BURBERRY

ESTABLISHED 1856

ANNUAL REPORT 2013/14


CJD

TABLE OF CONTENTS

FINANCIAL HIGHLIGHTS

Total revenue (Year to 31 March)

£2,330M

2014	**2,330**
2013	1,999
2012	1,857
2011	1,501
2010*	1,185

Adjusted profit before tax (Year to 31 March)

£461M

2014	**461**
2013	428
2012	376
2011	298
2010	215

Adjusted profit before tax is stated before adjusting items.
Reported profit before tax £444m (2013: £351m)

Adjusted diluted EPS (Year to 31 March)

75.4P

2014	**75.4**
2013	70.0
2012	61.6
2011	48.9
2010	35.1

Adjusted diluted EPS is stated before adjusting items.
Reported diluted EPS 72.1p (2013: 57.0p)

Net cash (As at 31 March)

£403M

2014	**403**
2013	297
2012	338
2011	298
2010	262

Dividend per share (Year to 31 March)

32.0P

2014	**32.0**
2013	29.0
2012	25.0
2011	20.0
2010	14.0

Capital expenditure (Year to 31 March)

£154M

2014	**154**
2013	176
2012	153
2011	108
2010	70

2010* has been re-presented to exclude the discontinued Spanish operations.
Adjusted profit before tax and adjusted EPS is defined in note 2 of the financial statements.

STRATEGIC REPORT

INTRODUCTION

This is Burberry's Strategic Report for the financial year ending 31 March 2014. The Report sets out information on the Burberry brand, business operations, strategy, people and its activities aimed at driving positive social, cultural and environmental impacts. The following messages from Sir John Peace, Angela Ahrendts and Christopher Bailey, highlight Burberry's performance during the year and the outlook for the Company.

CHAIRMAN'S LETTER

The management team at Burberry measures its performance relative to a consistent set of objectives – ensuring clarity and consistency of Burberry's luxury brand positioning, producing sustainable sector-leading growth, and being a great company.

Sir John Peace
Chairman

Within that context, we can report a strong year for Burberry in 2013/14. While representing this year's efforts, the results also reflect the disciplined pursuit and execution of a uniform strategy over the past several years – a strategy designed to produce near-term results and reinforce the foundation for future success.

Burberry operates today in a period of unprecedented change for the consumer sphere, which includes the luxury sector: from the evolving dynamics between the physical and digital worlds; to the emergence of a new class of younger luxury consumer in developing markets; and the increasing role that travel plays in luxury consumption – a trend further intensified by dramatic increases in outbound travel from China. Alongside these dynamics, overall growth of the luxury sector has moderated over the last two years, following its post-financial crisis acceleration.

Burberry's strategy has proven effective in both concept and execution in responding to this evolving environment. This Report sets out the significant progress delivered across all five of the brand's strategic themes during the year, with highlights including the following.

- The establishment of Beauty as Burberry's fifth product division, which recorded some early successes including the launch of two new fragrances, the opening of the first Burberry Beauty Box pilot store in London and the integration of Beauty and fashion across product, events and marketing. While the new product division has made a modest financial contribution in 2013/14, reflecting the complexities and challenges of this transition year, we expect our investment in this category to be a key component of future growth.
- The further integration of physical and digital platforms to enhance the brand experience across all touchpoints, from investments that leverage data and insight in the creation of increasingly personalised customer experiences, to more integrated, emotive storytelling across our online and offline worlds.
- A sustained focus on reclaiming Burberry's menswear heritage, including the return of the men's runway show to London and investments in design and merchandising. With about 20% sales increase in mainline stores during the year, the growth of menswear presents exciting future potential as we look to further build this underdeveloped dimension of the brand.
- Continued investment in flagship markets, strengthening the brand's position in the 25 cities that account for the majority of its retail sales. Of the 25 store openings in the year, about half were in these markets, while specific product, merchandising and service initiatives were further honed and developed to address the travelling luxury customers flowing through these urban centres, with particular attention to the Chinese consumer.
- The engagement of all business functions in laying foundations to transform the brand in Japan, the second largest luxury market in the world. With licences expiring in 2015, the year saw the development of plans to ensure a smooth exit of local product from the market and preparations to forcefully assert Burberry's global luxury positioning in the months and years ahead.

This activity contributed to a strong annual financial performance for 2013/14 while positioning Burberry well for the future. Total revenue increased 17% to £2,330 million, with adjusted before tax profit up 8%

to £461 million. The retail/wholesale business achieved a 17% increase in adjusted operating profit on a 19% revenue gain to £2,251 million, driven by the 15% revenue growth and 12% comparable store sales increase in retail. Excluding Beauty, wholesale sales grew 2%, with gains in the Americas and Asia partially offset by continued softness in Europe. Beauty, in its first year of operation, contributed wholesale revenue of £144 million, while licensing revenue, excluding Beauty, increased 2% underlying, reflecting growth in global categories against a slight decline in legacy licences. Capital investment totalled £154 million and the Group ended the year with a £403 million net cash position. The Board has recommended a 10% increase in the full year dividend to 32.00p, and will aim to move progressively from a 40% payout ratio to 50% over three years reflecting our ongoing focus on shareholder returns.

In addition to the strategic and financial performance outlined above, 2013/14 also marked a significant leadership transition at Burberry. In October, Angela Ahrendts informed the Board that she had decided to step down as Chief Executive Officer and the Board unanimously agreed that Christopher Bailey would be her successor in the newly-created position of Chief Creative and Chief Executive Officer, a role he assumed on 1 May 2014. Angela moves on after eight remarkable years with Burberry, having built a great culture and management team, and leading the Company through an incredible transformation. We are all hugely grateful for her efforts and accomplishments and wish her well in her future endeavours.

While this is a significant change, the CEO transition to Christopher is a natural progression. Christopher has been at Burberry since 2001 and as Chief Creative Officer has overseen all consumer-facing activities including product design, creative marketing, store design, consumer technology and digital innovation. I have no doubt that Christopher's vision and leadership, supported by an outstanding management team, will keep Burberry on the forefront creatively, digitally and financially, creating further value for shareholders in the next exciting stage of its evolution.

The Board is also evolving, as it builds further relevant skills and competencies for the future. Good progress has been made on the Board's succession plan during the year with the appointment of Matthew Key and Jeremy Darroch as non-executive directors and the announcement that Carolyn McCall will be joining the Board as a non-executive director on 1 September 2014. These appointments bring additional mobile, digital, media, financial, consumer travel and general management experience to the Board, reflecting the Group's strategy.

Consistent with past practice, we reward our people on a basis which is strongly aligned to sustainable long-term performance and delivering value to our shareholders. At the same time, we must take into account the global markets in which the Group operates and from which it recruits, so as to attract and retain high calibre individuals. For the first time shareholders will have a binding vote on our remuneration policy, in relation to which we consulted with a number of our leading institutional shareholders and investor advisory bodies. The details are set out in the Directors' Remuneration Report contained herein.

Finally, a word on culture. Each year I remark that Burberry's strong results reflect the contributions of teams across the business – and this continues to be true. The line separating strong and median performance in this dynamic, highly competitive industry is thin, and a united team and vibrant culture can make all the difference. Accordingly, Burberry continues to invest in areas that foster the further development of its distinctive culture, including internal communication activities, career development opportunities, compensation plans and organisational initiatives, including the opening at the end of the year of our second headquarters building, uniting all London-based employees on a single campus. The internal values that define the Burberry culture continue to be expressed through investment externally, in ethical trading and sustainability efforts, community involvement activities and the Burberry Foundation, to name a few.

Burberry's present and future success is dependent upon the hard work and commitment of our talented global team and I thank them for their efforts during the year. I would also like to thank our shareholders, customers, partners and all those who engage with the brand for their continued support, as we look to the future with confidence.

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

75.4P +8%

2014	**75.4**	**+8%**
2013	70.0	+14%
2012	61.6	+26%
2011	48.9	+39%
2010	35.1	+16%

Adjusted diluted EPS is stated before adjusting items.
Reported diluted EPS 72.1p (2013: 57.0p).


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CHIEF EXECUTIVE OFFICERS' LETTERS

Stepping down from my position as Burberry's Chief Executive Officer brings a host of reflections on my near nine years in the position.

Angela Ahrendts
Angela Ahrendts stepped down as Chief Executive Officer on 30 April 2014.

Rather than the specific initiatives, I am more reminded of the principles and values through which we wrote Burberry's latest chapter. We put the brand first. Our internal ethos of collaboration, intuition and trust. The aspiration to be not only a great brand, but a great company, with all that implies in a larger societal context. Serving in this role for almost nine years has been a privilege, an honour, a remarkable experience. I thank the entire Burberry community – Board, team, franchise and licensing partners, customers and suppliers – for the inspiration and partnership during these years.

Now, Christopher Bailey, Burberry's Chief Creative and Chief Executive Officer, adds the CEO responsibilities to his mandate. Working alongside him and the rest of the senior team has been among the greatest aspects of the position. Together, they will explore exciting opportunities – Beauty has just begun to operate, the Japan transformation is well underway, the digital world offers boundless possibilities – all within the scope of a brand momentum that has never been stronger. I look forward to watching as the extended team, under Christopher's exceptional vision and leadership, writes Burberry's next chapter.

It has been an honour to work alongside Angela in shaping Burberry's recent history over the past nine years, and I am privileged today to lead this magnificent 'old, young' company into its next chapter.

Christopher Bailey
Christopher Bailey was appointed Chief Creative and Chief Executive Officer on 1 May 2014.

As my role evolves in this, my thirteenth year at Burberry, I believe there have never been greater opportunities for our brand globally, or more compelling ways to engage, entertain and inspire consumers with our rich and inimitable story.

In Burberry we have something truly unique: a company whose story threads through British history and culture, from the wardrobes of the Royal Family, through the factories of Yorkshire and mills of Scotland, to some of the world's great acts of exploration and many of the icons of our popular culture.

Deeply rooted in expert craftsmanship and innovative design, and brought to life both physically and digitally, this story defines both who we are today and what we can become. In an increasingly competitive marketplace, and as luxury consumers globally place ever-greater emphasis on provenance, it gives Burberry that most precious of things: an authentic and clear identity. As such, remaining true to this identity will be critical to building and maintaining competitive advantage, and to capitalising on the many opportunities that lie ahead of us.

True to the character of this great British brand, these opportunities are both old and young. Outerwear, our oldest product, continued to underpin our revenue growth in this most recent financial year. Looking ahead, we will leverage this momentum through an online and offline celebration of our heritage that will amplify consumer engagement with our most iconic products and further clarify our unique brand identity, both in established markets and the emerging economies that remain a consistent strategic focus. Similarly Japan – an old market for Burberry, but a new and under-penetrated opportunity for the modern brand. The coming year will see us start to shape Burberry's future in what remains the second-largest luxury market in the world. Beauty, now firmly established as our fifth product division, reached its first anniversary of direct operation in April 2014. With the repositioning of the fragrance portfolio and the broadening of our nascent make-up business, we are still early in the cycle of this under-represented category for the brand and see significant potential ahead. And then there is digital, where innovative partnerships and a creative mindset will continue to unlock significant commercial opportunities and engaging experiences in what remains a very new, and increasingly mobile, world.

This is not to say we underestimate what it will take to realise these possibilities in the months and years ahead. Luxury sector growth has moderated from the highs of the recent past and consumer behaviour is evolving quickly. Yet I am confident that we have the skills, expertise and focus to enable continued outperformance: a closely connected culture that allows us to retain our entrepreneurial spirit as we grow; the brightest and best talent at all levels of the organisation; and an outstanding group of senior executives leading the business across our three organisational pillars of Design, Product and Communication; the Regions; and Operations and Finance. There is no more powerful foundation for our future success than the united global teams established in recent years.

Looking ahead, I believe that a consistent and focused approach to our strategic goals, values and authentic brand identity will enable us to live up to the high standards we set ourselves and which people have for us, while never losing sight of our human and environmental responsibilities. As our customers, shareholders and global teams, you sit at the heart of this next stage of our journey, and I thank you all for your continued support.

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 Equestrian Knight Device 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

Burberry is a global luxury brand that designs, produces and sells luxury products. The following pages set out the Company's business and operating models and information relating to its sales channels, regional presence, products and the external market in which it operates.

BUSINESS MODEL: A DISTINCTIVE GLOBAL LUXURY BRAND

Founded in 1856, Burberry is a global luxury brand with a distinctive British identity. Over the decades, the brand has built a reputation for craftsmanship, innovation and design. Since the invention of gabardine by Thomas Burberry more than 150 years ago, outerwear has been at the core of the business, and remains so today – best expressed through the iconic Burberry trench coat.

The Company designs, produces and sells products under the Burberry brand. Product conception, design and development are housed in Burberry's London headquarters. Fabrics and other materials are sourced from, and finished products manufactured at, both Company-owned facilities in the UK and through an external supplier network, predominantly located in Europe. Marketing content and programmes, traditional and digital, are developed internally to communicate brand and product attributes to consumers. Burberry products are sold globally through proprietary retail platforms and third-party wholesale customers. In selected categories, Burberry relies on the product and distribution expertise of licensing partners to develop the business. These activities are executed by a global team of over 10,000 employees.

Brand

- Authentic British heritage, a rich association with history and culture – royalty, explorers, VIPs.
- Globally recognised icons, including the trench coat, trademark check and Equestrian Knight Device.
- Key attributes of craftsmanship, innovation and design.
- Appeal across genders and generations.
- Brand values of Protect, Explore, Inspire.

Business

- Products created in keeping with brand attributes to appeal to luxury consumers:
  - primary categories include women's and men's apparel and accessories and Beauty.
- Brand engagement driven by innovative use of digital, social and traditional media to connect audiences globally with the brand:
  - with emphasis on the millennial consumer.
- Owned distribution network consisting of:
  - offline: 497 directly operated stores and concessions operating in 32 countries;
  - online: burberry.com digital platform active in 11 languages; and
  - ongoing initiatives to integrate online and offline to create a seamless and consistent brand experience, however and wherever the consumer chooses to engage with the Burberry brand.
- Third-party distribution network includes 70 franchise stores in an additional 28 countries and approximately 1,400 wholesale department and specialty store doors in over 80 countries.
- Consumer touch-points aligned with the goal of communicating pure brand message.
- Functional infrastructure to support execution from conception to consumer.

Culture

- Democratic, trusting and entrepreneurial ethos.
- Team-oriented, empowered, highly connected organisation.
- Constant focus on creative-commercial balance.
- Committed to Great Company values – sustainable business practices and creating social shared value.

OPERATING MODEL

The business is structured by channel, region and product division, supported by core corporate functions.

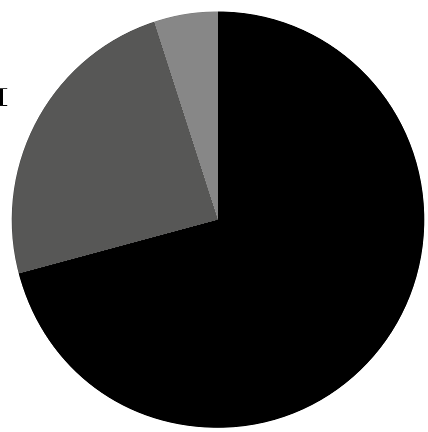
By Channel	By Region	By Product	By Function
Retail (including Digital)	Asia Pacific	Accessories	Design
Wholesale	Europe, Middle East, India and Africa*	Womens	Marketing
Licensing	Americas	Mens	Merchandising and Planning
		Childrens	Supply Chain
		Beauty	Operations and Finance

* During the year Europe, Middle East, India and Africa ('EMEIA') was formed integrating the former regions of Europe and Rest of World.

