2.1)	206.3
Other comprehensive income:								
Cash flow hedges	18	–	–	4.9	–	4.9	–	4.9
Foreign currency translation differences		–	–	(15.1)	–	(15.1)	(0.2)	(15.3)
Tax on other comprehensive income		–	–	0.6	–	0.6	–	0.6
Total comprehensive (expense)/income for the year		–	–	(9.6)	208.4	198.8	(2.3)	196.5
Transfer between reserves	18	–	–	1.7	(1.7)	–	–	–
Transactions with owners:								
Employee share incentive schemes								
– value of share options granted		–	–	–	28.3	28.3	–	28.3
– value of share options transferred to liabilities		–	–	–	(0.7)	(0.7)	–	(0.7)
– tax on share options granted		–	–	–	15.2	15.2	–	15.2
– exercise of share options		–	6.4	–	(5.6)	0.8	–	0.8
Purchase of own shares by ESOP trusts		–	–	–	(6.6)	(6.6)	–	(6.6)
Sale of own shares by ESOP trusts		–	–	–	0.3	0.3	–	0.3
Business combinations		–	–	–	–	–	3.3	3.3
Liability on put option over non-controlling interest		–	–	–	(45.2)	(45.2)	–	(45.2)
Capital contribution by non-controlling interest		–	–	–	–	–	7.0	7.0
Dividends paid in the period		–	–	–	(67.4)	(67.4)	(1.3)	(68.7)
Balance as at 31 March 2011		0.2	192.5	154.5	366.4	713.6	20.1	733.7

GROUP STATEMENT OF CASH FLOWS

	Note	Year to 31 March 2011 £m	Year to 31 March 2010 £m
Cash flows from operating activities			
Operating profit		302.1	216.5
Operating loss from discontinued operations		(6.2)	(45.4)
Depreciation		53.7	46.1
Amortisation		8.9	6.2
Write-down of assets held for sale		3.7	–
Net impairment charges		–	7.7
Loss on disposal of property, plant and equipment and intangible assets		1.1	4.2
Fair value gains on derivative instruments		(6.2)	(11.9)
Charges in respect of employee share incentive schemes		28.3	18.1
(Increase)/decrease in inventories		(58.9)	87.4
(Increase)/decrease in receivables		(11.4)	56.2
Increase in payables		51.3	40.5
Cash generated from operating activities		366.4	425.6
Interest received		1.9	1.1
Interest paid		(5.1)	(6.1)
Taxation paid		(98.1)	(51.3)
Net cash generated from operating activities		265.1	369.3
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(108.4)	(69.9)
Acquisition of subsidiary, net of cash acquired	21	(51.9)	(2.0)
Capital contributions by non-controlling interests		7.0	7.4
Net cash outflow from investing activities		(153.3)	(64.5)
Cash flows from financing activities			
Dividends paid in the year	8	(67.4)	(52.5)
Dividends paid to non-controlling interest		(1.3)	–
Issue of ordinary share capital		0.8	1.9
Sale of own shares by ESOP trusts		0.3	2.1
Purchase of own shares by ESOP trusts		(6.6)	(7.5)
Proceeds from borrowings		24.0	1.2
Repayments of borrowings		(24.1)	(39.7)
Derivatives matured during the year and remaining in equity		–	0.2
Net cash outflow from financing activities		(74.3)	(94.3)
Net increase in cash and cash equivalents		37.5	210.5
Effect of exchange rate changes		(1.5)	(0.3)
Cash and cash equivalents at beginning of period		263.2	53.0
Cash and cash equivalents at end of period		299.2	263.2

ANALYSIS OF NET CASH

	Note	As at 31 March 2011 £m	As at 31 March 2010 £m
Cash and cash equivalents as per the Balance Sheet		466.3	468.4
Bank overdrafts	17	(167.1)	(205.2)
Cash and cash equivalents per the Statement of Cash Flows		299.2	263.2
Drawn down borrowings		(1.2)	(1.2)
Effect of exchange rate changes on foreign currency borrowings		(0.1)	–
Bank and other borrowings	17	(1.3)	(1.2)
Net cash		297.9	262.0

NOTES TO THE FINANCIAL INFORMATION

1. Basis of preparation

The financial information contained within this report has been prepared in accordance with EU endorsed International Financial Reporting Standards (IFRS), IFRS Interpretations Committee (IFRS IC) interpretations and parts of the Companies Act 2006 applicable to companies reporting under IFRS. This financial information does not constitute the Burberry Group's (the Group) Annual Report and Accounts within the meaning of section 435 of the Companies Act 2006.

Statutory accounts for the year ended 31 March 2010 have been filed with the Registrar of Companies, and those for 2011 will be delivered in due course. The reports of the auditors on those statutory accounts for the years ended 31 March 2010 and 31 March 2011 were unqualified, did not contain an emphasis of matter paragraph and did not contain a statement under either section 499(2) or section 498(3) of the Companies Act 2006.