CHANNEL MIX

Burberry sells its products to the end consumer through both retail (including digital) and wholesale channels. For 2013/14, retail accounted for 70% of revenue and wholesale 27%. 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 215 mainline stores, 227 concessions within department stores, digital commerce and 55 outlets

- 15% underlying growth
- 12% comparable sales growth
- 25 mainline store openings, including a flagship in Shanghai and the first Burberry Beauty Box in Covent Garden, London

Wholesale
Includes sales to department stores, multi-brand specialty accounts, Travel Retail and franchisees who operate 70 stores, and Beauty to nearly 100 distributors globally

- 32% underlying growth (2% growth excluding first time contribution from Beauty)
- Beauty wholesale revenue of £144m in first year of direct operation
- Net five new franchise stores opened, including stores with new partners in Barbados, Chile and Colombia

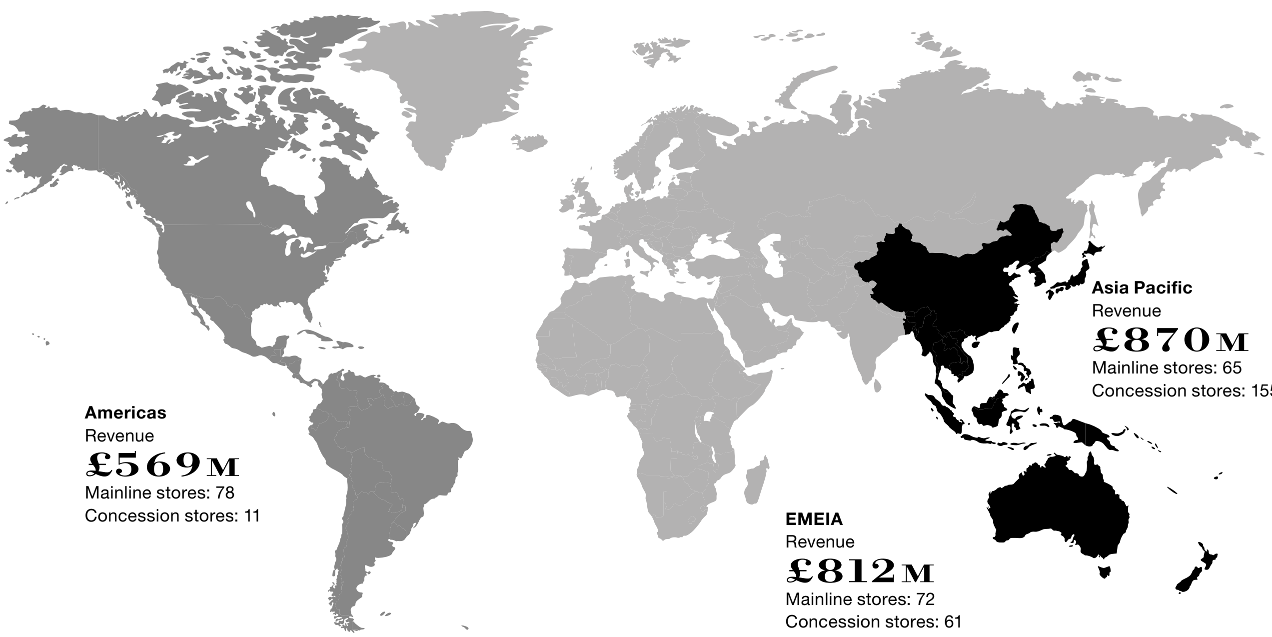
Licensing
Includes income from Burberry's licensees, about 80% from Japan with the balance from global product licences (eyewear and watches) and the European wholesale childrens licence

- 23% underlying decline (2% growth excluding the fragrance licence income in 2012/13)
- Royalty income from Japan broadly unchanged at constant exchange rates
- Global product licences delivered double-digit percentage growth (watches and eyewear)

REGIONAL MIX

Burberry operates in three regions. For 2013/14, Asia Pacific represented 39% of retail/wholesale revenue, Europe, Middle East, India and Africa (EMEIA) 36% and Americas 25%.

Retail/wholesale revenue by destination
Underlying is calculated at constant exchange rates and includes first-time contribution of Beauty wholesale revenue, predominantly in EMEIA and Americas



Americas
- 24% underlying growth
- Retail accounted for about 60% of revenue
- High single-digit comparable sales growth
- Digital penetration in the United States more than twice the Group average

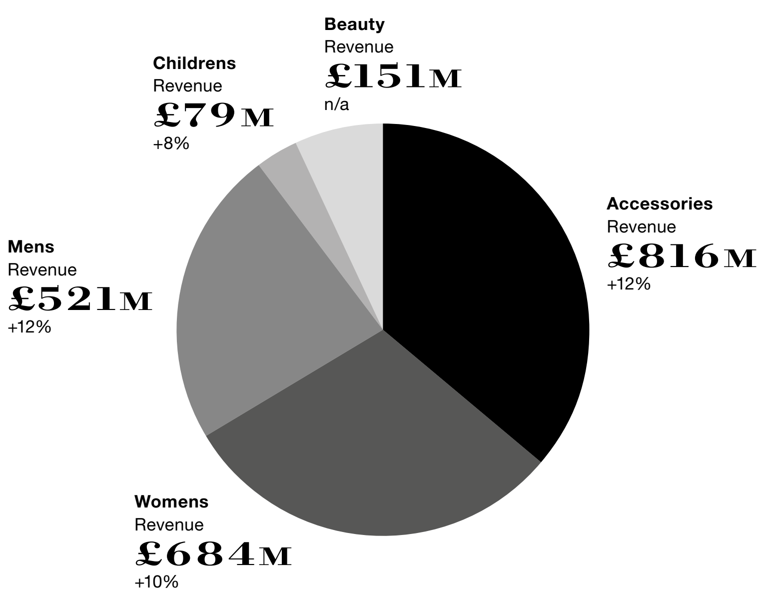
EMEIA
- 17% underlying growth
- Retail accounted for about 65% of revenue
- High single-digit comparable sales growth
- About 40% of mainline transactions to travelling luxury customers

Asia Pacific
- 18% underlying growth
- Retail accounted for about 85% of revenue
- Double-digit comparable sales growth led by Greater China, especially Hong Kong
- Travel Retail, which makes up the majority of wholesale in the region, performed well

PRODUCT MIX

Burberry has a diversified product offering across apparel, accessories and Beauty and by gender. For 2013/14, accessories represented 36% of retail/wholesale revenue, womens 30%, mens 23%, childrens 4% and Beauty 7%.

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



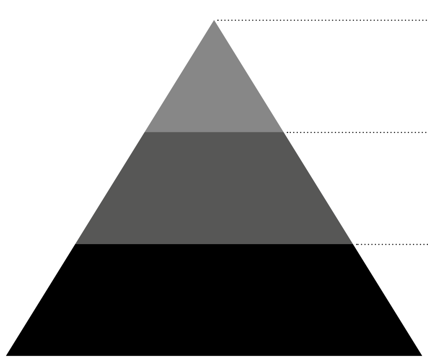
Accessories
- Large leather goods accounted for about half of mainline accessories revenue
- Continued innovation in core leather and check programmes and key iconic shapes
- Mens accessories increased by over 20%, now representing just over 20% of mainline retail accessories revenue

Womens
- Core outerwear was over half of mainline revenue
- Spring/Summer 2014 (S/S14) Prorsum outperformed

Mens
- Outerwear about 40% of mainline revenue
- Launch of Travel Tailoring drove about 40% growth year-on-year in this category

Childrens
- Outerwear about 35% of mainline revenue
- Prorsum-inspired collections strong

Beauty
- First year of direct operation
- Complex and challenging transition period; infrastructure now built
- Successful Brit Rhythm fragrance launches for both men and women



Apparel Pyramid
% of mainline retail apparel revenue

Burberry Prorsum – 5%
The most fashion forward collection centred around runway shows, providing the design inspiration for the brand

Burberry London – 45%
The tailored collection, typically what a customer wears on weekdays for work

Burberry Brit – 50%
The most casual collection, typically worn on the weekend

MARKET OVERVIEW

Macroeconomic environment

In 2013 the global economy continued its recovery growing at 3%, in line with 2012. While the beginning of the year saw continued uncertainty in the Eurozone and concerns around China's economic growth prospects, in aggregate macroeconomic indicators accelerated throughout the year. In Europe recovery continued to be slow, with European Union GDP growth flat. Despite ongoing government austerity measures, there were positive signs in the region, as periphery countries' key macroeconomic indicators showed improvement. In the USA, quarterly GDP growth accelerated throughout the year to an annual growth rate of 1.9%. More importantly for the luxury retail sector, this was accompanied by a continued increase in personal consumption.

Improving sentiment in developed economies was partially offset by a slowdown in emerging markets. China GDP grew by 7.7%, in line with 2012, and accounted for half of global growth. Performance in other key developing luxury markets was mixed with Russia and the Middle East slowing during the year, while the Brazilian economy accelerated slightly to 2.3%.

Luxury sector*

Against this global backdrop, analysts estimate that luxury sector growth slowed to 2% in 2013, following three years of reported double-digit growth. However, excluding currency effects, the sector grew at closer to 6% in line with 2012.

In mainland China, now the world's fourth largest luxury market, sales growth slowed to 4% at constant foreign exchange rates, driven by new government policies on gift giving and Chinese customers increasingly shifting their luxury shopping abroad. This travelling luxury consumer outflow helped drive luxury sales in the rest of Asia and Europe.

In many South-East Asian markets, the impact of this travelling consumer growth was further enhanced by increasing domestic consumption, particularly in the fast-growing economies of Malaysia, Thailand and Indonesia.

Europe also benefited from the growth of luxury tourism, particularly from emerging markets, while local consumption remained volatile for the sector. The travelling luxury consumer is estimated to account for over half the luxury sales in major markets in the region.

In the Americas, luxury sector growth accelerated in real terms as consumer confidence in the wider economy improved, surpassing Asia as the fastest-growing region. Although it remains a predominantly local market, luxury tourism, particularly from China, is becoming increasingly relevant in the Americas region.

Globally, digital commerce continued to gain importance, with the USA leading the way. This channel has grown tenfold since 2003 and now accounts for around 5% of the global luxury goods market. It is believed that the increasing use of digital platforms for browsing and shopping partially explains the decreasing store traffic across the luxury sector.

When looking at demand across key product categories in the luxury sector, accessories continued to outperform, with men's accessories growing at a double-digit percentage rate. Within ready-to-wear, mens continued to grow ahead of womens. Beauty sector growth slowed to 2% during 2013 from 4% in 2012, with deceleration in both the cosmetic and fragrance markets, especially in Europe.

Outlook

Industry analysts expect the luxury sector to grow mid-single digits in the medium term at constant foreign exchange rates, as the anticipated wider global economic recovery continues. These growth forecasts are supported by long-term demographic trends, particularly the expansion of the consuming classes in emerging markets, increasing urbanisation and the growth of global travel.

* Bain & Company and Fondazione Altagamma 2013 Luxury Goods Worldwide Market Report (October 2013).

STRATEGIC THEMES

Over the last eight years, Burberry has consistently focused on delivering against its five strategic themes, which have sustained its growth during the period. These strategic themes are: Leverage the Franchise; Intensify Accessories; Accelerate Retail-Led Growth; Invest in Under-Penetrated Markets; and Pursue Operational Excellence. The following pages set out the Company's key activities and initiatives during the year in the execution of these strategies.

LEVERAGE THE FRANCHISE

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

Burberry continued to strengthen and extend the brand through product and marketing excellence. The Company advanced its menswear offering and newly integrated fragrance and beauty operations. The strength of the Burberry brand contributed to the 17% revenue growth.

Key 2013/14 highlights include:

Product excellence
As a global luxury brand, product excellence – craftsmanship, innovation, design – remains central to the business.

Outerwear
- Accounting for approximately half of Burberry's mainline apparel sales, outerwear is at the core of Burberry's business. The brand's oldest product was among the fastest-growing categories in the year.

Menswear
- Menswear, among the fastest-growing product categories in the luxury sector, remained a key focus area for the Group, accounting for over 20% of retail and wholesale revenue.
  - Burberry continued to optimise men's assortments through product elevation – increased fabrics quality and detailing – sub-categories expansion and improved product flow.
  - In tailoring, to better meet the lifestyle needs of Burberry's core luxury customer, travel tailoring was introduced. This new collection uses innovative natural memory fabrics to better maintain the suit structure against the demands of travel. Retail sales of men's tailoring grew by about 40%.
  - Reasserting its British roots, Burberry's S/S14 Mens Show returned to London after over ten years in Milan.
  - Accounting for over 20% of retail and wholesale revenue, menswear was the fastest-growing product division in the year.

Beauty
- Burberry's decision to integrate Beauty – the most widely encountered expression of the brand – in October 2012 led to direct operation commencing April 2013. Following a complex and challenging transition, Beauty is now the Group's fifth product division. Through the integration of luxury and fashion with beauty, Burberry seeks a clear point of differentiation in the category.
- Brit Rhythm for Men, the first fragrance following integration was introduced in September. The digitally led launch, was accompanied by a Brit Rhythm inspired ready-to-wear collection.
- Beauty played an integral part of the womenswear fashion shows, with full runway exposure, next season's nail collections immediately available for order and personalised greetings from a backstage Beauty Booth linked to Twitter followers globally.
- The Group opened the first Burberry Beauty Box in London's Covent Garden in December. This original concept allows customers to explore the connections between make-up, fragrance and luxury accessories in a dedicated retail space.
- The female counterpart to the Brit Rhythm for Men, the Brit Rhythm for Women fragrance, was launched in January 2014.

Global brand engagement
Burberry seeks to extend the brand's reach and engagement through marketing excellence and innovation.

Social media
- 2013/14 saw new partnerships and strategies in the social media sphere.
- In collaboration with Google, Burberry launched 'Burberry Kisses', an internet-based platform enabling users to capture and send virtual kisses. In a digital first, through contact with a touch screen or desktop camera, participants captured their 'kiss' in Burberry Beauty lip colour, recorded a personalised message and sent their 'kiss' via email.

- As part of the highly anticipated iPhone 5s launch, Apple teamed with Burberry on the womenswear S/S14 show, capturing runway imagery through the camera feature of the device, prior to its release. Images were posted dynamically live to 13 outdoor screens across London, New York and Hong Kong. This collaboration achieved record levels of social media engagement.
- Burberry announced an innovative partnership with the mobile messaging platform WeChat at the Burberry Prorsum Womenswear Autumn/Winter 2014 (A/W14) Show. WeChat facilitated the delivery of Burberry's most personalised show experience, and in addition, the A/W14 show generated the most social media buzz in Burberry brand history, measured across all social platforms.
- Art of the Trench, launched in 2009, continued to be an important social platform to celebrate the iconic trench coat. Since inception, Art of the Trench has recorded almost 24 million page views from over 200 countries. In 2013/14, the platform was integral to key brand events in Shanghai and Paris.
- Burberry again finished the year as the most followed luxury brand on Facebook with over 17 million fans. Its Twitter following grew to nearly three million and Instagram to almost 1.4 million.

<u>Marketing innovation</u>

- In creating more holistic experiences to better connect consumers with the brand, our teams compose Burberry stories to be expressed across consumer touchpoints – product, events, traditional and social media and PR – in a range of conceptual variation. The 'Burberry Love' theme, which developed throughout the year, provides a good illustration.
  - The story began early in 2013 with the mens and womenswear A/W13 fashion shows in which heart-patterned prints and the Crush handbag were featured on the runways.
  - The women's show included a live performance of 'Hold Me' by Tom Odell, an artist featured on the Burberry Acoustic website.
  - Burberry Kisses then launched in June.
  - The A/W13 ad campaign was centred around intimate portraits of real-life couple Sienna Miller and Tom Sturridge.
  - The initiative concluded with the festive period 'With Love' message and product offering.
  - Such themes integrate the commercial and artistic dimensions of the Burberry brand.
- Runway Made to Order, Burberry's online platform allowing customers worldwide to be the first to own pieces from next season's collection, further evolved with 'smart personalisation' for ready-to-wear and accessories.
- Key partnerships also strengthened the brand's presence in flagship markets. As part of iconic Parisian Printemps department store's 'London Mania' campaign, Burberry led the celebration with entertaining installations across the store – window animations, a pop-up store, a Paris Art of the Trench initiative and a limited edition collection.

Transforming Japan

- Burberry strengthened its presence in this important luxury market through the continued roll-out of the global collection and the Roppongi store opening. This is an important step in aligning the local brand perception with the global positioning and away from its premium status under the current licensees. Burberry has four stores and ten concessions in Japan selling the global collection, which, combined with a small wholesale business, generated revenue of about £25m and was break even.

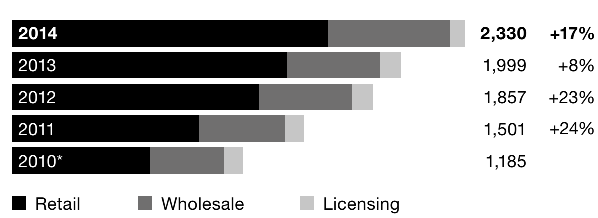
External recognition

Burberry was also recognised externally during the year.

- Listed in Interbrand 'Top 100 Global Brands' for the fifth consecutive year.
- Recognised by Fast Company as the seventh most innovative brand in retail.
- Led media think tank L2's 'Fashion Digital IQ index' for the third consecutive year.
- Awarded 'Best Brand' and Christopher Bailey named 'Menswear Designer of the Year' at the British Fashion Awards.

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.

£2,330M +17%



Growth rate is year-on-year underlying change i.e. at constant exchange rates.
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.

In 2013/14, accessories remained Burberry's largest product division accounting for 36% of retail/wholesale revenue, delivering revenue growth of 12%.

Key developments in 2013/14 include:

Large leather goods

- Large leather goods remained at the core of Burberry's accessories business, accounting for around half of all mainline accessories revenue. Growth was driven by strategically focusing on key iconic product shapes and solid leather styles and collections.
- The Orchard bag, originally launched at the womenswear A/W12 runway show, and introduced as a replenishment style last year, continued to be one of the best-selling bags of the year. The Crush, which was launched in the A/W13 collection, was a key focus of the Festive Campaign.

Mens accessories

- Mens accessories continued to be one of Burberry's fastest-growing product categories, benefiting from investment in product design and merchandising. Sales in the category grew by over 20% and accounted for just over 20% of total mainline accessories revenue. Growth in this category was consistently strong across regions and on burberry.com.

Soft accessories

- Soft accessories such as scarves, hats and gloves, continued to be one of Burberry's fastest-growing accessories categories, supported by seasonless product strategy and year-round gifting initiatives. Iconic cashmere mufflers made in Scotland continued to be a key growth driver in this category.

Watches

- Building on the successful launch of the men's Britain watch last year, Burberry introduced the women's Britain watch and a series of limited edition collections including the Britain's first automatic chronograph movement for men and Runway Made to Order at the Mens S/S14 show.

Eyewear

- Burberry continued to integrate eyewear in company initiatives with a focus on expanding distribution and visibility of this key fashion entry point to the brand. Burberry introduced the Spark collection, which was supported by music-based marketing campaigns featuring British bands.

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 and shoes.

£816M +12%

2014	**816**	**+12%**
2013	729	+8%
2012	689	+22%
2011	563	+32%
2010*	417	

Revenue is retail/wholesale only. Growth rate is year-on-year underlying change i.e. at constant exchange rates.
2010* has been re-presented to exclude the discontinued Spanish operations. 2013 has been re-presented to exclude Beauty revenue. 2010 to 2012 include Beauty revenue.

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.

In 2013/14, retail revenue grew 15% and accounted for 70% of total revenues. Comparable sales for the year were up 12%.

Key developments in 2013/14 include:

Blurring of the physical and digital sales channels

- As luxury consumers become increasingly mobile and global, Burberry's digital and physical store innovations worked together to create a seamless customer experience online and offline.
- Burberry equipped all sales associates with access to iPads in store. These can be used to access burberry.com, allowing customers in physical stores to explore the full Burberry offering.
- The continued roll-out of the collect-in-store service allowed customers to purchase online and collect their orders in selected stores as early as the following day. Collect-in-store is now available in about 120 stores worldwide.
- Online traffic and sales conversions continued to grow during the year reflecting Burberry's digital investment, with burberry.com receiving 70 million site visits.

Customer focus

- In an increasingly complex luxury environment, Burberry continued to invest in global customer analytics and insight capabilities to better understand changing consumer trends and to inform the execution of its strategies.
- There was continued ongoing investment in the Burberry Private Clients team expanding its consultant base and elevating the customer value proposition through unique experiences at London fashion shows and Art of the Trench events worldwide.
- Burberry rolled out the Customer 1-2-1 platform to all mainline stores globally. The customer permission-based iPad application tool allows sales associates to create and view customer profiles in one place, including a visual wardrobe, global transaction history online and offline, and recorded product and fit preferences.

Driving productivity

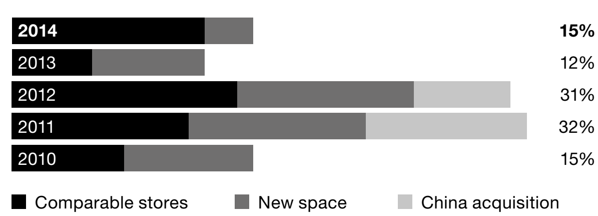
- Burberry continued to build on various initiatives to drive productivity online and offline including sales associate and store manager training, expanded Burberry Private Clients presence, improved merchandising and optimised assortments. This helped to drive comparable sales growth of 12%.

Store investment

- 25 mainline stores were opened, including Shanghai, Tokyo, Mexico City and New Delhi. Major renovations included Coral Gables (Miami), Manhasset (New York) and Marina Bay Sands (Singapore).

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.

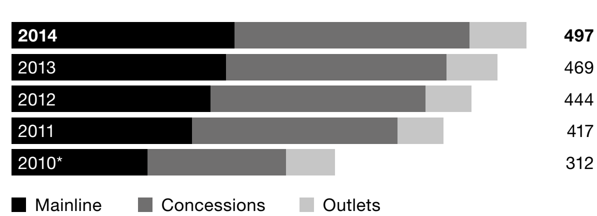
£1,623M +15%



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 (Year to 31 March)
Measures the reach of Burberry directly operated stores around the world.

497 +28 STORES



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 arrangements are used to address these opportunities.

In 2013/14, Burberry opened a net 20 stores in emerging markets, bringing the total number to 193.

Key developments in 2013/14 include:

Engaging the Chinese luxury consumer globally
- The importance of the Chinese consumer to the global luxury sector continued to increase, accounting for 25% of global luxury spend in 2013, up from 23% in 2012. Burberry focused on engaging this consumer both when shopping in China and while travelling abroad.
- Chinese consumers continued to respond strongly to the brand; Burberry was named L2 think tank's brand with the highest 'digital IQ' in China and by Sina Weibo as its most influential brand account.
- Key brand events in 2013 included the opening of the L'Avenue and K11 stores in Shanghai, which were accompanied by the Shanghai Art of the Trench exhibition.
- To coincide with the key festivals of Lunar New Year and Golden Week, Burberry launched festive campaigns, including bespoke product assortments focused on gifting, in stores in China, key tourist destinations and on burberry.com.
- Using insights gained from customer research teams, Burberry optimised assortments and merchandising in flagship markets worldwide, to better service the Chinese consumer.
- Burberry continued to invest online and offline to ensure the best service to the Chinese customer at home and abroad. Burberry expanded the Private Clients team in China, continued to integrate Mandarin-speaking sales associates into teams across top tourist destinations outside Asia, and launched a customer service account on Sina Weibo and WeChat.

Focusing on travel retail
- With the increasing importance of the travelling luxury consumer, Burberry increased marketing investment in key transport hubs and global tourist destinations.
- Burberry expanded travel retail assortments with a focus on accessories and developed new store concepts for stores in this channel.
- Burberry won tenders to convert airport wholesale accounts into retail in Hong Kong and Milan and to open new stores in Rome and Madrid airports.

Developing emerging markets
- In November, three stores previously operated by a franchisee were acquired in Thailand, one of the high-potential luxury markets and a key tourist destination.
- Burberry expanded the brand's footprint in emerging markets with the opening of five new franchise stores in Turkey, Mongolia, Egypt and the brand's first store in Lithuania.
- Burberry continued to build its presence in Brazil which remains a challenging market.

Elevating wholesale presence
- In the Americas, Burberry continued to further align the brand's wholesale presence with its global positioning. In 2013/14, all Holt Renfrew stores in Canada were converted to retail shop-in-shops.

KPI: Number of stores in emerging markets (At 31 March)
Measures the reach of the Burberry brand in these high potential countries.

193 +20 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.


BURBERRY
PRORSUM
MADE FOR
ELIZABETH THOMAS

PURSUE OPERATIONAL EXCELLENCE

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

In 2013/14 the adjusted retail/wholesale operating margin declined 30 bps to 17.5% reflecting the integration of Beauty. Excluding the dilutive impact of Beauty, the adjusted operating margin would have increased by 40 bps to 18.2%.

Key developments in 2013/14 include:

Supply chain
- The Beauty supply chain infrastructure was developed to support the recently integrated Beauty business, adding resources across sourcing, logistics and distribution.
- Burberry combined digital inventory pools with retail stock in the Americas to optimise inventory management and increase stock availability to customers.
- In the Americas, Burberry moved its digital commerce operations in-house, with all online customer orders fulfilled by the distribution centre in New Jersey.

Technology
- Burberry continued to invest in technology to enable the front and back-end applications needed to support the Group's digital strategy and growth ambitions. These included the development of the Customer 1-2-1 platform and the infrastructure to support Beauty and Burberry Kisses.
- Burberry World was rolled out in December to supply chain partners, fully integrating the back-end operations, providing access to front-end brand information through a single portal, streamlining processes and enhancing information flows.

Planning
- Burberry continued to implement the global brand assortment, to offer a consistent product range across the Group's online and offline retail channels. This global assortment delivers brand consistency and operating efficiencies while allowing for regional product nuances.
- Inventory management continued to improve, supported by further assortment optimisation, consolidation of stock locations and embedded global processes.
- Continued investment in the Business Intelligence insights enabling Burberry to leverage SAP in order to generate enhanced, globally consistent performance reporting.

Process investments
- Increased focus on the commercial procurement process drove further efficiencies and cost savings.
- In March 2014, Burberry expanded into the Horseferry House Two building, which is adjacent to the current global headquarters. The 291,000 sq.ft. site will bring all London based employees into the expanded location and allow room for future growth.

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

70.2% -40 BPS

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.

17.5% -30 BPS

Adjusted operating profit margin is stated before adjusting items.
2010* has been re-presented to exclude the discontinued Spanish operations.

GREAT BRAND, GREAT COMPANY

Burberry's culture underpins the brand and business internally and externally. Through Burberry Beyond, Burberry is committed to inspiring sustainable action, 'Burberry Impact', supporting employee volunteering programmes, 'Burberry Engage', and inspiring the next generation of creative thinkers, 'Burberry Invest'. The following pages set out information on Our People and Burberry Beyond.

OUR PEOPLE

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

People
The Burberry ethos is to establish its business as a vibrant global community made up of diverse individuals, from varied backgrounds, who are connected through shared values and purpose. Burberry has maintained its commitment to supporting diversity and equal opportunities in its recruitment, talent development and reward structures. With over 10,000 employees operating in 34 countries, Burberry's employees derive from over 100 different nationalities and have an age span of between 17 and 77 years.

Burberry strives to ensure that its processes for hiring, developing and promoting its employees are fair and that women have the opportunity to be represented at every level of the organisation. As at 31 March 2014, of a global employee population of 10,604, 68% (7,253) were female and 32% (3,351) were male, with women occupying 49 (38%) of the 128 senior management roles. Please see page 79 for information on the diversity of the Burberry Board. Women are consistently well represented in Burberry's talent development programmes, with 70% of participants selected for the 2014 Leadership Council being female. This diversity continues to enrich and strengthen Burberry's culture, helping to drive its success as a luxury brand.

Recruit
Burberry's increased social media exposure helped to increase the total annual applications to over 160,000, a 7% uplift on the previous year. A 132% year-on-year increase in Burberry followers on LinkedIn led to approximately 22,000 applications being made via the platform, comprising around 14% of overall applications received by the Company this year. Burberry was ranked 30th globally and 12th in the UK as LinkedIn's Most InDemand Employer.

On the basis that direct recruitment is more effective, including in relation to costs, a new corporate team structure was implemented for resourcing, with a specialist resourcing partner supporting each function in meeting their recruitment needs. During the year this has led to 81% of recruitment being conducted directly and an almost three-fold growth in employee referrals.

An intensified focus on Burberry's recruitment strategy and employer brand supported the launch in March 2014 of a new multilingual careers website, featuring rich brand content and detailed material developed specifically to provide candidates with a stronger sense of the employee experience at Burberry.

Retain
Burberry takes steps to identify and nurture high potential employees. In particular, high potential employees are invited to participate in the Burberry Leadership Council, which provides them with opportunities to evolve their leadership skills through international networking opportunities, global strategy off-sites, mentoring from senior executives and leadership training workshops. In 2013/14, 56 employees took part in the Leadership Council, 55% of whom are based in the regions across both retail and office teams.

Burberry continued to strengthen its retail teams thereby securing a talent pipeline for the future. The Retail Management Programme, which prepares retail associates for a career in store management, was rolled out to associates in the EMEIA region and extended in Asia Pacific to include external graduate recruits. To reflect the critical role of the store manager, a tailored training and development programme focusing on Burberry's vision for luxury service has been rolled out globally to better support store managers and empower them to actively drive the performance of their stores.

The on-boarding programme which inducts new retail associates into the Company was enhanced with the introduction of a new, bespoke Retail Manager on-boarding programme, which includes face-to-face training, in-store placements and e-learning. This programme has been rolled out globally to all regions.

Reward
Burberry continued to strengthen the link between reward and performance across the organisation, with all employees able to participate in a bonus or incentive scheme.

In addition, Burberry's All Employee Freeshare Plan operated across 32 countries enabling all employees to share in the ongoing success of the business and reinforcing the Company's connected culture. In recognition of the positive impact of its global share plans, Burberry won the ifs ProShare 2013 award for 'Best overall performance in fostering employee share ownership (1,001 – 15,000 employees)' and was particularly lauded for its extensive communication and translation of plan information and for providing a high level of accessibility for employees across multiple locations.

Burberry also continued to operate its innovative seasonal programmes, which provide employees with benefits which aid them in their general well-being and enable them to connect and engage with the brand through a shared celebration of key brand moments such as the Prorsum shows, key store openings and other special events.

The Burberry Icon Awards programme, which recognises employees across the regions and corporate who have gone above and beyond their normal responsibilities in their performance and contribution to the Burberry brand, business and culture, reached its seventh anniversary. A new digital nominations platform within Burberry World enhanced employee engagement and increased accessibility of the programme, with a record 15,097 nominations received globally. 99 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 580 employees who reached milestone service anniversaries with Burberry, including seven employees with 30 years' service or more.

Connect

Burberry continued to establish connections between its employees, contractors and partners, leveraging digital technology and, in particular, Burberry World, to enhance training, talent development, collaboration and visibility of information across all its global locations.

Over the year, bi-monthly 'Chat Live' interviews offered employees insights into the varied backgrounds and inspiring paths that have led some of the organisation's key leaders to their current roles, across both retail and corporate, with the discussions being filmed and streamed live to offices and stores globally, providing all employees with the opportunity to take part in a live question and answer session. As part of the Burberry 'Speaker Series', external commercial and philanthropic leaders were also invited to motivate and inspire employees, with their views recorded and shared with all locations through Burberry World.

'Connect', a new section of Burberry World, was launched to provide digital HR tools for employees globally to support international mobility and succession planning, share plans management and resourcing. As part of the initiative an 'Ask HR' service, enabling employee queries to be raised and handled online, was launched in the UK and parts of Europe, with further regions to follow. Connect has been designed to enable employees to manage many aspects of their work and careers at Burberry while offering enhanced visibility and control for the business.

Burberry's global community includes a network of key global partners with whom it collaborates closely. A variety of tailored communications programmes have strengthened partner relationships and further extended the reach of the Burberry brand and culture. Over the course of the year the partner network within Burberry World more than doubled, with over 1,600 individual partners now connected to the Burberry teams through the platform and able to access brand information and news as well as group conversations focused around specific initiatives or business areas.

Human rights statement

Burberry recognises its responsibility to seek to protect human rights wherever it operates. Burberry has conducted a materiality analysis of its operations and activities which has enabled Burberry to identify the principal human rights risks that might arise in the course of its business activities. The Company believes that these risks arise principally in relation to its own workforce, its supply chain and with its customers.

Burberry's Human Rights Policy sets out the procedures which the Company has put in place to protect and uphold human rights in this context, including the mechanisms to redress any instances of potential infringement which may arise in connection with the Company's operations and activities. This policy was developed with reference to the United Nations Guiding Principles on Business and Human Rights. Responsibility for this policy lies with Burberry's Chief Creative and Chief Executive Officer.

Given Burberry's global footprint, the implementation of this policy can be challenging. Burberry has established a strong global team who work to promote human rights and good labour practices in the Burberry workplace as well as in the Company's supply chain. Please see 'Burberry Beyond' on page 47 for more information on this. Additional grievance mechanisms have also been established in areas where local labour laws are weak, absent or poorly enforced.

BURBERRY BEYOND

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

Burberry Impact – Leveraging our creative thinking culture to inspire sustainable action
The Burberry Impact programme, covering ethical trade and environmental sustainability, aims to make meaningful and lasting improvements to workers' employment and workplace conditions as well as to 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 Responsibility Council which is chaired by the Chief Corporate Affairs Officer and includes senior executives representing key business operations.

<u>Ethical Trading</u>
Burberry has a long-established commitment to making meaningful and lasting improvements to workers' employment and workplace conditions. This commitment is underpinned by Burberry's Ethical Trading Policy, which includes the Burberry Code of Conduct and the Human Rights, Migrant Worker and Homeworker Policy (amongst others). This policy is in alignment with the United Nations Universal Declaration of Human Rights, the Fundamental Conventions of the International Labour Organization and the Ethical Trading Initiative^.

The majority of Burberry products are made in Europe, with Italy being the largest individual sourcing country by value and volume, whilst our iconic trench coat continues to be manufactured in the UK and our iconic heritage scarf in Scotland.

Supplier factories, including manufacturing sites, subcontractors and licensees are assessed based on their compliance with the Ethical Trading Policy and relevant labour and environmental laws by the Ethical Trading team prior to commencing production^.

As the supply chain continues to evolve, supporting safe and fair working conditions among its suppliers remains a priority. Burberry continues to provide its suppliers with tools to support compliance with the Ethical Trading Policy and relevant labour laws. These might consist of engagement activities, including announced and unannounced audits, monitoring, continuous improvement programmes, and the confidential worker hotline^.

The Burberry Ethical Trading team is coordinated from London with locally based regional teams in key sourcing locations.

When Burberry identifies that working conditions do not meet its Ethical Trading Code of Conduct, the Company works closely with its suppliers to see that the required improvements are made. If a supplier is not committed to meeting Burberry's expectations and over time has made no significant progress, as a last resort Burberry may take the decision to terminate the business relationship. More details about how Burberry operates day-to-day can be found at burberryplc.com/corporate_responsibility.