The principle accounting policies applied in the preparation of the consolidated financial statements are consistent with those set out in the statutory accounts for 2009/10, with the exception of the following:

a) Business combinations

IFRS 3 (Revised) Business combinations is mandatory for the first time for the financial year beginning 1 April 2010. The standard continues to apply the acquisition method to business combinations, but with certain significant changes. All payments to purchase a business are recorded at fair value at the acquisition date, with some contingent payments subsequently remeasured at fair value through income. Goodwill and non-controlling interests may be calculated on a gross or net basis. All transaction costs are expensed. The amendments have been applied by the Group to all business combinations with effect from 1 April 2010.

b) 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 over an estimated useful life of up to 50 years. Depreciation is calculated on a straight-line basis over the estimated useful life of the properties.

c) 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. They are stated as the lower of carrying amount and fair value less cost to sell.

NOTES TO THE FINANCIAL INFORMATION CONTINUED

2. Segmental analysis

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

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

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

The Board assesses channel performance based on a measure of adjusted operating profit. This measurement basis excludes the effects of non-recurring events and 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 2011 £m	Year to 31 March 2010 ⁽¹⁾ £m	Year to 31 March 2011 £m	Year to 31 March 2010 ⁽¹⁾ £m	Year to 31 March 2011 £m	Year to 31 March 2010 ⁽¹⁾ £m
Total segment revenue	1,402.9	1,087.6	116.5	112.2	1,519.4	1,199.8
Inter-segment revenue ⁽²⁾	–	–	(18.1)	(14.7)	(18.1)	(14.7)
Revenue from external customers	1,402.9	1,087.6	98.4	97.5	1,501.3	1,185.1
Depreciation and amortisation	58.1	47.6	–	–	58.1	47.6
Net impairment charges	–	6.1	–	–	–	6.1
Other non-cash expenses						
– Share based payments	22.6	13.6	5.7	4.5	28.3	18.1
Adjusted operating profit	219.5	137.7	81.6	82.2	301.1	219.9
Interest receivable and similar income					1.9	1.1
Interest payable and similar charges					(5.1)	(6.2)
Exceptional items ⁽³⁾					(2.2)	(3.4)
Profit before taxation					295.7	211.4

(1) March 2010 has been re-presented to exclude the results of the discontinued Spanish operations.

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

(3) Refer to note 4 for details of exceptional items.

	Retail / Wholesale		Licensing		Total	
	Year to 31 March 2011 £m	Year to 31 March 2010 £m	Year to 31 March 2011 £m	Year to 31 March 2010 £m	Year to 31 March 2011 £m	Year to 31 March 2010 £m
Additions to non-current assets	123.1	73.2	–	–	123.1	73.2
Total segment assets	728.6	589.1	4.2	7.3	732.8	596.4
Goodwill					73.1	34.9
Cash and cash equivalents					466.3	468.4
Taxation					78.7	39.9
Assets held for sale					13.5	–
Total assets per Balance Sheet					1,364.4	1,139.6

NOTES TO THE FINANCIAL INFORMATION CONTINUED

2. Segmental analysis (continued)

Revenue by product	Year to 31 March 2011 £m	Year to 31 March 2010 ⁽¹⁾ £m
Womenswear	456.6	373.4
Menswear	325.9	249.4
Non-apparel	563.3	416.6
Childrenswear/Other	57.1	48.2
Retail/Wholesale	1,402.9	1,087.6
Licensing	98.4	97.5
Total	1,501.3	1,185.1

(1) March 2010 has been re-presented to exclude the results of the discontinued Spanish operations.

Revenue by destination	Year to 31 March 2011 £m	Year to 31 March 2010 ⁽¹⁾ £m
Europe	474.6	421.8
Americas	386.5	324.7
Asia Pacific	457.1	282.7
Rest of the world	84.7	58.4
Retail/Wholesale	1,402.9	1,087.6
Licensing	98.4	97.5
Total	1,501.3	1,185.1

(1) March 2010 has been re-presented to exclude the results of the discontinued Spanish operations.

Revenue to external customers originating in the UK totalled £402.9m for the year to 31 March 2011 (2010: £350.0m).

Revenue to external customers originating in foreign countries totalled £1,098.4m for the year to 31 March 2011 (2010: £835.1m). This amount includes £357.6m of external revenues originating in the US (2010: £307.6m).

The total of non-current assets other than financial instruments and deferred tax assets located in the UK is £90.2m (2010: £64.6m). The remaining £324.5m of non-current assets are located in other countries (2010: £267.1m), with £141.3m located in the US (2010: £145.5m) and £57.6m located in China (2010: £nil).

3. Net operating expenses

	Note	Year to 31 March 2011 £m	Year to 31 March 2010 ⁽¹⁾ £m
Selling and distribution costs		333.5	286.5
Administrative expenses		374.8	250.9
Loss on disposal of property, plant and equipment		1.1	4.0
Property rental income under operating leases		(0.8)	(0.1)
Exceptional items			
Restructuring costs relating to continuing operations	4	(1.0)	3.4
Total		707.6	544.7

(1) March 2010 has been re-presented to exclude the results of the discontinued Spanish operations.

NOTES TO THE FINANCIAL INFORMATION CONTINUED

4. Profit before taxation

	Year to 31 March 2011 £m	Year to 31 March, 2010 ⁽¹⁾ £m
Profit before taxation is stated after charging/(crediting):		
Depreciation of property, plant and equipment		
– within cost of sales	0.3	0.7
– within distribution costs	7.6	5.5
– within administrative expenses	41.3	35.2
Amortisation of intangible assets (included within administrative expenses)	8.9	6.2
Loss on disposal of property, plant and equipment and intangible assets	1.1	4.0
Goodwill impairment charge	–	1.4
Net impairment charge relating to certain retail assets	–	4.7
Employee costs	298.9	221.2
Operating lease rentals		
– minimum lease payments	88.5	71.1
– contingent rents	51.7	33.0
Net exchange gain included in the Income Statement	(1.0)	(4.1)
Trade receivables net impairment charge	1.3	2.8
Exceptional items		
Restructuring costs relating to continuing operations	(1.0)	3.4
Put option liability finance charges	3.2	–

(1) March 2010 has been re-presented to exclude the results of the discontinued Spanish operations.

Exceptional operating items

The year to 31 March 2011 includes an exceptional credit for the release of £1.0m of the restructuring provision held in respect of the cost efficiency programme announced in the year to 31 March 2009. The year to 31 March 2010 included £3.4m of exceptional charges in respect of this programme.

Exceptional financing charges

The exceptional financing charge for the year ended 31 March 2011 relates to the unwinding of the discount on the put option liability over the non-controlling interest in Burberry (Shanghai) Trading Co., Ltd. Refer to note 15 for further details of the carrying value of the put option liability.

NOTES TO THE FINANCIAL INFORMATION CONTINUED

5. Net finance charge

	Year to 31 March 2011 £m	Year to 31 March 2010 ⁽¹⁾ £m
Bank interest income	1.9	1.1
Interest receivable and similar income	1.9	1.1
Interest expense on bank loans and overdrafts	(5.1)	(4.5)
Loss on interest rate swap transferred from equity	–	(1.4)
Other interest expense	–	(0.3)
Interest payable and similar charges	(5.1)	(6.2)
Other financing charges - put option liability	(3.2)	–
Net finance charge	(6.4)	(5.1)

(1) March 2010 has been re-presented to exclude the results of the discontinued Spanish operations.

6. Taxation

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

	Year to 31 March 2011 £m	Year to 31 March 2010 ⁽¹⁾ £m
Current tax		
UK corporation tax		
Current tax on income for the year to 31 March 2011 at 28% (2010: 28%)	69.5	52.2
Double taxation relief	(2.2)	(2.4)
Adjustments in respect of prior years	(5.2)	(7.1)
	62.1	42.7
Foreign tax		
Current tax on income for the year	39.7	23.1
Adjustments in respect of prior years	0.2	5.2
Total current tax	102.0	71.0
Deferred tax		
UK deferred tax		
Origination and reversal of temporary differences	(4.8)	(0.7)
Impact of changes to tax rates	1.0	–
Adjustments in respect of prior years	(1.7)	2.7
	(5.5)	2.0
Foreign deferred tax		
Origination and reversal of temporary differences	(11.0)	(12.9)
Adjustments in respect of prior years	(2.3)	(1.3)
Total deferred tax	(18.8)	(12.2)
Total tax charge on profit	83.2	58.8

(1) March 2010 has been re-presented to exclude the results of the discontinued Spanish operations.

NOTES TO THE FINANCIAL INFORMATION CONTINUED

6. Taxation (continued)

Analysis of charge for the year recognised in equity

	Year to 31 March 2011 £m	Year to 31 March ⁽¹⁾ 2010 ⁽¹⁾ £m
Current tax		
Current tax credit on share options (retained earnings)	(2.1)	(2.2)
Current tax credit on exchange differences on loans (foreign currency translation reserve)	(0.9)	–
Total current tax recognised in equity	(3.0)	(2.2)
Deferred tax		
Deferred tax charge on cash flow hedges deferred in equity (hedging reserve)	2.2	0.1
Deferred tax (credit)/charge on cash flow hedges transferred to income (hedging reserve)	(0.8)	4.9
Deferred tax credit on share options (retained earnings)	(13.1)	(7.1)
Deferred tax (credit)/charge on exchange differences on loans (foreign currency translation reserve)	(1.1)	6.6
Total deferred tax recognised in equity	(12.8)	4.5

(1) March 2010 has been re-presented to exclude the results of the discontinued Spanish operations.