Burberry partners closely with its strategic suppliers to enable them to take responsibility for the labour conditions in their own supply chains. Burberry believes that it is important to work with its suppliers in a way which will enable them to support the needs of their own workers. This year, Burberry continued to provide a confidential and free non-governmental organisation (NGO) run hotline to factories with which Burberry has an ongoing business relationship. Burberry provides this service even in cases where Burberry only represents a very small percentage of a factory's overall production. In total, the hotline was accessible to 20,000^ workers in 61^ factories. An independent review by the Economic Rights Institute is currently under way to determine ways to further improve this service for existing workers and to increase grievance system access for additional workers.

Women continue to represent a significant proportion of the workforce in Burberry's supply chain. This year Burberry continued to support the Business for Social Responsibility HERproject, that provides basic health education to female workers, helping to improve their health and build their confidence and participation in the workplace.

KPI: Number of audits, supplier visits, training sessions, improvement programmes and hotline training visits

855^ +2%

Across the supply chain, Burberry endeavours to contribute to sustainable change by collaborating with its peers in the luxury goods industry as well as with other stakeholders including Business for Social Responsibility and the UN Global Compact, as well as through its membership of the tripartite Ethical Trading Initiative and Sustainable Apparel Coalition.

Environmental sustainability

Burberry is committed to addressing the global challenge posed by climate change and is seeking to reduce greenhouse gas emissions throughout its value chain. In 2012 Burberry conducted an independent assessment of its environmental impact which measured the CO_2e impacts arising from materials, energy, water, chemical inputs and waste, across all areas of Burberry's business and its supply chain. This enabled the identification of risks and priority areas for the business to focus reduction efforts at a regional, functional and raw material level. Leveraging the results of this 2012 assessment, a set of five-year targets were developed which are aligned to the Company's business model and its pursuit of operational excellence. Progress made to date against these targets is detailed below.

	2017 targets	Progress
Product As a design-led luxury brand, Burberry continues to invest in the design and quality of its products. As part of this investment, Burberry is committed to reducing the impact of its products on the environment. ▸ Go to burberryplc.com for more information on product targets	Raw materials^ Reduce the environmental impact of Burberry's three key raw materials namely, cotton, leather and PVC.	Good progress
	Chemical use in manufacturing Eliminate usage of those chemicals that have a negative impact on the environment beyond legal limits.	Just starting
	Packaging^ 100% of point-of-sale packaging will be sustainably sourced (where alternatives are available).	Good progress
Process Burberry continues to pursue its aim of being recognised for its operational excellence. An important part of this is Burberry's commitment to integrating sustainability considerations as part of its business operations including in relation to its suppliers. ▸ Go to burberryplc.com for more information on process targets	Internal manufacture^ Reduce the energy use from Burberry's two UK manufacturing sites by 25%*.	Just starting
	Suppliers Work with key suppliers to assist them in reducing their energy use by up to 20%.	Just starting
	Mills Work with key mills to assist them to reduce their water consumption by up to 20%.	Just starting
	Transport Reduce carbon emissions from the transport of Burberry products by 10%.	Just starting
	Distribution centres^ Reduce energy use in Burberry's five third-party distribution centres by 10%*.	Just starting
Property Burberry continues to leverage the sustainability expertise of its construction team to adopt more sustainable practices and improve energy efficiency in both existing and new builds. Although Burberry continues to expand its global footprint by opening stores in existing and new markets reflecting the growth of the business, Burberry remains committed to minimising the environmental impact of this expansion. ▸ Go to burberryplc.com for more information on property targets	Energy use reduction^ Reduce Burberry controlled store and office energy usage by up to 15%.	Just starting
	Sustainable consumables 60% of office products to be sustainably sourced (where available).	Not started
	Renewable energy All Burberry controlled stores and offices to be powered either by on-site or green tariff renewable energy (where tariffs are available).	Just starting
	Build certifications^ All new builds being sustainable-build certified.	Good progress
	Sustainable construction materials 30% of wood and steel by spend to be sourced from either recycled materials or from certified supply chains.	Not started
	Construction waste recycling 30% of construction waste to be recycled for global major projects.	Just starting
	LED lighting^ 75% of lighting per store which is LED or energy efficient in new concept stores.	Good progress

* When normalised by a relevant productivity factor.

Key
○ Good progress ◍ Just starting ● Not started

Cotton and leather account for around 50% of Burberry's environmental impacts from unprocessed and finished materials. The examples below illustrate Burberry's progress towards meeting its targets.

Cotton

Burberry has a 30-year relationship with a yarn supplier in Peru that spins the cotton used to make the iconic Burberry trench coat. In partnership with the supplier and CottonConnect, an organisation specialising in promoting sustainable cotton farming, Burberry has conducted research and subsequently introduced a farmer training programme which aims, over the next three years, to educate these Peruvian farmers and encourage them to adopt practices which would reduce the environmental impact of their cotton production^. This includes reducing the use of pesticides, fertiliser and water, as well as water stewardship.

Leather

Burberry remains committed to increasing the proportion of leather within its accessories supply chain that originates from tanneries that have Leather Working Group Certification. Currently 70% (sq.m) of leather used in our accessories is sourced from tanneries which have this certification^. Through the detailed assessment process, Burberry has been able to work with these tanners to help them improve efficiency of chemical and water use in their processes as well as to validate that their waste water treatment processes are effective^.

Beyond the tanneries, work has continued to develop traceability systems of exotic skins. This work is being pursued with key stakeholders including luxury peers, NGOs and intergovernmental organisations to ensure compliance with our animal welfare standards and sustainability.

Global Greenhouse Gas emissions data

(Year to 31 March)^

	Kg of CO_2e		
	Current reporting year FY14	Comparison year FY13	Comparison year FY12
Emissions from:			
Combustion of fuel and operation of facilities (Scope 1)	**1,761,321**	1,371,486	1,759,977
Electricity, heat, steam and cooling purchased for own use (Scope 2)	**40,059,839**	35,577,354	30,819,504
Total emissions (Scope 1 & 2)	**41,821,160**	36,948,840	32,579,481
Intensity measurement (Kg CO_2e per £1,000 sales revenue)	**18.0**	18.5	17.5

Note:
Burberry applies an operational control approach to defining its organisational boundaries. Data is reported for sites where it is considered that Burberry has the ability to influence energy management. Data is not reported for sites where Burberry has a physical presence, but does not influence the energy management for those sites, such as a concession within a department store. Overall, the emissions inventory reported equates to 91% of our sq.ft (gross internal space). We use the Greenhouse Gas Protocol to estimate emissions and apply conversion factors from DEFRA and IEA guidance. All material sources of emissions are reported. Refrigerant gases and fuels consumed in Company vehicles were deemed not material and are not reported. Further detail is within our basis of reporting at burberryplc.com

Burberry Engage – Harnessing the passions and talents of Burberry employees through volunteering programmes

Burberry is committed to driving positive social, cultural and environmental impacts globally, by engaging its employees, leveraging their core business skills together with their individual talents and experience, and empowering them to make a real difference in the communities where they live and work.

Burberry continued to encourage its employees to dedicate their time, skills and passions during working hours to impactful volunteering programmes aimed at improving the lives of young people in their local communities. Opportunities for such engagement ranged from 18 month one-to-one mentoring experiences, to one-off career exploration events held in Burberry stores and offices around the globe.

Biannual seasonal initiatives, held in the summer and winter, offered additional engagement opportunities, such as charity gift drives, community revitalisation projects and special event engagement. For example, from November to January, employees helped to brighten the holidays of over 3,000 disadvantaged young people via gift drives, holiday themed volunteering and inspirational outings.

In addition to benefiting young people, Burberry believes that volunteering helps to facilitate the development of employee relationships, enhances key workplace skills and contributes to personal fulfilment. In 2013/14, 2,400^ employees in 68^ cities dedicated over 8,000^ hours to supporting and inspiring young people in their local communities.

KPI: Volunteering hours
Hours volunteered by Burberry employees

8,000^

2014	**8,000^**
2013	8,000
2012	5,500

Burberry Invest – Supporting and inspiring the next generation of creative thinkers
Burberry supports innovative organisations and programmes in its communities worldwide, combining employees' dedication, knowledge and creativity with corporate financial support and in-kind donations.

Burberry continued to donate 1% of Group profit before tax to charitable causes^, with the majority focused on the Burberry Foundation, an independent charity that aims to help young people realise their dreams and potential through the power of their creativity (UK registered charity number 1154468). Today, the Foundation is active in 14 cities around the world.

In addition to direct funding of innovative youth charities, the Foundation continued to strengthen and expand Burberry Create, its bespoke creative training and employability programme. The programme is designed to leverage the full range of Burberry's competence to develop young people's creative thinking and problem-solving skills through practical work experience, access to today's technology, business challenges and mentoring. This year, partnerships with ARK Schools in London, HIVE Chicago Learning Network and Junior Achievement China enabled the Foundation to pilot new delivery methods with an eye for scale and even greater impact. Since launching in May 2012, the programme has enriched the lives of over 300 young people in London, New York, Hong Kong, Shanghai, Beijing and Chengdu.

The Foundation continued its Christmas coat donation programme, benefiting over 900 disadvantaged young people in London, New York and Hong Kong and bringing total coat donations since its launch in 2008 to 11,000.

This year, the Foundation focused more specifically on job seekers for this initiative. Other in-kind donations included non-trademark fabric and materials to assist young people enrolled in art and design courses.

In response to the devastation caused by Typhoon Haiyan in November 2013, Burberry and its employees together donated £300,000 to UNICEF and other disaster relief organisations to help rebuild the lives of the children and families impacted.

KPI: Community donations £
Direct contributions made by Burberry

£4.6M^ +7%

2014	**4.6^**
2013	4.3
2012	3.7

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 Responsibility Council and sits on the Supply Chain Impact 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 triannually 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 Chief Corporate Affairs Officer.

External assurance and performance indicators
Burberry appointed Ernst & Young LLP to provide limited external assurance over selected statements and 2013/14 performance data. The statements and data that formed part of the review are denoted with a ^. See the full independent assurance statement and the basis of reporting at burberryplc.com.

PERFORMANCE

The following pages set out the highlights of the Group financial performance during the year to 31 March 2014 and the outlook for the coming financial year. The principal risks facing the Group during the year, including the nature and extent of these risks, are also set out in this section.

GROUP FINANCIAL HIGHLIGHTS

Revenue
(2013: £1,999m)

£2,330M +17%

Retail revenue
(2013: £1,417m)

£1,623M +15%

Adjusted profit before tax
(2013: £428m)

£461M +8%

Year end net cash
(2013: £297m)

£403M

Adjusted diluted earnings per share
(2013: 70.0p)

75.4P +8%

Full year dividend per share
(2013: 29.0p)

32.0P +10%

	Year to 31 March		% change	
£ million	**2014**	2013	reported FX	underlying
Revenue	**2,329.8**	1,998.7	17	17
Cost of sales	**(671.3)**	(556.7)	(21)	
Gross margin	**1,658.5**	1,442.0	15	
Operating expenses*	**(1,198.2)**	(1,013.9)	(18)	
Adjusted operating profit	**460.3**	428.1	8	8
Net finance credit/(charge)*	**0.7**	(0.3)	–	
Adjusted profit before taxation	**461.0**	427.8	8	
Adjusting items	**(16.6)**	(77.1)		
Profit before taxation	**444.4**	350.7	27	
Taxation	**(112.1)**	(91.5)		
Non-controlling interest	**(9.8)**	(4.9)		
Attributable profit	**322.5**	254.3		
Adjusted EPS (pence)~	**75.4**	70.0	8	
EPS (pence)~	**72.1**	57.0	26	
Weighted average number of ordinary shares (millions)~	**447.3**	446.5		

Adjusted measures exclude adjusting items
* Excludes adjusting items, which are:
  – A charge of £14.9m in reported operating expenses being the amortisation of the fragrance and beauty licence intangible asset (2013: nil)
  – A put option liability finance charge of £1.7m in the reported net finance charge relating to the third party 15% economic interest in the Chinese business (2013: credit of £5.2m)
  – A charge of £82.9m in 2013 in reported operating expenses relating to the termination of the fragrance and beauty licence relationship (2014: nil)
  – A credit of £0.6m in 2013 in reported operating expenses relating to restructuring (2014: nil)

~ EPS is presented on a diluted basis

Revenue analysis

Revenue by channel

	Year to 31 March		% change	
£ million	**2014**	2013	reported FX	underlying
Retail	**1,622.6**	1,416.6	15	15
Wholesale*	**628.0**	472.7	33	32
Licensing#	**79.2**	109.4	(28)	(23)
Revenue	**2,329.8**	1,998.7	17	17

* FY 2014 wholesale revenue includes £144.1m of Beauty sales. Excluding Beauty, wholesale revenue in FY 2014 increased 2% underlying and at reported FX

\# FY 2013 licensing revenue includes £27.1m from the terminated fragrance and beauty licence relationship. Excluding this, licensing revenue in FY 2014 increased 2% underlying (down 4% at reported FX)

Retail

70% of revenue (2013: 71%); with 215 mainline stores, 227 concessions within department stores, digital commerce and 55 outlets.

- Retail sales up 15% underlying and at reported FX
- Comparable sales up 12% (H1: 13%; H2: 12%)
- New space contributed the balance of growth (3%)
- Digital performed strongly

With consumer behaviour rapidly evolving, Burberry focused on improving the customer experience both offline and online, driving 12% comparable sales growth. In-store, footfall remained weak but was offset by improved conversion, reflecting investment particularly in customer service. Online, both traffic and conversion grew, with the integration of digital into the regional infrastructure driving the growth of sales via iPads in-store and collect-in-store.

Mainline retail benefited from balanced growth in average selling prices and volume, the latter reflecting the success of product categories such as small leather goods, scarves, mens accessories and Beauty, which were featured in marketing campaigns around festive periods globally. Outerwear and large leather goods again delivered half of the growth, demonstrating the strength of the brand in these core categories. Mens was the fastest growing category, where Burberry is under-penetrated given its heritage. Investment in design, merchandising and key looks, coupled with product elevation and the launch of travel tailoring drove growth.

Asia Pacific

With retail accounting for about 85% of revenue in the region, comparable sales growth in Asia Pacific was double-digit percentage throughout the year, led by Greater China, especially Hong Kong, following significant investment in real estate made in this flagship market. Mainland China delivered 11% comparable sales growth, management actions drove an improvement in Korea, while the small retail operation in Japan selling the global collection delivered strong revenue growth.

A net six stores and concessions were opened during the year, evolving the store portfolio in China, Korea and Hong Kong in particular.

Europe, Middle East, India and Africa (EMEIA)

In the EMEIA region, which was formed on 1 April 2013 from the integration of Burberry operations in Europe and Rest of World, retail accounted for about 65% of revenue.

Comparable sales growth was high single-digit percentage for the year, slowing slightly in the second half in major markets. For the year, performance was robust in the UK, France and Spain, but weaker in Italy and the United Arab Emirates. With about 40% of mainline transactions in EMEIA to travelling luxury customers, investment in marketing and customer service was concentrated in flagship markets.

A net four stores and concessions were added during the year (15 openings, 11 closures) reflecting relocations in markets including Germany and Saudi Arabia, two more stores in India (bringing the total to nine) and the first Burberry Beauty Box in Covent Garden, London.

Americas

About 60% of Americas revenue came from retail, with high single-digit comparable sales growth during the year. In the United States, domestic customers still account for about 90% of transactions, with digital penetration more than twice the group average.

The number of mainline stores in the Americas was unchanged year-on-year at 78, with three closures of small stores in the United States balanced by one additional store in Brazil (bringing the total to eight) and two openings in Mexico (bringing the total to four).

Wholesale
27% of revenue (2013: 24%); generated from sales of apparel and accessories to department stores, multi-brand specialty accounts, franchise stores and Travel Retail; as well as Beauty to around 100 distributors worldwide.

- Excluding Beauty, wholesale revenue up 2% underlying and at reported FX (H1: down 7% underlying; H2: up 11%)
- Net five new franchise stores globally, bringing total to 70 at 31 March 2014
- Beauty wholesale revenue of £144m in first year of direct operation, in line with guidance
- Wholesale revenue including Beauty up 32% underlying (up 33% at reported FX)

The first half of the year saw wholesale revenue, excluding Beauty, down 7% underlying. This reflected more conservative planning globally by wholesale customers for A/W13 and Burberry's continued strategic rationalisation of wholesale accounts (particularly in Europe) and entry price products (particularly in North America). With strong brand momentum and some rephasing of deliveries into the fourth quarter of FY 2014 from the current first quarter, underlying wholesale revenue in the second half increased by 11%, with Americas and Travel Retail showing double-digit growth and EMEIA up mid single-digit.

The regional comments below all exclude Beauty.

<u>Asia Pacific</u>
Asia Pacific, which is the smallest wholesale region in the Group, is predominantly Travel Retail, with outperformance in Hong Kong and Korea during the year. One store and two concessions previously operated by a franchisee were acquired in Thailand, in line with Burberry's strategy of taking greater control in high potential markets.