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 2011 £m	Year to 31 March ⁽¹⁾ 2010 ⁽¹⁾ £m
Tax at 28% (2010: 28%) on profit before taxation	82.8	59.2
Rate adjustments relating to overseas profits	(8.0)	(8.3)
Permanent differences	11.8	6.5
Current year tax losses not recognised	4.6	1.9
Adjustments in respect of prior years	(9.0)	(0.5)
Adjustments to deferred tax relating to changes in tax rates	1.0	–
Total taxation charge	83.2	58.8

(1) March 2010 has been re-presented to exclude the results of the discontinued Spanish operations.

Total taxation recognised in the Group Income Statement arises on:

	Year to 31 March 2011 £m	Year to 31 March ⁽¹⁾ 2010 ⁽¹⁾ £m
Adjusted profit before taxation	83.0	58.8
Exceptional items	0.2	–
Total taxation charge	83.2	58.8

(1) March 2010 has been re-presented to exclude the results of the discontinued Spanish operations.

NOTES TO THE FINANCIAL INFORMATION CONTINUED

7. Earnings per share

The calculation of basic earnings per share is based on attributable profit or loss 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 2011 £m	Year to 31 March 2010 ⁽¹⁾ £m
Attributable profit for the year before exceptional items ⁽²⁾ and discontinued operations	217.0	155.2
Effect of exceptional items ⁽²⁾ (after taxation)	(2.4)	(3.4)
Attributable profit for the year from continuing operations	214.6	151.8
Attributable loss from discontinued operations ⁽³⁾	(6.2)	(70.4)
Attributable profit for the year	208.4	81.4

(1) March 2010 has been re-presented to exclude the results of the discontinued Spanish operations.

(2) Refer to note 4 for details of exceptional items.

(3) Refer to note 22 for details of basic and diluted earnings per share from discontinued operations.

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

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

	Year to 31 March 2011 Millions	Year to 31 March 2010 Millions
Weighted average number of ordinary shares in issue during the year	435.0	432.6
Dilutive effect of the employee share incentive schemes	9.0	9.3
Diluted weighted average number of ordinary shares in issue during the year	444.0	441.9

8. Dividends paid to owners of the Company

	Year to 31 March 2011 £m	Year to 31 March 2010 £m
Prior year final dividend paid 10.50p per share (2010: 8.65p)	45.7	37.4
Interim dividend paid 5.00p per share (2010: 3.50p)	21.7	15.1
Total	67.4	52.5

A final dividend in respect of the year to 31 March 2011 of 15.00p (2010: 10.50p) per share, amounting to £65.4m (2010: £45.7m), 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 4 August 2011 to shareholders on the register at the close of business on 8 July 2011.

NOTES TO THE FINANCIAL INFORMATION CONTINUED

9. Intangible assets

Cost	Goodwill £m	Trade marks and other intangible assets £m	Computer software £m	Total £m
As at 1 April 2009	33.1	18.1	26.8	78.0
Effect of foreign exchange rate changes	2.6	(0.6)	0.1	2.1
Additions	–	0.2	7.2	7.4
Business combination	0.6	–	–	0.6
Disposals	–	(0.6)	(1.1)	(1.7)
Impairment charge	(1.4)	–	–	(1.4)
Reclassification from assets under construction (note 10)	–	–	5.2	5.2
As at 31 March 2010	34.9	17.1	38.2	90.2
Effect of foreign exchange rate changes	(1.9)	0.1	(0.4)	(2.2)
Additions	–	6.6	14.4	21.0
Business combination (note 21)	40.1	–	–	40.1
Disposals	–	–	(0.4)	(0.4)
As at 31 March 2011	73.1	23.8	51.8	148.7
Accumulated amortisation				
As at 1 April 2009	–	8.0	12.5	20.5
Effect of foreign exchange rate changes	–	(0.3)	–	(0.3)
Charge for the year	–	1.4	4.8	6.2
Disposals	–	(0.1)	(0.7)	(0.8)
As at 31 March 2010	–	9.0	16.6	25.6
Effect of foreign exchange rate changes	–	0.1	(0.2)	(0.1)
Charge for the year	–	1.9	7.0	8.9
Disposals	–	–	(0.4)	(0.4)
As at 31 March 2011	–	11.0	23.0	34.0
Net book value				
As at 31 March 2011	73.1	12.8	28.8	114.7
As at 31 March 2010	34.9	8.1	21.6	64.6

Impairment testing of goodwill

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

	As at 31 March 2011 £m	As at 31 March 2010 £m
China	38.9	–
Korea	23.4	23.6
Other	10.8	11.3
Total	73.1	34.9

No impairment has been recognised in respect of the carrying value of the goodwill balance as the recoverable amount of goodwill for each cash generating unit exceeds its carrying value. The recoverable amount of all cash generating units have been determined on a value-in-use basis. The value-in-use calculations were performed using pre-tax cash flow projections for 2011/12 based on financial plans approved by management. The value-in-use calculations comprise three years of discounted cash flows and a discounted terminal value at the end of the third year. No growth has been assumed for the China and Korea cash flows beyond the year ending 31 March 2012 and 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. The adjusted weighted average cost of capital rates for China and Korea were 13.5% and 14.1% respectively (2010: n/a, 16.3%).