<u>Europe, Middle East, India and Africa</u>
EMEIA is the Group's largest wholesale region – at around 45% of wholesale revenue. Further account rationalisation held back growth in Europe, while relationships with key strategic accounts were strengthened. Emerging markets revenue was subdued, reflecting softer consumer demand in larger markets, including Turkey.

<u>Americas</u>
Above average growth was delivered in the United States where Burberry continued to elevate its wholesale presence, both online and by opening more dedicated shop-in-shops in key department stores, while rationalising inappropriate doors and product ranges. Nine Holt Renfrew locations in Canada were converted from wholesale to retail concessions in the last quarter of the year.

<u>Beauty</u>
Following the move to direct operation on 1 April 2013, Beauty wholesale revenue was £144m. In the first half, sales of established fragrances were impacted by many distributors being fully stocked by the previous licensee and by execution and supply chain issues during the complex transitional period.

This revenue shortfall was offset by bringing forward the launch of the Brit Rhythm for Women fragrance into February 2014, building on the success of Brit Rhythm for Men in September 2013. To support the digitally-led launch, Burberry introduced Brit Rhythm inspired apparel, leveraging the halo of the campaign across all product divisions.

Licensing
3% of revenue (2013: 5%); of which about 80% is from Japan (split roughly 85% apparel and 15% from various accessories licences), with the balance from global product licences (eyewear and watches) and European wholesale childrenswear.

- Licensing revenue up 2% underlying (down 4% at reported FX) excluding £27m from fragrance in FY 2013
- In line with full year guidance
- Licensing revenue including fragrance down 23% underlying (down 28% at reported FX)

Royalty income from Japan was £62m, unchanged year-on-year at constant exchange rates. Income from the apparel licence increased slightly, reflecting higher minimum payments, offset by the planned downsizing of the remaining accessories licences in Japan.

Eyewear and watches together delivered double-digit percentage growth. Product launches included the Spark and Trench eyewear collections, while The Britain watch remained the focus for elevating the collection to a more luxury positioning.

Operating profit analysis

Adjusted operating profit

	Year to 31 March		% change	
£ million	**2014**	2013	reported FX	underlying
Retail/wholesale	**393.5**	335.6	17	17
Licensing	**66.8**	92.5	(28)	(23)
Adjusted operating profit	**460.3**	428.1	8	8
Adjusted operating margin	**19.8%**	21.4%		

Adjusted operating profit increased by 8% to £460.3m, including a £2.6m adverse FX impact. Adjusted operating margin fell to 19.8%, reflecting the channel mix shift as Beauty moved from high margin licensing to direct operation.

Adjusted retail/wholesale operating profit

	Year to 31 March		% change
£ million	**2014**	2013	reported FX
Revenue	**2,250.6**	1,889.3	19
Cost of sales	**(671.3)**	(556.7)	(21)
Gross margin	**1,579.3**	1,332.6	19
Gross margin	**70.2%**	70.6%	
Operating expenses	**(1,185.8)**	(997.0)	(19)
Adjusted operating profit	**393.5**	335.6	17
Operating expenses as % of revenue	**52.7%**	52.8%	
Adjusted operating margin	**17.5%**	17.8%	

On 19% revenue growth, retail/wholesale adjusted operating profit increased by 17% to £393.5m, including an FX benefit of £2.1m. The adjusted operating margin was 17.5%, compared to 17.8% last year (or 17.1% excluding the benefit of a lower performance-related pay charge in FY 2013).

On a revenue base of £144.1m, Beauty wholesale in its first year of direct operation contributed incremental retail/wholesale profit of £10.8m, in line with revised guidance. Gross margin was impacted by short-term supply chain issues and operating expenses were higher than planned, reflecting marketing investment behind the earlier launch of the Brit Rhythm for Women fragrance. With the transition year complete and Beauty now operating as the fifth product division, Beauty incremental retail/wholesale profit will not be reported separately going forward.

Excluding Beauty, the adjusted operating margin moved from 17.8% in FY 2013 to 18.2% in FY 2014. The gross margin increased by around 40 basis points, reflecting small gains from net price increases and the channel shift to retail. Operating expenses as a percentage of revenue was flat year-on-year. About half of the increase came from general inflation and new space, with the balance from volume-related costs and increased investment in areas such as marketing, creative media and customer service, which drove the revenue growth. The performance-related pay charge was broadly unchanged in the full year, mainly as company performance did not meet internal targets.

Licensing operating profit

	Year to 31 March		% change
£ million	**2014**	2013	reported FX
Revenue	**79.2**	109.4	(28)
Cost of sales	**–**	–	–
Gross margin	**79.2**	109.4	(28)
Gross margin	**100%**	100%	
Operating expenses	**(12.4)**	(16.9)	27
Operating profit	**66.8**	92.5	(28)
Operating margin	**84.3%**	84.6%	

As previously discussed, licensing revenue declined by 23% on an underlying basis (down 28% at reported FX), largely reflecting the termination of the fragrance and beauty licence relationship. With the direct operation of Beauty, allocated operating expenses year-on-year were reduced. Operating profit of £66.8m was after a negative FX impact of £4.7m, largely reflecting the movement in the effective yen rate from £1:Yen127 in FY 2013 to £1:Yen137 in FY 2014.

Adjusting items

	Year to 31 March	
£ million	**2014**	2013
Amortisation of fragrance and beauty licence intangible	**(14.9)**	–
China put option liability finance (charge)/credit	**(1.7)**	5.2
Termination of licence relationship	**–**	(82.9)
Restructuring credit	**–**	0.6
	(16.6)	(77.1)

The charge of £14.9m relates to the amortisation of the fragrance and beauty licence intangible asset of £70.9m which was recognised in FY 2013. This asset will be amortised on a straight line basis over the period 1 April 2013 to 31 December 2017.

The China put option liability finance charge of £1.7m relates to fair value movements, including the discount unwind, on the put option liability over the non-controlling interest in the acquired Chinese business.

Non-controlling interest

The movement in the profit attributable to the non-controlling interest from £4.9m in FY 2013 to £9.8m in FY 2014 primarily reflects Burberry taking full effective ownership of the retail business in Japan from 29 March 2013. This business was loss-making in FY 2013.

Taxation

The tax rate on adjusted profit in FY 2014 was 24.7% (2013: 25.8%), largely reflecting the lower UK corporation tax rate.

The tax charge of £112.1m (2013: £91.5m) gave an effective tax rate on reported profit of 25.2% (2013: 26.1%). Tax on exceptional items has been recognised as appropriate.

Net cash

Net cash at 31 March 2014 was £403m, an increase of £106m year-on-year. Cash inflow from operations was £536m, a similar level to last year. Capital expenditure was £154m, below guidance reflecting both phasing of new projects and timing on payments of existing projects. Other major outflows were tax of £111m and dividends of £131m.

Inventory at 31 March 2014 was £420m (2013: £351m). Excluding Beauty (£61m), this was an 11% increase year-on-year at constant exchange rates, compared to 15% retail sales growth.

Outlook

<u>Retail</u>: In FY 2015, net new space is expected to contribute low to mid single-digit percentage growth to total retail revenue. Burberry plans to open about 20-25 mainline stores and close between 15-20, with openings biased to flagship markets and travel retail, while further evolving the store portfolio in China and the Middle East in particular.

<u>Wholesale</u>: Excluding Beauty, Burberry expects wholesale revenue at constant exchange rates to be broadly unchanged in the six months to 30 September 2014 (2013: £244m). Excluding rephased deliveries and ongoing strategic initiatives, such as conversion from wholesale to direct control and account rationalisation, revenue growth of around 5% is planned.

For Beauty, the fifth product division, wholesale revenue is expected to grow by about 25% at constant exchange rates in FY 2015.

<u>Retail/wholesale profit</u>: If exchange rates* remain at current levels, the full impact on reported retail/wholesale profit in FY 2015 will be material. As an indication, rebasing FY 2014 retail/wholesale profit for current exchange rates would reduce reported profit by about £40m and adjusted operating margin from 17.5% to around 16.3%.

Burberry increased retail/wholesale operating margin by about 200 basis points over the last three years. Its goal to further improve margin remains unchanged, although this may be impacted in FY 2015 by continued planned investment in areas such as flagship markets, customer service, digital and people in addition to potential FX headwinds.

<u>Licensing</u>: For FY 2015, Burberry expects broadly unchanged revenue at constant exchange rates in both Japan and global product licences, the latter reflecting the rationalisation and elevation of watch distribution.

At current exchange rates*, reported licensing revenue in FY 2015 will be reduced by about £10m given the movement in the sterling/yen rate.

<u>Tax rate</u>: The tax rate on adjusted profit for FY 2015 is currently expected to be about 23%.

* Rates as at 12 May 2014, taking into account the current hedged positions

Capital expenditure: Spend of about £200m is planned in FY 2015, with about three-quarters on retail.

Dividend: It is the Board's intention to move progressively over the next three years to a 50% dividend payout ratio, based on full year adjusted diluted EPS.

Beauty: Looking to FY 2016 and FY 2017, Burberry is targeting mid-teens percentage growth from fragrance, built around key pillars, such as Brit, while developing both traditional and non-traditional distribution channels. These include offline in directly-operated stores and those of key partners; online on burberry.com and with third-party digital players; and in Travel Retail, where Burberry is significantly under-penetrated. Product development continues in make-up, while we continue to evaluate the Burberry Beauty Box concept, both as a retail format and foundation for beauty counters.

Japan: With the Japan licences expiring in June 2015, Burberry has a significant opportunity to build a growing and profitable business in Japan, offering the global collection to the core luxury consumer in the second largest domestic luxury market in the world. Burberry currently has four stores and ten concessions in Japan selling the global collection, which, combined with a small wholesale business, generated revenue of about £25m and was breakeven.

Building on this base, Burberry plans to add free-standing stores and department store concessions, while leveraging owned digital capabilities and those of third parties. Committed store openings include Omotesando and Shinjuku, Tokyo, and Osaka, while planning to add about ten concessions a year in FY 2016 and 2017. By FY 2017, retail revenue of over £100m is targeted with incremental profit of about £25m.

To facilitate the brand transformation, Burberry has agreed with the apparel licensee, Sanyo Shokai, an orderly transition, including exiting the licensed Burberry product from the primary channel by September 2015. In addition, a new three-year licence with the same partner has been signed for the continued use of the Blue and Black Labels in Japan, which have strong appeal to younger consumers in the contemporary apparel market. These labels will have no association with the Burberry brand.

In FY 2016, licensing income will include royalty income of about £18m relating to the existing licences including the orderly transition and exit of local licensed product; and about £5m from the new Blue and Black Label licence including the minimum payment for the first six months from September 2015. In FY 2017, licensing income from the new Blue and Black Label licence is expected to be around £10m including the minimum payment for six months and variable thereafter. The FY 2016 and FY 2017 guidance is all at current exchange rates (as at 12 May 2014).

Store portfolio

	Directly-operated stores				
	Stores	Concessions	Outlets	Total	Franchise stores
At 31 March 2013	206	214	49	469	65
Additions	25	25	9	59	12
Closures	(17)	(14)	(3)	(34)	(4)
Transfers	1	2	–	3	(3)
At 31 March 2014	**215**	**227**	**55**	**497**	**70**

Store portfolio by region

	Directly-operated stores				
At 31 March 2014	Stores	Concessions	Outlets	Total	Franchise stores
Asia Pacific	65	155	12	232	15
EMEIA	72	61	24	157	51
Americas	78	11	19	108	4
Total	**215**	**227**	**55**	**497**	**70**


BURBERRY

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;
- discussion and approval by the Board of the Group's three-year Strategic plan and budget;
- 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. The Strategic Themes are set out on pages 32 to 41. 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 matters.

- The Group has been directly operating its Beauty business since 1 April 2013 and this business has been fully integrated into the Group. Consequently the risks associated with the integration of the Beauty business set out in the last annual report no longer apply.
- The Group's revenues are increasingly dependent on consumers from the Asia region with a significant proportion of the Group's sales to Asian consumers globally. Consequently this risk has been included as a principal risk.
- The Group operates on a global basis and earns revenues, incurs costs and makes investments in a number of currencies. The volatility in exchange rates could have a significant impact on the Groups reported results. Consequently this risk has been included as a principal risk.

The Group's Strategic Report from pages 5 to 63 has been approved by the Board (please see the statement of Directors' Responsibilities on page 110).

Catherine Sukmonowski
Company Secretary
20 May 2014

Risk	Business & Strategic Theme impact	Mitigation
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. ▸ Leverage the franchise ▸ Accelerate retail-led growth ▸ Invest in under-penetrated markets ▸ Pursue operational excellence	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.
Sustained economic slowdown.	The Group's performance remains strong; however, the sustained economic slowdown has or could: (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. ▸ Accelerate retail-led growth ▸ Invest in under-penetrated markets	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.
The Group's revenues are increasingly dependent on consumers from the Asia region.	A significant proportion of the Group's sales are to Asian consumers globally. Consequently any change to consumer tastes or the economic, regulatory, social and/or political environment in Asia could adversely impact Asian consumers' disposable income, confidence and travel which could impact the Group's revenue and profits. ▸ Leverage the franchise ▸ Accelerate retail-led growth ▸ Invest in under-penetrated markets	The global reach of the Group helps to mitigate reliance on particular consumers. In addition, the Group continues to focus on engaging with the Chinese luxury consumer, both in China and while travelling abroad, including: by optimising product assortments and merchandising; and investing in digital and in-store services such as Mandarin-speaking sales associates across top tourist destinations outside China. The Group is preparing plans for the transition of its global business in Japan following the expiration of its licence with Sanyo Shokai and Mitsui & Company.
Volatility in foreign exchange rates could have a significant impact on the Group's reported results.	The Group operates on a global basis and earns revenues, incurs costs and makes investments in a number of currencies. The Group's financial results are reported in Sterling. The majority of reported revenues are earned in non-sterling currencies, with a significant proportion of costs in Sterling. Therefore the Sterling value of reported revenues, profits and cash flows may be reduced as a result of currency exchange rate movements. ▸ All strategic themes	The Group seeks to hedge anticipated significant external transactional cash flows using financial instruments. The Group monitors the desirability of hedging the net assets of non-sterling subsidiaries when translated into sterling for reporting purposes, but the Group has not entered into any transactions for this purpose in the current or previous year.
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. ▸ All strategic themes	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.
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. ▸ Leverage the franchise	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.

Risk	Business & Strategic Theme impact	Mitigation
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. ▸ All strategic themes	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 corporate 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.
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. ▸ Leverage the franchise ▸ Intensify accessories	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.
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. ▸ All strategic themes	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.	The licence with Sanyo Shokai and Mitsui & Company in Japan (the 'Sanyo Licence') expires in 2015, whereupon the royalty income under the licence will cease. 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. ▸ Leverage the franchise	The Group is planning for the transition of its business in Japan following the expiration of the Sanyo Licence. To minimise risks in Japan the Group has its own operations in Tokyo. There are minimum royalty payments specified in its licence agreements, including the Sanyo Licence. Under its licence agreements, the Group can control product development, marketing and distribution. Regular licensee royalty reviews take place to monitor compliance with licence terms, which can manage but not eliminate non-compliance.
The 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. ▸ All strategic themes	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 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. ▸ Leverage the franchise ▸ Accelerate retail-led growth ▸ Invest in under-penetrated markets	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. ▸ Leverage the franchise ▸ Intensify accessories ▸ Accelerate retail-led growth ▸ Invest in under-penetrated markets	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.

BOARD AND GOVERNANCE

BOARD OF DIRECTORS

Chairman
Sir John Peace (65)†
Chairman
Sir John Peace became Chairman of the Board in 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
Christopher Bailey (43)
Chief Creative and Chief Executive Officer
Christopher Bailey became Chief Creative and Chief Executive Officer on 1 May 2014 having previously served as Chief Creative Officer since 2009. Christopher joined as Design Director in May 2001. Prior to working at Burberry, Christopher was the Senior Designer of Womenswear at Gucci in Milan from 1996 to 2001. From 1994 to 1996 he was the Womenswear Designer at Donna Karan.

Carol Fairweather (53)
Chief Financial Officer
Carol Fairweather became Chief Financial Officer in July 2013 having joined Burberry in June 2006. She previously held the position of Senior Vice President, Group Finance. Prior to joining Burberry, Carol was Director of Finance at News International Limited from 1997 to 2005 and UK Regional Controller at Shandwick plc from 1991 to 1997.

John Smith (56)
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.

Non-executive directors
Philip Bowman (61)*†‡
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 (52)*†‡
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.

Jeremy Darroch (51)*†‡
Non-executive director
Jeremy Darroch was appointed as a non-executive director in February 2014. He is Chief Executive Officer of British Sky Broadcasting Group plc, a position he has held since 2007 having joined the company as Chief Financial Officer in 2004. Prior to Sky, Jeremy was Group Finance Director of DSG International plc (formerly Dixons Group plc) and spent 12 years at Procter & Gamble in a variety of roles in the UK and Europe. Jeremy also previously served as a non-executive director and Chairman of the Audit Committee of Marks and Spencer Group plc.

Stephanie George (57)*†‡
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.