At 31 March 2010, an impairment of £1.4m was recognised in respect of the carrying value of goodwill in the Guam business.

NOTES TO THE FINANCIAL INFORMATION CONTINUED

10. Property, plant and equipment

Cost	Freehold land and buildings £m	Leasehold improvements £m	Fixtures, fittings and equipment £m	Assets in the course of construction £m	Total £m
As at 1 April 2009	97.1	160.9	204.4	20.1	482.5
Effect of foreign exchange rate changes	(4.5)	(6.1)	(2.8)	(0.6)	(14.0)
Additions	–	17.3	38.6	9.9	65.8
Disposals	(0.4)	(7.7)	(23.2)	(1.4)	(32.7)
Reclassification from assets under construction	–	4.8	8.4	(18.4)	(5.2)
Business combination	–	–	0.8	–	0.8
As at 31 March 2010	92.2	169.2	226.2	9.6	497.2
Effect of foreign exchange rate changes	(3.7)	(6.5)	(4.4)	–	(14.6)
Additions	–	18.7	62.2	21.4	102.3
Disposals	–	(0.3)	(23.9)	(0.2)	(24.4)
Reclassification from assets under construction	–	4.3	6.6	(10.9)	–
Transfers to investment properties (note 11)	(3.8)	–	–	–	(3.8)
Business combination (note 21)	–	–	6.3	–	6.3
Transfers to assets held for sale (note 22)	(29.6)	–	(6.6)	–	(36.2)
As at 31 March 2011	55.1	185.4	266.4	19.9	526.8
Accumulated depreciation and impairment					
As at 1 April 2009	32.2	53.4	138.3	–	223.9
Effect of foreign exchange rate changes	(1.4)	(1.9)	(2.5)	–	(5.8)
Charge for the year	2.4	14.8	28.9	–	46.1
Net impairment charge on assets	–	2.3	4.0	–	6.3
Disposals	(0.1)	(6.1)	(23.2)	–	(29.4)
As at 31 March 2010	33.1	62.5	145.5	–	241.1
Effect of foreign exchange rate changes	(1.3)	(2.1)	(3.1)	–	(6.5)
Charge for the year	1.9	19.6	32.1	–	53.6
Disposals	–	(0.3)	(23.0)	–	(23.3)
Transfers to investment properties (note 11)	(0.7)	–	–	–	(0.7)
Transfers to assets held for sale (note 22)	(16.7)	–	(2.5)	–	(19.2)
As at 31 March 2011	16.3	79.7	149.0	–	245.0
Net book value					
As at 31 March 2011	38.8	105.7	117.4	19.9	281.8
As at 31 March 2010	59.1	106.7	80.7	9.6	256.1

During the year to 31 March 2011, a net impairment charge of £nil (2010: £6.3m) was identified as part of the annual impairment review relating to both the continuing and discontinued operations.

Where indicators of impairment were identified, the impairment review compared the value-in-use of the assets to the carrying values at 31 March 2011. The pre-tax cash flow projections were based on financial plans approved by management and extrapolated beyond the budget year to the lease exit dates using growth rates and inflation rates appropriate to each country's economic conditions. The pre-tax discount rates used in these calculations were between 12.2% and 18.5% (2010: between 11.6% and 17.3%), based on the Group's weighted average cost of capital adjusted for country-specific tax rates and risks.

NOTES TO THE FINANCIAL INFORMATION CONTINUED

11. Investment properties

	2011 £m	2010 £m
Cost		
As at 1 April	–	–
Transfers from property, plant and equipment	3.8	–
As at 31 March	3.8	–
Accumulated depreciation		
As at 1 April	–	–
Transfers from property, plant and equipment	0.7	–
Charge for the year	0.1	–
As at 31 March	0.8	–
Net book value	3.0	–

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

Based on a valuation report prepared by Cushman & Wakefield, the market valuation of the investment property is £11.8m, using closing exchange rates at 31 March 2011. 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.

12. Trade and other receivables

	As at 31 March 2011 £m	As at 31 March 2010 £m
Non-current		
Deposits and prepayments	15.2	11.0
Total non-current trade and other receivables	15.2	11.0
Current		
Trade receivables	100.7	109.1
Provision for doubtful debts	(12.1)	(16.8)
Net trade receivables	88.6	92.3
Other receivables	22.3	15.3
Prepayments and accrued income	21.6	20.8
Total current trade and other receivables	132.5	128.4
Total trade and other receivables	147.7	139.4

£10.4m of the non-current deposits and prepayments balance (2010: £6.8m) is due within five years from the balance sheet date, with the remainder due at various stages after this. The entire balance is non-interest bearing.

The individually impaired receivables relate to balances with trading parties which have passed their payment due dates or where uncertainty exists over recoverability. As at 31 March 2011, trade receivables of £18.4m (2010: £24.0m) were impaired. The amount of the provision against these receivables was £12.1m as of 31 March 2011 (2010: £16.8m). It was assessed that a portion of the receivables is expected to be recovered. Individually impaired receivables of £3.7m (2010: £6.8m) relate to the discontinued Spanish operations. The ageing of the impaired receivables is as follows:

	As at 31 March 2011 £m	As at 31 March 2010 £m
Current	3.2	8.3
Less than one month overdue	7.0	6.1
One to three months overdue	3.1	3.5
Over three months overdue	5.1	6.1
	18.4	24.0

NOTES TO THE FINANCIAL INFORMATION CONTINUED

12. Trade and other receivables (continued)

As at 31 March 2011, trade receivables of £5.3m (2010: £3.8m) were overdue but not impaired. The ageing of these overdue receivables is as follows:

	As at 31 March 2011 £m	As at 31 March 2010 £m
Less than one month overdue	4.6	3.5
One to three months overdue	0.6	0.3
Over three months overdue	0.1	–
	5.3	3.8

Movement on the provision for doubtful debts is as follows:

	Year to 31 March 2011 £m	Year to 31 March 2010 £m
As at 1 April	16.8	7.6
Increase in provision for doubtful debts	5.6	11.3
Receivables written off during the year as uncollectable	(0.8)	(0.4)
Unused provision reversed	(9.5)	(1.7)
As at 31 March	12.1	16.8

In the year to 31 March 2011, the Group reversed £5.2m of doubtful debts provision in relation to trade debtors previously provided for in the discontinued Spanish operations.

There are no impaired receivables within other receivables (2010: £0.1m). The maximum exposure to credit risk at the reporting date with respect to trade receivables is the carrying amount on the Balance Sheet. The Group does not hold any collateral as security.

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

	Year to 31 March 2011 £m	Year to 31 March 2010 £m
Sterling	59.0	56.2
US Dollar	22.9	23.8
Euro	12.1	27.3
Chinese Yuan Renminbi	23.5	–
Other currencies	30.2	32.1
	147.7	139.4

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.

13. Inventories

	As at 31 March 2011 £m	As at 31 March 2010 £m
Raw materials	5.1	7.1
Work in progress	0.6	2.7
Finished goods	242.2	157.1
Total inventories	247.9	166.9

The cost of inventories recognised as an expense and included in cost of sales for the continuing and discontinued operations amounted to £500.0m (2010: £460.7m).

In the year to 31 March 2011, the Group reversed £4.6m of previous inventory writedowns in relation to the stock held in the discontinued Spanish operations. The cost of inventories physically destroyed in the year is £6.6m (2010: £1.5m).

NOTES TO THE FINANCIAL INFORMATION CONTINUED

14. Cash and cash equivalents

	As at 31 March 2011 £m	As at 31 March 2010 £m
Cash at bank and in hand	235.1	267.1
Short-term deposits	231.2	201.3
Total	466.3	468.4

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

15. Trade and other payables

	As at 31 March 2011 £m	As at 31 March 2010 £m
Non-current		
Deferred consideration	1.9	–
Put option liability over non-controlling interest	47.3	–
Other creditors, accruals and deferred income	35.2	26.5
Total non-current trade and other payables	84.4	26.5
Current		
Trade creditors	85.8	62.1
Other taxes and social security costs	16.7	6.2
Deferred consideration	12.5	–
Other creditors	20.5	17.7
Accruals and deferred income	147.9	114.2
Total current trade and other payables	283.4	200.2
Total trade and other payables	367.8	226.7

Following the acquisition of the Burberry retail and distribution business in China, Sparkle Roll Holdings Limited, a non-Group company, retains a 15% economic interest in the Group's business in China. Put and call options exist over this interest stake which are exercisable after 5 years from acquisition date in the case of the call option, and 10 years from acquisition date in the case of the put option. The put option liability is subject to a contractual cap of £200m. The net present value of the put option has been recognised as a non-current financial liability under IAS 39.

The key assumptions in arriving at the 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, the risk free rate in China and China's future gross domestic product growth.