Matthew Key (51)*†‡
Non-executive director
Matthew Key was appointed as a non-executive director in September 2013. He has recently been Chairman and Chief Executive Officer of Telefónica Digital, the global innovation arm of Telefónica. He stepped down from this role in March 2014. He previously served as Chairman and CEO of Telefónica Europe plc (formerly O2 plc), Chief Executive Officer and Chief Financial Officer of O2 UK, and Chief Financial Officer for Vodafone UK. Prior to this, he held various financial positions at Kingfisher plc, Coca-Cola & Schweppes Beverages Limited and Grand Metropolitan Plc. Matthew is also Chairman of the Dallaglio Foundation, which is a charity focused on disengaged youth.

David Tyler (61)*†‡
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.

Key to membership of committees
* Audit Committee
† Nomination Committee
‡ Remuneration Committee

Back row: David Tyler, Ian Carter, Stephanie George, Sir John Peace, Matthew Key, Jeremy Darroch, Philip Bowman
Front row: John Smith, Angela Ahrendts, Christopher Bailey, Carol Fairweather

DIRECTORS' REPORT

The directors present their Annual Report and the audited consolidated financial statements of the Company for the year to 31 March 2014.

Strategic Report
Burberry Group plc is required by the Companies Act 2006 to prepare a Strategic Report that includes a fair review of the Company's business, the development and the performance of the Company's business during the year, of the position of the Company at the end of the financial year to 31 March 2014 and a description of the principal risks and uncertainties faced by the Company. The Strategic Report can be found on pages 5 to 63. The Corporate Governance Report is set out on pages 74 to 87, is incorporated by reference and shall be deemed to form part of this report.

Revenue and profit
Revenue from the continuing business during the period amounted to £2,329.8m (2013: £1,998.7m). The profit for the year attributable to equity holders of the Company was £322.5m (2013: £254.3m).

Dividends
The directors recommend that a final dividend of 23.20p per ordinary share (2013: 21.00p) in respect of the year to 31 March 2014 be paid on 31 July 2014 to those persons on the Register of Members as at 4 July 2014.

An interim dividend of 8.80p per ordinary share was paid to shareholders on 24 January 2014 (2013: 8.00p). This will make a total dividend of 32.00p per ordinary share in respect of the financial year to 31 March 2014. The aggregate dividends paid and recommended in respect of the year to 31 March 2014 total £140.4m (2013: £126.4m).

Directors
The names and biographical details of the directors as at the date of this report are set out on pages 66 and 67 and are incorporated by reference into this report. Angela Ahrendts held office during the year and stepped down as a director on 30 April 2014. Stacey Cartwright stepped down as a director on 12 July 2013.

At the 2014 Annual General Meeting, all of the current directors will offer themselves for election or re-election.

The Notice of this year's Annual General Meeting sets out why the Board believes the directors should be elected or re-elected. Details of the directors' service agreements and letters of appointment are given in the Directors' Remuneration Report on pages 88 to 106.

Directors' share interests
The interests of the directors holding office at 31 March 2014 in the shares of the Company are shown within the Directors' Remuneration Report on page 102. There were no changes to the beneficial interests of the directors between the period 31 March 2014 and 20 May 2014.

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 2014 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 2014, the Company had 443,642,290 ordinary shares in issue. The Company does not hold any shares in treasury.

In order to retain maximum flexibility, the Company proposes to renew the authority granted by ordinary shareholders at the Annual General Meeting in 2013, 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 2013, 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 or 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 2014 were in aggregate £1.3m (2013: £1.0m).

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 2014, 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
The Capital Group Companies, Inc	35,086,942	7.90
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

As at 20 May 2014, 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.

Political donations

The Company made no political donations during the year in line with its policy (2013: £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.

Greenhouse Gas emissions

The disclosures concerning the Company's greenhouse gas emissions required by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 are included in the Burberry Beyond section of the Strategic Report on page 49.

Employment policies

Diversity and inclusion

The Group takes a very inclusive approach to diversity. As a global business, Burberry values 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 Chief Corporate Affairs Officer & General Counsel. Each region has a local Committee which assists with the implementation of the health and safety strategy. Strategic direction on health and safety matters is provided by the Director of Health and Safety supported by a global team. There have been a number of internal and external health and safety audits carried out to provide assurance globally.

Further information regarding the Group's employment policies are provided in the Great Brand, Great Company section on pages 44 to 50.

Employee involvement
Employee communication
The Group believes that employee communication is important to enhance the Company culture and connectivity, and to motivate and retain its employees. A global communications programme, incorporating various physical and digital methods and channels, enables all employees to connect and collaborate closely, and to understand key strategies and other matters of interest and importance, quickly and efficiently.

Social media platform 'Burberry Chat' is the key digital channel used by the Company to communicate internally. However, other methods and channels are also used, including face-to-face briefings, open discussion forums with senior management, email and instant messaging. Monthly video updates, highlight the Group's performance and its ongoing strategic initiatives. There is also a monthly creative thinking programme called 'Burberry Chat Live', which broadcasts interviews with employees from around the world. The Company also uses videos and digital web pages to communicate key initiatives, events and other brand messages, 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 88 to 106.

The Group again intends to grant free share awards or cash-based awards to all eligible employees during 2014/15. 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 Our People section on pages 44 and 45.

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, capital and liquidity risks. These notes are incorporated by reference and are deemed to form part of this report.

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

Details of the service agreements of the executive directors are set out on page 96 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.

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 7 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 59, 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 11.00am on Friday, 11 July 2014. 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 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 2014

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 158-year heritage guided by the values – to protect, explore and inspire – we believe that this is an important responsibility.

The Board's role is particularly important during times of significant change. In October, Angela Ahrendts informed the Board that she had decided to step down as Chief Executive Officer and the Board unanimously agreed that Christopher Bailey would be her successor as Chief Creative and Chief Executive Officer. Christopher assumed this role on 1 May. I want to thank Angela personally for building a great culture and leading the Company through its transformation over the last eight years.

The appointment of Christopher as Chief Creative and Chief Executive Officer is a natural progression. Christopher has been at Burberry since 2001 and has overseen all consumer-facing activities including products, creative marketing, store design, consumer technology and digital innovation. Christopher will continue to create and drive the vision for the Company closely supported by an outstanding and experienced senior management team.

The Board is also in a period of evolution as it has been focused on how to build on its relevant skills and competencies for the future in accordance with its succession plan. Good progress has been made on this during the year, with the announcement of the appointment of three new non-executive directors. Longer-serving Board members will step down as appropriate but it is important to ensure stability while new Board members settle into their roles. The Board will continue to focus on its succession plan during the coming year.

I am delighted to welcome Matthew Key and Jeremy Darroch who have joined the Board as non-executive directors during the year, and Carolyn McCall who will join the Board as a non-executive director on 1 September 2014. These appointments bring additional mobile, digital, media, financial, consumer travel and general management experience to the Board, reflecting the Group's strategy. Carol Fairweather joined the Board in July and assumed the role of Chief Financial Officer on Stacey Cartwright's departure, and John Smith is now well established as the Group's Chief Operating Officer.

The 2013/14 Board effectiveness review confirmed that the Board had performed well, maintaining its business focus despite a number of key challenges during the year. As the Board has been in transition during the year, the Board will be conducting an externally facilitated review during 2014/15 and will report its findings next year.

The year ahead will continue to be impacted by a challenging external environment and significant regulatory changes to the rules on directors' remuneration and narrative reporting. Burberry continues to experience growth and the evolution of its business. The Board and I will endeavour to ensure that we continue to grow in a long-term and sustainable way for our shareholders and wider stakeholders, and to provide appropriate support to ensure a smooth management transition and Board evolution.

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 2013/14 and, together with the Directors' Remuneration Report on pages 88 to 106, 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 consider that the Company has complied with the provisions of the Code throughout the year, with the exception of conducting an externally facilitated board effectiveness review. The rationale for not conducting an externally facilitated review is set out on page 77.

Our Board
The Board currently consists of ten members – the Chairman, the Chief Creative and Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer and six independent non-executive directors. Christopher Bailey was appointed as Chief Creative and Chief Executive Officer and as a director on 1 May 2014 following Angela Ahrendts stepping down on 30 April 2014. A list of directors and their biographies is set out on pages 66 and 67.

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 Creative and Chief Executive Officer, Christopher Bailey, 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 to shareholders for the Company's performance and has regular discussions with the Company's main institutional shareholders.

The major commitments of the Chairman are detailed in his biography on page 66 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 Creative and Chief Executive Officer, Christopher Bailey, 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 Creative and Chief Executive Officer is assisted by members of his senior management team who meet regularly. Members of the senior management team are identified on page 107.

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 growth and evolution of its business while in a period of transition in its leadership. It is the responsibility of the Board to ensure we continue to grow in a controlled and sustainable way for our shareholders and wider stakeholders, and to provide appropriate support to ensure a smooth management transition and Board evolution."

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.

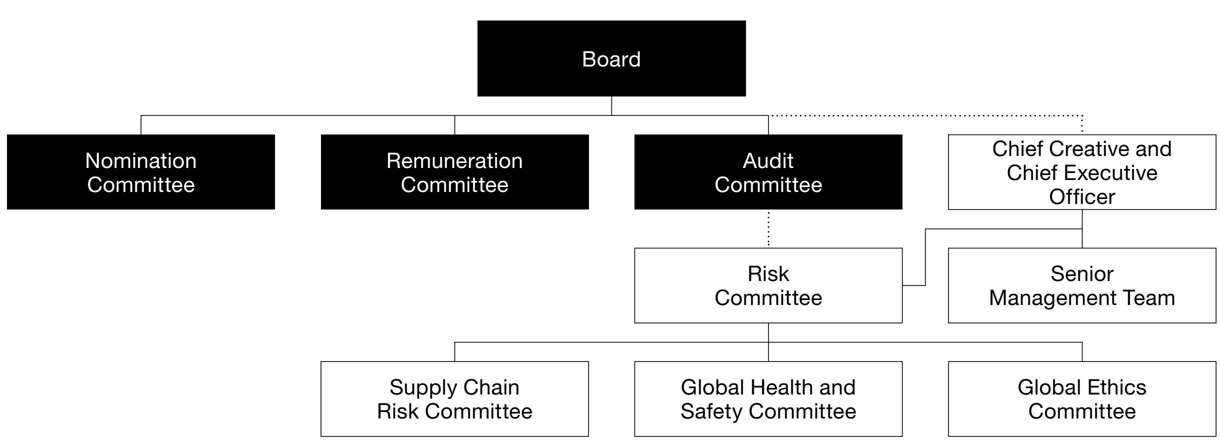
Specific key decisions and matters have been reserved for approval by the Board. These include decisions on the Group's strategy, the annual budget and operating plans, major capital expenditure and transactions, financial results, the dividend, the approval of risk appetite and other governance issues. 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 this 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 82 to 86 are reports from the Audit and Nomination Committees. The report of the Remuneration Committee is set out on pages 88 to 106.

Board effectiveness

"In the face of a number of key challenges during the year, particularly changes to the management team, the Board did not lose its focus on ensuring the creation of shareholder value over the medium and long-term. The Chairman is commended for his skill in leading the Board through these changes and maintaining the Board's business focus."

Highlights of Board activities during 2013/14

During the year the Board held six scheduled meetings, including an in-depth two-day session on strategy, and one ad hoc meeting. 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 and 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, a number of Board dinners were held during the year. The table below gives the highlights of how the Board spent its time during its 2013/14 financial year (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.

Month	Strategy/Business Focus	Oversight and Risk	Governance
May	Japan strategy and updates on various business areas/projects.	Review of 2012/13 financial year 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. Board succession matters.
July	Update on various business areas/projects. Business focus: inventory planning and management.		AGM. Review of Chairman and non-executive director fees. Board succession matters.
September	Annual strategy session (two days). Product showroom presentation and 'meet and greet' with senior management.	Strategic risks and impact on the three-year plan.	Board succession matters.
October/November	Digital systems and opportunities update.	Review of 2013/14 interim results and dividend. Review of risk, internal control framework and business controls. Review of audit plan for 2013/14 and reappointment of auditors.	Investor relations update. Regulatory compliance update. Consideration of Treasury Policy. Board and management succession matters.
February	Strategic opportunities, digital commerce and Japan strategy update. Business focus: Beauty business. Business focus: operational efficiency.	Business controls and approach to technology risk.	Investor relations update. Board and management succession matters.
March	Year end review of the business. 2014/15 budget approval. Business focus: foreign exchange impacts. Business focus: digital systems.		Independent investor audit results. Board effectiveness review. Review of conflicts of interest. Board and management succession matters. Annual Report planning.

Evaluating our performance in 2013/14

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. In the normal course the Board would have undertaken its next externally facilitated review during the year. However, given that the Board has been in transition during the year with the Chief Executive Officer, Chief Financial Officer and non-executive director changes, the Board decided to postpone the external review until 2014/15. This was on the basis that an external review would provide more valuable insight if it took place after this transition was complete and new Board members had the opportunity to settle into their roles.

In keeping with its approach over the last few years, the Board and Committee effectiveness review continued to follow a more discursive approach by encouraging the directors to express their views on any area of Board and Committee effectiveness. This approach has worked well as it reflects the collaborative nature of the Board and has encouraged the open airing of 'top of mind' thoughts or concerns. Written feedback from the review was obtained from each director and a report of the key themes and recommended actions arising from the review was provided to the Directors as a backdrop for Board discussion. The Chairman also spoke to Board members on an individual basis.

The non-executive directors, led by the Senior Independent Director, also considered the performance of the Chairman without the Chairman present. It was noted that in the face of a number of key challenges during the year, particularly changes to the management team, the Board did not lose its focus on ensuring the creation of shareholder value over the medium and long-term. The Chairman was commended for his skill in leading the Board through the various challenges and for ensuring that the Board maintained its business focus.

Below is a summary of the key views and recommendations identified in the 2013/14 Board effectiveness review and the actions taken in response to last year's review.

Key Themes	2012/13 Review		2013/14 Review
	Views/recommendations	**Actions taken**	**Views/recommendations**
Board composition	Adoption of a succession plan to refresh the Board over the next two years and alignment on core competencies required.	Board succession was a key focus during the year with the appointment of three new non-executive directors. (See pages 66 and 67).	The Board succession process is not yet complete but the consensus is that it is progressing well.
Board/Committee focus	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 2013/14. Welcome continued opportunities for non-executive director engagement and interaction with senior management.	The annual strategy session agenda reflected the areas of focus recommended in the review. Continued opportunities were made available for engagement outside of formal meetings and interaction with a wide range of senior management. (See Highlights of Board activities during 2013/14 on page 76).	Strategy must continue to be a strong focus for the Board. Directors continue to be strongly aligned on the key areas for strategic focus in the coming year. The Board should ensure that appropriate support is provided to new Board members during this time of transition. The involvement of senior management in Board meetings and more informal meetings continues to be important particularly to provide non-executive directors with additional insight.
Board/Committee effectiveness	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 discursive approach to the Board effectiveness review was preferred as it encouraged open debate.	The Board effectiveness review continued to follow the more discursive approach by encouraging the directors to express their views on any area of Board and Committee effectiveness.	The Board performed well, maintaining its business focus despite a number of key challenges during the year, particularly changes to the management team. The Chairman is commended for his skill in leading the Board through these changes. The Committees performed well, particularly in dealing with a number of significant regulatory changes. There is an opportunity to optimise more 'two-way' engagement with the Board during meetings to ensure management is leveraging on non-executive director experience, particularly during this time of transition.

The table below gives details of directors' attendance at Board and Committee meetings during the year ended 31 March 2014.

	Board		Audit	Nomination	Remuneration
	Scheduled	Ad hoc			
Sir John Peace	6/6	1/1	–	4/4	–
Angela Ahrendts[1]	6/6	1/1	–	4/4	–
Philip Bowman	6/6	1/1	3/3	4/4	6/6
Ian Carter	6/6	1/1	3/3	4/4	6/6
Stacey Cartwright[5]	1/1	–	–	–	–
Jeremy Darroch[2]	1/2	–	1/1	0/1	1/2
Stephanie George	6/6	1/1	3/3	4/4	6/6
Carol Fairweather[3]	5/5	1/1	–	–	–
Matthew Key[4]	4/4	1/1	2/2	3/3	4/4
John Smith	6/6	1/1	–	–	–
David Tyler	6/6	1/1	3/3	4/4	6/6

1 Angela Ahrendts stepped down from the Board and the Nomination Committee on 30 April 2014.
2 Jeremy Darroch was appointed to the Board and as a member of the Committees on 5 February 2014. Jeremy was unable to attend one Board, Nomination and Remuneration Committee meeting due to a commitment made prior to his appointment.
3 Carol Fairweather was appointed to the Board on 11 July 2013.
4 Matthew Key was appointed to the Board on 1 September 2013 and as a member of the Committees on 26 September 2013.
5 Stacey Cartwright stepped down from the Board on 12 July 2013.

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 pages 66 and 67.