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

	As at 31 March 2011 £m	As at 31 March 2010 £m
Between one and two years	2.3	3.7
Between two and three years	2.3	2.4
Between three and four years	2.5	2.2
Between four and five years	2.7	3.7
Over five years	25.4	14.5
Total	35.2	26.5

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

NOTES TO THE FINANCIAL INFORMATION CONTINUED

16. Provisions for other liabilities and charges

	Property obligations £m	Restructuring costs £m	Other costs £m	Total £m
Balance as at 1 April 2009	13.9	27.5	–	41.4
Effect of foreign exchange rate changes	0.1	(1.2)	–	(1.1)
Created during the year	2.2	36.9	–	39.1
Utilised during the year	(4.0)	(28.7)	–	(32.7)
Released during the year	(2.5)	(4.3)	–	(6.8)
Balance as at 31 March 2010	9.7	30.2	–	39.9
Effect of foreign exchange rate changes	(0.1)	(0.5)	–	(0.6)
Created during the year	5.0	7.0	3.1	15.1
Utilised during the year	(3.1)	(20.3)	–	(23.4)
Released during the year	–	(2.8)	–	(2.8)
Balance as at 31 March 2011	11.5	13.6	3.1	28.2

	As at 31 March 2011 £m	As at 31 March 2010 £m
Analysis of total provisions:		
Non-current	9.6	5.5
Current	18.6	34.4
Total	28.2	39.9

The non-current provisions relate to provisions for onerous leases and property reinstatement costs which are expected to be utilised within nine years. Onerous leases of £0.5m (2010: £1.2m) are included within restructuring costs of which £0.2m (2010: £0.6m) are non-current. The remaining restructuring provision of £13.4m (2010: £29.6m) represents a current liability. The majority of this relates to the closure of the Spanish operations.

17. Bank overdrafts and borrowings

	As at 31 March 2011 £m	As at 31 March 2010 £m
Unsecured:		
Bank overdrafts	167.1	205.2
Bank borrowings	0.8	0.7
Other borrowings	0.5	0.5
Total	168.4	206.4

Included within bank overdrafts is £166.1m (2010: £205.0m) representing balances on cash pooling arrangements in the Group.

On 28 March 2011, a £300m multi-currency revolving credit facility was agreed with a syndicate of third party banks. At 31 March 2011, there were no outstanding drawings (2010: £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. This facility replaces the £200m three year multi-currency revolving facility in place as at 16 March 2009 which had been due to mature on 30 June 2012, and the two bilateral multi-currency revolving credit facilities, totalling £60m which had been due to mature on 13 June 2011.

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

Other borrowings relate to a loan provided by a minority interest partner totalling £0.5m due to mature on 8 November 2011. Interest is charged on this loan at the Japanese short-term prime rate plus 0.5%.

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

NOTES TO THE FINANCIAL INFORMATION CONTINUED

18. Share capital and reserves

Allotted, called up and fully paid share capital	Number	£m
Ordinary shares of 0.05p (2010: 0.05p) each		
As at 1 April 2010	435,024,782	0.2
Allotted on exercise of options during the year	786,956	–
As at 31 March 2011	435,811,738	0.2

At 31 March 2011, 77,215 of the 0.05p ordinary shares in issue are held as treasury shares (2010: 77,215). As permitted by the Companies Act 2006 the Company no longer has an authorised share capital having adopted new Articles of Association at the Annual General Meeting in 2010.

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 2011, 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 2011 the amounts offset against this reserve are £2.8m (2010: £2.0m). In the year to 31 March 2011 the Burberry Group plc ESOP trust has waived its entitlement to dividends of £nil (2010: £0.2m).

During the year profits of £1.7m (2010: £nil) have been transferred to capital reserves due to statutory requirements of subsidiaries. The capital reserve consists of non-distributable reserves and the capital redemption reserve arising on the purchase of own shares.

	Other reserves			Total £m
	Hedging reserve £m	Foreign currency translation reserve £m	Capital reserve £m	
Balance as at 1 April 2009	(13.4)	150.2	27.2	164.0
Other comprehensive income:				
Cash flow hedges – gains deferred in equity	0.4	–	–	0.4
Cash flow hedges – losses transferred to income	16.9	–	–	16.9
Foreign currency translation differences	–	(7.3)	–	(7.3)
Tax on other comprehensive income	(5.0)	(6.6)	–	(11.6)
Total comprehensive income/(expense) for the year	12.3	(13.9)	–	(1.6)
Balance as at 31 March 2010	(1.1)	136.3	27.2	162.4
Other comprehensive income:				
Cash flow hedges – gains deferred in equity	(2.6)	–	–	(2.6)
Cash flow hedges – losses transferred to income	7.5	–	–	7.5
Foreign currency translation differences	–	(15.1)	–	(15.1)
Tax on other comprehensive income/(expense)	(1.4)	2.0	–	0.6
Total comprehensive income/(expense) for the year	3.5	(13.1)	–	(9.6)
Transfer between reserves	–	–	1.7	1.7
Balance as at 31 March 2011	2.4	123.2	28.9	154.5

NOTES TO THE FINANCIAL INFORMATION CONTINUED

19. Capital commitments

	As at 31 March 2011 £m	As at 31 March 2010 £m
Capital commitments contracted but not provided for:		
– property, plant and equipment	10.3	2.7
– intangible assets	1.2	0.7
Total	11.5	3.4

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.