Board and Committee composition
The non-executive directors are drawn from a wide range of industries and backgrounds, including mobile, digital, media, retail, financial services, hotels and hospitality, marketing and accountancy. 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. The biographical details of the current directors can be found on pages 66 and 67 of this Annual Report.

Management changes
In October, Angela Ahrendts informed the Board that she would step down as Chief Executive Officer and the Board agreed that Christopher Bailey would be appointed her successor as Chief Creative and Chief Executive Officer. Angela formally stepped down as Chief Executive Officer and as a director on 30 April 2014 and Christopher was appointed on 1 May 2014. Carol Fairweather joined the Board as an executive director on 11 July 2013 and assumed the role of Chief Financial Officer on Stacey Cartwright's departure on 31 July 2013.

Board succession
The Nomination Committee continued its focus on evolving the Board's relevant skills and competencies for the future under its succession plan. Good progress has been made on this during the year with the appointment of Matthew Key and Jeremy Darroch as non-executive directors, and the announcement that Carolyn McCall would be appointed as a non-executive director effective from 1 September 2014. These appointments bring additional mobile, digital, media, financial, consumer travel and general management expertise to the Board reflecting the Group's strategy.

Longer serving Board members will step down as appropriate but it is important to ensure stability while evolving the Board so that new Board members have the opportunity to settle into their roles before longer serving members step down. The Board is aiming to make further appointments during the year.

All new Board appointments are based on merit, keeping in mind the Board composition principles adopted by the Committee. These principles are to:

- maintain current core competencies;
- add new competencies which reflect the evolution of the Group's business;
- ensure compatibility with Burberry's culture and values; and
- promote diversity, including in terms of gender.

Please see the Report from the Nomination Committee on page 86 for more information on the appointment process.

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.

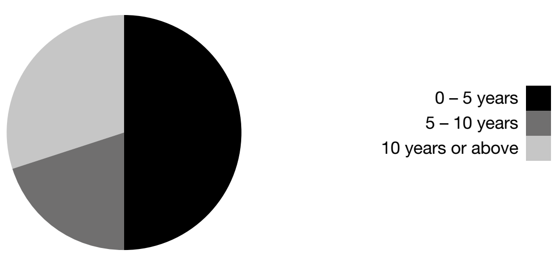
Following Angela Ahrendts stepping down as a director, of the ten directors currently on the Board, two are women including one of the executive directors (comprising 20% of total membership). Once Carolyn McCall joins the Board on 1 September 2014 women will comprise 27% of the Board, meeting the goal set out by Lord Davies 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, of a total workforce of 10,604, approximately 68% is female and approximately 38% of senior management is 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, 59 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 44.

Board tenure



The balance of tenure of service of the directors is set out in the diagram above. At the time of the 2014 Annual General Meeting, Sir John Peace, Philip Bowman and David Tyler will have served on the Board for 12 years.

The Board is satisfied that all of our non-executive directors are independent. The performance of Philip Bowman, David Tyler, Stephanie George and Ian Carter 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 2013/14' on page 76, 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. During the year newly appointed directors received an induction covering the key business areas and operations, the corporate functions, strategy and the Burberry brand and culture. In addition, non-executive directors are provided with opportunities to meet with members of senior management and to visit key stores and markets. 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 2013, all continuing directors offered themselves for re-election. Each director was re-elected and no director received less than 93% in favour of the votes cast. At the Annual General Meeting in 2014, all of the directors will again retire and all will offer themselves for re-election or, in the case of the newly appointed directors, 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 2014 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, no circumstances existed which would necessitate that any prior authorisation be revoked or amended, and the authorisation process 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 Creative and Chief Executive Officer and 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 and Company Secretariat departments act as the centre for ongoing communication with shareholders, investors and analysts.

The Chairman also maintains a regular dialogue with major shareholders to hear their views and to 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 former Chief Executive Officer, the Chief Creative and Chief Executive Officer, the Chief Financial Officer and the Chairman of the Remuneration Committee met with 21 of our top 25 investors. Topics discussed included (but were not limited to) the Company's performance, Board and management succession, the Directors' Remuneration Policy and the Group's proposed new share plan. The Senior Independent Director and all the other non-executive directors are available to meet with shareholders as required.

The Group also conducted its regular independent investor audit of its major investors through Makinson Cowell, a capital markets advisory firm, to gauge investor perception. The investor audit findings were presented to the Board.

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 the Group's 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 assurance functions detailing their risk management and compliance approaches and highlighting any significant issues;
- key outcomes from discussions at the Group's 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. Regular self-certification has also been in place for key finance processes to confirm the documented control framework continues to efficiently and effectively manage risk. 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 (as set out above) 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's Risk Committee which meets at least three times per year and reports any key findings to the Audit Committee. The Group's 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, Asset and Profit Protection, and Health and Safety. The Risk Committee is chaired by the Chief Operating Officer and its members include the Chief Financial Officer, the Chief Corporate Affairs Officer & General Counsel, the Vice President of Audit and Risk Assurance, the Company Secretary and other members of senior management.

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 Vice President of Audit and Risk Assurance, who reports to the 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, the Vice President of Audit and Risk Assurance 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 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 which is discussed by management at the Risk Committee prior to presentation to the Audit Committee. 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 2013/14 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 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 61 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 which is 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 regions and corporate headquarters.

The reporting process is supported by transactional and consolidation finance systems. Reviews of controls 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 (including digital) 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 corporate governance, 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 Annual Report and Accounts taken as a whole, is required to be fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's performance, business model and strategy. 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 110. The Report of the Auditors on page 111 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.

During the year the Committee continued to focus on ensuring that the Group's systems and controls are operating effectively, are responsive to a challenging external environment and are evolving in line with the Group's growth, including the new Beauty business. The Committee also focused on a number of significant regulatory changes impacting accounting and corporate reporting requirements.

The Audit Committee met three times during the year. In addition to the usual work of the Committee (as set out in the table on page 83), the Committee also considered the significant matters set out in the table on page 84.

Where these significant matters related to the financial statements for the year, the Committee requested papers from management setting out their approach, the key estimates and judgements applied and management's recommendation. The Committee reviewed and challenged these papers, together with the findings of the external auditors, in order to conclude on the appropriateness of the treatment in the financial statements.

The Committee has a constructive and open relationship with management and the auditors 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 during the year ending 31 March 2014:

Members	Appointment date
Philip Bowman (Chairman)	21 June 2002
Ian Carter	18 May 2007
Jeremy Darroch	5 February 2014
Stephanie George	19 May 2006
Matthew Key	26 September 2013
David Tyler	21 June 2002

The Audit Committee met three times during the year. The attendance record of Committee members is recorded in the table on page 78. In addition to the scheduled meetings the Chairman of the Committee meets separately with the Chief Financial Officer and the Vice President of Audit and Risk Assurance on a regular basis including prior to each meeting.

Regular attendees at Committee meetings include: the Chairman of the Board, the Chief Financial Officer, the Vice President of Audit and Risk Assurance, the Chief Corporate Affairs Officer & General Counsel, the Company Secretary, the Senior Vice President – Group Finance, the Vice President – Group Financial Controller, the Vice President of Group Tax and the representatives of 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 pages 66 and 67.

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.

Key Committee roles and responsibilities	Usual business conducted during 2013/14
Financial Reports: The integrity of the Group's financial statements and formal announcements of the Group's performance.	• Review of the Annual Report and Accounts, annual financial statements, preliminary announcement, and interim announcement. On behalf of the Board the consideration of whether the processes and procedures in place ensure that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy. • 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 Corporate Governance Code.
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.	• 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.
Internal Audit: Review of the annual internal audit programme and the consideration of findings of any internal investigations and management's response. Review of effectiveness of the internal audit function.	• Consideration of the result of internal audits and management responses to the findings. • Approval of the internal audit plan for 2014/15. • Review of internal audit resourcing.
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.	• Review and approval of the proposed audit fee and terms of engagement for the Group's external auditors, PricewaterhouseCoopers LLP, for the 2013/14 financial year (see below). • Review and approval of the audit plan for the year presented by the Group's auditors in November 2013. 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 page 85).

Significant matters for the year ended 31 March 2014	How the Audit Committee addressed these matters
The calculation of the fair value of the put option over the non-controlling interest in the Group's business in China.	The Audit Committee reviewed and challenged the appropriateness of the key inputs used in the calculation of the fair value of this option. The Audit Committee also considered the sensitivity of the fair value to reasonable changes in inputs. Management's proposed new disclosures relating to the valuation, which have been included in the accounts as a result of the adoption of IFRS 13, were reviewed and agreed. Further details of the valuation of the put option, which is valued at £51.3m at the year end, are set out in note 19 of the financial statements. The Audit Committee concluded that the fair value of the put option, the disclosure of the valuation methodology and of the impact of the judgements applied were appropriate in the financial statements for the period.
The recoverability of the cost of inventory and the resulting amount of provisioning required.	The Audit Committee considered the Group's current provisioning policy, the historic loss rates incurred on inventory held at the balance sheet date and the nature and condition of current inventory. As this was the first year of the Group holding Beauty inventory, the Audit Committee requested management to set out their intended approach for estimating the recoverable amount for Beauty inventory. The Committee also requested management to provide a detailed analysis of Beauty inventory at the year end, in order to consider the application of the agreed approach. The Audit Committee concluded that the carrying value of inventory was appropriate. Movements in inventory provisioning are set out in note 16 of the financial statements.
Income and deferred taxes.	The Vice President of Group Tax, who reports to the Audit Committee at each meeting, presented a detailed update of the Group's tax strategy, developments relating to discussions with tax authorities and the status of ongoing tax audits. The Audit Committee reviewed and challenged the appropriateness of assumptions and judgements applied in order to estimate the amount of assets and liabilities to be recognised in relation to uncertain income tax and deferred tax positions. The Audit Committee concluded that the assets and liabilities recognised and disclosures contained in the financial statements for the period were appropriate. Details of movements in tax balances are set out in notes 9 and 14 of the financial statements.
Other.	At the May and November meetings, the Audit Committee also considered management's papers on the following subjects: • assessment of the carrying value of goodwill; • impairment assessments of property, plant and equipment and intangible assets; and • impairment assessments of trade receivables.

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.

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 2013/14 financial year. Details of the fees paid to the external auditors during the financial year can be found in note 7 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 set out in the policy include 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 or actual 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 Chairman of 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 £0.6m on non-audit services provided by PricewaterhouseCoopers LLP (being 32% of audit and audit-related fees). Further details can be found in note 7.

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 Creative and Chief Executive Officer for changes to the executive membership of the Board.

During 2013/14 the Committee has focused heavily on executive and Board succession with the following key outcomes.

- The appointment on 1 May 2014 of Christopher Bailey as Chief Creative and Chief Executive Officer succeeding Angela Ahrendts. The appointment of Carol Fairweather as a director on 11 July 2013, who succeeded Stacey Cartwright as Chief Financial Officer on 31 July 2013.
- Implementation of the Board succession plan to refresh the Board over a two-year period. This has been aimed at balancing Board evolution with stability and in keeping with the Board's composition principles including promoting diversity including in terms of gender. Good progress has been made on this during the year with the appointment of Matthew Key and Jeremy Darroch as non-executive directors, and the announcement that Carolyn McCall is appointed as a non-executive director effective from 1 September 2014. (See Board succession on page 78 and Diversity and inclusion on page 79).

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

Sir John Peace
Chairman, Nomination Committee

Committee membership
The following directors served as members of the Committee during the year ended 31 March 2014:

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
Jeremy Darroch	5 February 2014
Stephanie George	23 March 2007
Matthew Key	26 September 2013
David Tyler	23 March 2007

* Angela Ahrendts stepped down as a member of the Committee on 30 April 2014.

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 four times during the year under review. The table on page 78 gives details of directors' attendance at these meetings. The Committee spent a significant amount of time overseeing the process which led to the appointment of Christopher Bailey as Chief Creative and Chief Executive Officer, and the appointments of Matthew Key, Jeremy Darroch and Carolyn McCall as non-executive directors. The external search firm, Lygon Group, was used in the appointments of Matthew Key, Jeremy Darroch and Carolyn McCall. Due to Christopher Bailey's unique qualities and deep experience with the business, it was agreed that it was not necessary to use an external search firm or advertise for his appointment. Lygon Group has no other connection with the Company.

Other regular attendees at Committee meetings include the Chief Corporate Affairs Officer and General Counsel and the Company Secretary.

Annual General Meeting and annual re-election of directors

As required by the UK Corporate Governance Code, the Notice of the 2013 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, other than Stacey Cartwright, who stepped down as a director at the Annual General Meeting, attended the 2013 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 2014 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 2014 Annual General Meeting and will be available to answer shareholders' questions.

All directors have, since the 2011 Annual General Meeting, offered themselves for annual re-election in accordance with the UK Corporate Governance Code. At the 2014 Annual General Meeting, all of the directors will again retire and all will offer themselves for re-election or, in the case of the newly appointed directors, for election.

The biographical details of the current directors can be found on pages 66 and 67 of this Annual Report. The Chairman confirms that, following the internal evaluation during the year led by the Chairman, the performance of each of the directors standing for election continues to be effective and demonstrates commitment to their roles, including commitment of time for Board and Committee meetings and any other duties. Accordingly, the Board recommends that shareholders approve the resolutions to be proposed at the 2014 Annual General Meeting relating to the re-election or election of the directors.

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

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 simply to achieve a tax advantage.

Tax governance framework

The Chief Financial Officer is responsible for the Group's tax policy which is implemented with the assistance of the finance leadership team. 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 including the Group's tax policy. Audit Committee meetings are regularly attended by a number of Group officers and employees including the 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 Directors' Report on pages 70 to 73.

DIRECTORS' REMUNERATION REPORT

Dear Shareholder,
I am pleased to introduce the Directors' Remuneration Report for the year ending 31 March 2014. This is the first year in which Burberry must comply with the new legislation on the disclosure of directors' remuneration and shareholders will, for the first time, have a binding vote on our remuneration policy. I hope that you find this report clear and comprehensive and I look forward to hearing your feedback on the information presented.

The Remuneration Committee (the 'Committee') aims to ensure that directors' and senior executives' remuneration is internationally competitive, taking into account the global markets in which Burberry operates and from which it recruits, so as to attract and retain high-calibre individuals, and is also strongly aligned to sustainable long-term performance delivering value to our shareholders. The Group's remuneration policy, underpinned by these principles, is set out on pages 90 to 97 of this report.

There has been significant change to Burberry's executive team during 2013/14. Christopher Bailey has been appointed the Chief Creative and Chief Executive Officer (CC & CEO) of Burberry following Angela Ahrendts stepping down and moving to Apple after an impressive eight years as Chief Executive Officer. Carol Fairweather became Chief Financial Officer (CFO) and has performed strongly in that role after Stacey Cartwright stepped down. John Smith is now well established as the Group's Chief Operating Officer (COO).

In 2013/14, Burberry grew revenue 17%, adjusted profit before tax ('Adjusted PBT') 8% and reported profit before tax 27% in a challenging global environment. Management's consistent execution of key strategies and dynamic response to challenges and opportunities delivered this strong performance. Against this backdrop, the annual bonus paid out at 70% of maximum, as Adjusted PBT for the year was between the target and maximum levels set by the Committee. Underlying growth in Adjusted PBT over the last three years has been 14.2% per annum and so the Co-Investment Plan awards granted in 2011 will vest in full.

The Committee has reviewed the executive remuneration arrangements during the year following the changes to the executive team and to address the expiry of our long-term share incentive plans. The Committee's review took account of Burberry's strategic plan, the performance and growth of the Group, the growth and outlook in the global luxury goods sector and global market practice. In addition, the Committee has given careful consideration to shareholder preferences for alignment of incentives with business strategy, the adoption of forfeiture provisions on variable pay and higher shareholding requirements. The Committee consulted with a number of our leading institutional shareholders and investor advisory bodies on the proposed changes to remuneration arrangements. The initial proposals were refined in light of the constructive feedback received and are both summarised below and reflected in our future remuneration policy.

New Executive Share Plan

We plan to simplify the long-term share incentive arrangements by introducing a single new Executive Share Plan (ESP) to replace the existing Co-Investment Plan and Restricted Share Plan which have worked well in promoting sustainable long-term growth and have enabled us to recruit and largely retain a world-class management team. The details of the proposed ESP are included in our remuneration policy, but highlighted below are the key features of the plan.

- Annual awards of shares of up to 400% of salary (with a plan maximum of 600% of salary to be used in exceptional circumstances only), with vesting subject to performance. This is consistent with the current share plans.
- Awards of shares would primarily vest based on (1) growth in adjusted profit, (2) a measure to incentivise the efficient use of capital and (3) revenue growth, each of which would be measured over three years, consistent with the current share plans. However, such financial performance will also be judged against the execution of Burberry's strategy to ensure long-term sustainable growth.
- 50% of awards would vest after the three-year performance period and 50% would vest after a further one-year holding period.
- To ensure continued alignment of executive interests with those of shareholders, the Committee will strengthen requirements under the Group's executive shareholding policy. Executive directors will continue to be required to retain 50% of any share award that vests (net of tax) until a specific holding is achieved. This holding will be increased from 1.5 times to 2 times salary for executive directors with the exception of the CC & CEO, who will be required to hold at least 500,000 shares (as explained in more detail below).
- The ESP will include a 'malus' provision, whereby unvested shares or awards may be forfeited in whole or in part in the event of a material misstatement of the Group's audited financial results.