20. Contingent liabilities

Under the GUS Group UK tax payment arrangements, the Group was jointly and severally liable for any GUS liability attributable to the period of the Group's membership of this payment scheme. The Group's membership of this scheme was terminated with effect from 31 March 2002.

NOTES TO THE FINANCIAL INFORMATION CONTINUED

22. Discontinued operations and assets classified as held for sale

In the year to 31 March 2010, the Group announced the restructuring of its Spanish operations. During the year, the production of the local Spanish collection, and related operations ceased. The Spanish operations have been treated as discontinued for the year ended 31 March 2011, and the results from the discontinued operations have been shown separately from the results of the Group's continuing operations. The comparative Income Statement and supporting notes for the year ended 31 March 2010 have been re-presented to show the results from the discontinued Spanish operations separately.

An analysis of the results of the discontinued Spanish operations is presented below:

	Year to 31 March 2011 £m	Year to 31 March 2010 £m
Revenue	49.3	94.8
Cost of sales	(24.8)	(52.0)
Gross profit	24.5	42.8
Net operating expenses ⁽¹⁾	(30.7)	(88.2)
Operating loss	(6.2)	(45.4)
Net finance charges	–	–
Loss before taxation for discontinued operations	(6.2)	(45.4)
Taxation	–	(25.0)
Loss after taxation for discontinued operations	(6.2)	(70.4)

(1) Net operating expenses for the year to 31 March 2011 include £4.1m of restructuring costs related to the discontinued Spanish operations (2010: £45.4m). Included in this is a charge of £3.7m in relation to the write-down of assets held for sale to fair value less cost to sell.

Cash flows generated from the discontinued Spanish operations have been included in the Group consolidated Statement of Cash Flows. The cash flows relating to the discontinued operations for the years ended 31 March 2011 and 31 March 2010 are:

	Year to 31 March 2011 £m	Year to 31 March 2010 £m
Net cash inflow from operating activities	3.6	8.3
Net cash outflow from investing activities	–	(2.8)
Net cash outflow from financing activities ⁽¹⁾	(7.9)	(21.4)
Net decrease in cash and cash equivalents	(4.3)	(15.9)
Effect of exchange rate changes	–	0.1
Cash and cash equivalents at beginning of period	4.4	20.2
Cash and cash equivalents at end of period	0.1	4.4

(1) The net cash outflow from financing activities represents the repayment of intercompany loans from Group entities which form part of continuing operations.

The earnings per share attributable to the discontinued Spanish operations for the years ended 31 March 2011 and 31 March 2010 are:

	Notes	Year to 31 March 2011	Year to 31 March 2010
Earnings per share from discontinued operations			
– basic	7	(1.4)p	(16.3)p
– diluted	7	(1.4)p	(15.9)p

Assets classified as held for sale

In September 2010, £17.0m of assets were reclassified to assets held for sale, representing the carrying value of the freehold properties in Spain. These assets have subsequently been written down to fair value less costs to sell. At 31 March 2011, the carrying value of the assets is £13.5m.

NOTES TO THE FINANCIAL INFORMATION CONTINUED

23. 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. The related party transactions relate to total compensation in respect of key management, who are defined as the Board of Directors and certain members of senior management.

The total compensation in respect of key management for the year was as follows:

	Year to 31 March 2011 £m	Year to 31 March 2010 £m
Salaries and short-term benefits	9.7	8.6
Post-employment benefits	0.3	0.3
Share based compensation	7.0	4.0
Total	17.0	12.9

The aggregate cost to the Group of the exercise of share options and awards to key management in the year to 31 March 2011 was £1.0m (2010: £5.2m).

24. 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 within equity.

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 2011	Year to 31 March 2010	Year to 31 March 2011	Year to 31 March 2010
Euro	1.18	1.14	1.13	1.12
US Dollar	1.56	1.60	1.61	1.52
Hong Kong Dollar	12.11	12.55	12.49	11.79
Korean Won	1,786	1,917	1,763	1,718
Chinese Yuan Renminbi	10.51	10.46	10.52	10.37

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 143.7: £1 in the year to 31 March 2011 (2010: Yen 154.0: £1).

25. Adjusted profit before taxation and exceptional items

Exceptional items are those items that are largely one-off and material in nature, as well as the unwind of the discount and any fair value movements on put option liabilities. These items are added back/deducted from profit/loss before taxation to arrive at adjusted profit/loss before taxation which is disclosed in order to provide a clear and consistent presentation of the underlying performance of the Group's ongoing business.