Remuneration for Christopher Bailey as CC & CEO

We set out on page 104 the details of Christopher Bailey's remuneration in his new role of CC & CEO. Aside from a one-off performance-based share award for taking on the CEO responsibility, there has been no increase to Christopher Bailey's remuneration compared to that which he received in his previous role as Chief Creative Officer (CCO). The key elements of his remuneration going forward are as follows, other elements being in line with those for the other executive directors.

- Annual salary of £1,100,000 plus an annual allowance of £440,000.
- As part of his appointment as CC & CEO – a one-off, performance based grant of 500,000 shares.
- A requirement to retain 50% of any share award that vests (net of tax) until a holding of 500,000 shares is achieved. The Committee has determined this level of holding in light of the one-off award of shares granted on appointment.

Finally, we set out on page 104 details of the final payments made or to be made to Angela Ahrendts on her departure from Burberry. As disclosed on our website when Angela stepped down on 30 April 2014, the payments made to Angela were in line with those set out in her service agreement, outstanding share awards reflected her contractual entitlement and she did not receive any payment relating to her departure from the Company.

The Committee will continue to engage with shareholders on any key changes to executive remuneration arrangements, including the targets that will be set for the first awards under the new ESP, and looks forward to gaining your support on both sections of this report when it is put to the vote at the Annual General Meeting in July 2014.

Ian Carter
Chairman, Remuneration Committee

Summary contents

The remuneration report is set out in the following sections:

1. Directors' remuneration policy
2. Directors' remuneration in 2013/14
3. Outstanding share interests
4. Directors' remuneration in 2014/15
5. Further information on remuneration for Christopher Bailey as CC & CEO
6. Further information on remuneration for Angela Ahrendts
7. Remuneration Committee in 2013/14
8. Five-year performance graph and Chief Executive Officer remuneration

1. Directors' remuneration policy

Burberry's directors' remuneration policy ('remuneration policy') as set out in this report will be put to shareholders for approval at the 2014 Annual General Meeting ('AGM') to be held on 11 July 2014. It is the Committee's intention that the remuneration policy will legally take effect from the date of the 2014 AGM. The remuneration policy is largely consistent with previous years, aside from the adoption of the new Executive Share Plan (subject to shareholders' approval at the 2014 AGM). The Committee intends that this remuneration policy should apply until the 2017 AGM.

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 remuneration policy is based on the following principles.

- **Linked to the success and strategy of the business:** the overall remuneration framework should provide a balance between key short-term and long-term business objectives. Variable pay for executive directors includes (1) an annual cash bonus based on the financial performance of Burberry (currently adjusted profit before tax as per the audited income statement ('Adjusted PBT') is the sole performance measure), and (2) long-term share-based incentives linked primarily to the financial performance of the Company but having regard to the delivery of objectives set in accordance with the Company's long-term strategic themes.

- **Shareholder value:** remuneration should provide close alignment with long-term value creation for shareholders through the selection of appropriate performance measures and targets, be tied to the future success of the Company, emphasise variable pay and deliver a significant proportion of remuneration in shares, some of which are expected to be retained in accordance with the Group's executive shareholding policy.

- **Competitive in the global talent market:** total remuneration should be sufficient to attract, motivate and retain exceptional talent within the global luxury goods and digital sectors. Total remuneration for executive directors and other senior executives is therefore benchmarked against Burberry's main global competitors for talent and comparable UK companies. The Committee recognises that, for each executive, the relative importance of each of these reference groups may be different depending on the skills and experience required to undertake the specific role. Benefits are based on competitive market practice for each executive depending on individual circumstances.

1.1. Directors' remuneration policy effective from 11 July 2014

Purpose	Maximum annual opportunity and link to performance	Operation
Executive directors		
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.	Maximum annual increase (per individual executive director): 15% of salary.	Annual increases are normally in line with the average increase for all employees and below the maximum shown. Salary levels and increases for executive directors are set within the same framework and ranges as those for all other employees, taking into account individual performance and overall contribution to the business during the year, cost to the Company and the external economic climate. Salaries are benchmarked annually against global companies of similar size and/or global reach within relevant sectors. Depending on the role, this comprises companies in the luxury goods sector and/or companies with high-profile global brands particularly in the digital sector, and to a lesser extent comparable UK companies and/or companies with a high growth profile. Salaries are reviewed, although not necessarily increased, annually. The Committee considers the impact of any base salary increase on the total remuneration package. The Committee retains the ability to recognise, for example, development in role, change in responsibility, and/or other matters relating to the role or incumbent. In these situations the Committee reserves the discretion to make annual increases above the maximum increase shown.
Annual bonus To reward executive directors for achieving annual financial targets linked to the strategic plan agreed by the Board.	Maximum awards are: • 225% of salary Performance measure(s): • 100% linked to adjusted profit performance Percentage of maximum bonus payable at each level of performance: • 25% at threshold • 50% at target • 100% at maximum	The Committee reviews the performance measure annually to ensure it remains appropriate and is aligned with Burberry's strategy. Adjusted profit will be the primary measure used by management and the Committee believes strong performance in adjusted profit is key to delivering superior shareholder returns. Ultimately, the successful implementation of the key strategic themes is reflected in the adjusted profit. Targets are set before the start of each year by reference to budget, the strategic plan, long-term financial goals, latest projections for the relevant year and broker earnings estimates for Burberry and its competitors. Targets will be disclosed retrospectively following completion of the relevant financial year, provided they are not deemed to be commercially sensitive. 50% of bonus will be deferred in shares for three years until executive shareholding guidelines are met. **Use of judgement:** The Committee may determine that it is appropriate to adjust (down or up) the bonus outcome. This may take into account factors such as misalignment of adjusted profit performance with other financial and operational measures of performance or targets no longer being appropriate. It is anticipated that any adjustment would be infrequent and in exceptional circumstances only. Details of any applications of judgement would be disclosed at the time in the relevant remuneration report.

Purpose	Maximum annual opportunity and link to performance	Operation
Burberry Executive Share Plan (ESP) (proposed and subject to shareholder approval at 2014 AGM) To focus executives on, and reward them for, sustainable long-term performance and successful execution of the Group's long-term strategy. To help maintain the stability of the top executive team, and align executives' interests with those of shareholders.	Maximum awards are: • 400% of salary (in normal circumstances) • 600% of salary (in exceptional circumstances, to be determined at the Committee's discretion) Performance measures for executive directors to be measured over three years: • 50% to 60% on growth in adjusted profit: – 25% vesting for threshold performance – 100% vesting for maximum performance – Straight-line vesting in between • 20% to 25% on a measure to incentivise the efficient use of capital: – 25% vesting for threshold performance – 100% vesting for maximum performance – Straight-line vesting in between • 20% to 25% on revenue growth: – 25% vesting for threshold performance – 100% vesting for maximum performance – Straight-line vesting in between Vesting: 50% after three years, remaining 50% after four years.	Subject to the ESP being approved at the 2014 AGM, the first awards will be made in 2015. Targets for the measures will be calibrated ahead of each annual grant by reference to the latest strategic plan, long-term financial goals, latest three-year projections and broker earnings estimates for Burberry and its competitors. The threshold targets will be calibrated to be of median difficulty, and the maximum targets will be of upper quartile difficulty. Targets will be disclosed ahead of each annual grant. Growth in adjusted profit has been chosen as it continues to be the primary financial measure used by shareholders and management, and the Committee believes strong growth in adjusted profit is key to delivering superior shareholder returns. The efficient use of capital measure is intended to incentivise management to combine superior growth in profit and revenue with attractive return on incremental investment but not to act as a disincentive to invest. Burberry's strategy is designed to deliver both profit and revenue growth and therefore to align with strategy a measure based on revenue growth is proposed as a transparent and quantifiable indicator of performance. Where the information is not deemed by the Committee to be commercially sensitive, commentary will be provided on an annual basis outlining progress against the targets and, for completed cycles, detail on the performance achieved. A cash payment equivalent to the value of dividends which would have been received during the vesting period will be paid only in respect of shares that vest. **Discretion:** The Committee retains the discretion to grant awards of up to 600% of salary in exceptional circumstances and to vary the weighting applied to each measure within the ranges shown. The Committee will consult with major shareholders in advance of applying such discretion to grant awards of up to 600%. **Use of judgement:** The Committee will have the ability to adjust down or up the calculated level of vesting by reference to the quality of earnings and effective execution of strategy to ensure the growth delivered is long-term sustainable growth. Details of any adjustments would be disclosed in the relevant remuneration report. **Malus provision:** Unvested shares or awards may be forfeited in whole or in part in the event of a material misstatement in the Company's audited financial statements.
All-employee share plans To encourage employee share ownership at all levels.	Sharesave: maximum savings amount of £6,000 per annum, with which shares can be purchased with a 20% discount. Share Incentive Plan and International Freeshare Plan: awards with a value of up to £500 per annum.	Burberry operates two all-employee share plans: The Sharesave Scheme offers eligible employees (including executive directors) 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, normally at the end of the savings contract, at up to a 20% discount to the market price at the date of invitation. Awards of shares or a cash equivalent (where the use of shares is not possible) are made annually to all eligible employees under the UK Share Incentive Plan and International Freeshare Plans. **Discretion:** The Committee reserves the right to increase the maxima to the extent that the change is made on the same basis for all employees participating in the plan.
Pensions To offer market-competitive benefits.	Maximum company contribution: 30% of salary per annum	Executive directors participate in defined contribution arrangements. Participants may elect to receive some or all of their entitlement as a cash allowance.

Purpose	Maximum annual opportunity and link to performance	Operation
Other benefits and allowances To promote the well-being of employees, allowing them to focus on the business.	The aggregate maximum value of all other benefits and allowances is not anticipated to exceed £100,000 per individual per annum. The Committee may agree that the Company will pay additional allowances linked to relocation or international assignment. For the purposes of providing a maximum, it is not expected that this would exceed £250,000 in any year for one individual. For the CC & CEO only, the maximum value of all cash allowances is £440,000 per annum, as agreed in his previous role, prior to his appointment as an executive director. He is also entitled to receive the non-cash benefits, as noted to the right; the value of these is not expected to exceed £20,000 per annum.	Benefit levels are reviewed on an annual basis and the cost to the Company of providing benefits can vary due to a number of factors. Benefits for executive directors may include, but are not limited to: • private medical insurance • life assurance • long-term disability insurance • car allowance • clothing allowance • employee discount Reasonably incurred expenses will be reimbursed. **Discretion:** The Committee retains the discretion to provide other benefits to the executive directors as deemed necessary.
Discretion to honour all prior commitments The Committee reserves the right to make any payments where the terms were agreed before this policy came into effect or prior to an individual being appointed a director of the Company. These payments will include the satisfaction of share awards previously granted.		
Outstanding Co-Investment Plan (CIP) awards (prior commitments) To allow payment of awards made under previous policy.	Maximum awards (subject to investment of bonus): • 400% of salary (that is a two-times match on a maximum bonus of 200% of salary) The performance measure that determines vesting is growth in Adjusted PBT over three years.	It is the Committee's intention that outstanding CIP awards should be allowed to pay out according to the terms on grant. Further details are contained in the remuneration report for the year of grant and will be included in the remuneration report for the final year of the performance period. Malus provision: None.
Outstanding Restricted Share Plan (RSP) awards (prior commitments) To allow payment of outstanding awards, made under previous policy.	Maximum awards: • 200% of salary • One-off exceptional award of 300% of salary (granted to the CC & CEO in his previous role, prior to his appointment as an executive director) Performance conditions for executive directors: • 50% on growth in Adjusted PBT over three years • 50% on relative TSR vs. sector peers over three years	It is the Committee's intention that outstanding RSP awards should be allowed to pay out according to the terms on grant. Further details are contained in the remuneration report for the year of grant and will be included in the remuneration report for the final year of the performance period. Malus provision: None.
Outstanding exceptional share awards (prior commitments) To allow payment of outstanding awards, made under prior commitments to Christopher Bailey.	(1) In Christopher Bailey's prior role as Chief Creative Officer. Maximum outstanding awards: • 1,350,000 shares Vesting conditions are continued employment over three, four and five years from date of grant (2) On Christopher Bailey's appointment to CC & CEO. Maximum outstanding award: • 500,000 shares Vesting conditions are key strategic performance objectives, as determined by the Remuneration Committee at date of grant, and continued employment over three, four and five years from date of grant	It is the Committee's intention that outstanding exceptional share awards should be allowed to pay out according to the terms on grant. Further details will be included in the remuneration report for the year when any awards are included in the single figure of total remuneration. In the case of the award on appointment to the CC & CEO, the Committee will disclose further details on the key strategic performance objectives at the time they are considered not to be commercially sensitive and will provide commentary on progress towards these objectives on an annual basis.

Notes:
Adjustment of share awards: The number of shares subject to an award can be adjusted on a rights issue, special dividend, demerger or variation of capital or similar transaction. Awards will vest on a takeover to the extent performance conditions are achieved and the number of shares will be generally prorated to reflect early vesting. Alternatively, they can be exchanged for equivalent awards over shares in the acquiring company. The Committee can also allow full or partial vesting on a demerger, special dividend, distribution in specie or if the participant is relocated in circumstances which would give rise to unfavourable tax treatment. Share awards can be satisfied by a cash payment equal to the value of shares the participant would otherwise have received.

In respect of our share plans, this table presents a summary of the key and relevant information for the Plan Rules. It is the Committee's intention that these plans will operate in accordance with the Plan Rules as approved by shareholders.

Purpose	Maximum annual opportunity	Operation
Non-executive directors		
Chairman – fees To attract and retain a high-calibre chairman by offering a market-competitive fee.	Maximum increase: 10% of fee (per annum over period since last review date).	The Chairman is paid a single fee for all responsibilities. The fee level is reviewed at least every three years by the Committee, with reference to UK market levels in companies of a similar size, the time commitment and personal contribution. The fee was last reviewed in July 2013. The fee is paid in cash.
Non-executive directors (NEDs) – fees To attract and retain high-calibre non-executive directors by offering market-competitive fees.	Maximum increase for each type of fee (per individual director): 10% of fee (per annum over period since last review date).	The non-executive directors are paid a basic fee. The Chairmen of the Audit and Remuneration Committees and the Senior Independent Director are paid an additional fee to reflect their extra responsibilities. Fee levels are reviewed at least every three years by the Board, with reference to UK market levels in companies of a similar size. The fees were last reviewed in July 2013. Fees are paid in cash.
Chairman and NEDs – other benefits To enable the Chairman and non-executive directors to undertake their roles.	Non-executive directors receive a £2,000 attendance allowance per meeting for attendance at Board meetings outside of their country of residence (except the Chairman) and, as brand ambassadors, discount on Burberry products.	Attendance allowances are paid in cash. Reasonably incurred expenses will be reimbursed.
NEDs – additional fees To allow flexibility to provide additional fees if required.	Maximum additional fee: £20,000	The Company has the discretion to pay an additional fee to a non-executive director should the Company require significant additional time commitment in exceptional circumstances. The Company currently has no intention to use this discretion.

1.2. Policy on recruitment and promotion arrangements

The Committee will pay new directors in accordance with the approved remuneration policy and all its elements as set out in the table above. The ongoing annual remuneration arrangements for new executive directors will therefore comprise base salary, annual bonus, ESP award, pension, benefits and all employee share plans. In addition, the recruitment policy below permits the Committee to take the following actions, as appropriate, in the best interests of the Company and therefore shareholders.

- For an internal appointment, any commitment made in respect of the prior role will be allowed to pay out according to its terms.
- For external and internal appointments, the Committee may agree that the Company will pay certain allowances linked to relocation, as appropriate, and will meet expenses / reimburse an executive against additional costs on appointment. In addition, the Committee may agree that the Company will pay certain allowances linked to repatriation on termination of employment.
- For external appointments, the Committee may offer additional cash and/or share based elements to take account of remuneration relinquished when leaving a former employer. As far as possible and appropriate, such payments would reflect the nature, time horizons and performance requirements attaching to the relinquished remuneration.
- If necessary, the Committee may offer additional cash and/or share based elements to secure an appointment. The Committee would determine the performance conditions and time horizons that would apply to such awards at the time. Such awards would be limited to 600% of salary.
- If necessary, the Committee may enter into a service contract with a longer initial notice period, reducing to 12 months or less on a rolling basis to secure the appointment of an executive from an environment where longer notice periods are market practice.

For internal appointments the terms and conditions of the individual employment prior to the appointment will remain in force unless the Committee otherwise decides and the individual agrees.

1.3. Supplementary information

<u>External directorships</u>

The Board's executive directors are permitted to hold only one non-executive directorship of a FTSE 100 company and may retain the fees payable from such an appointment. Details of the directors' other directorships can be found in their biographies on pages 66 and 67 and the associated fees are shown in the notes to the single figure of total remuneration table on page 99.

<u>Remuneration policy in the rest of the Company</u>

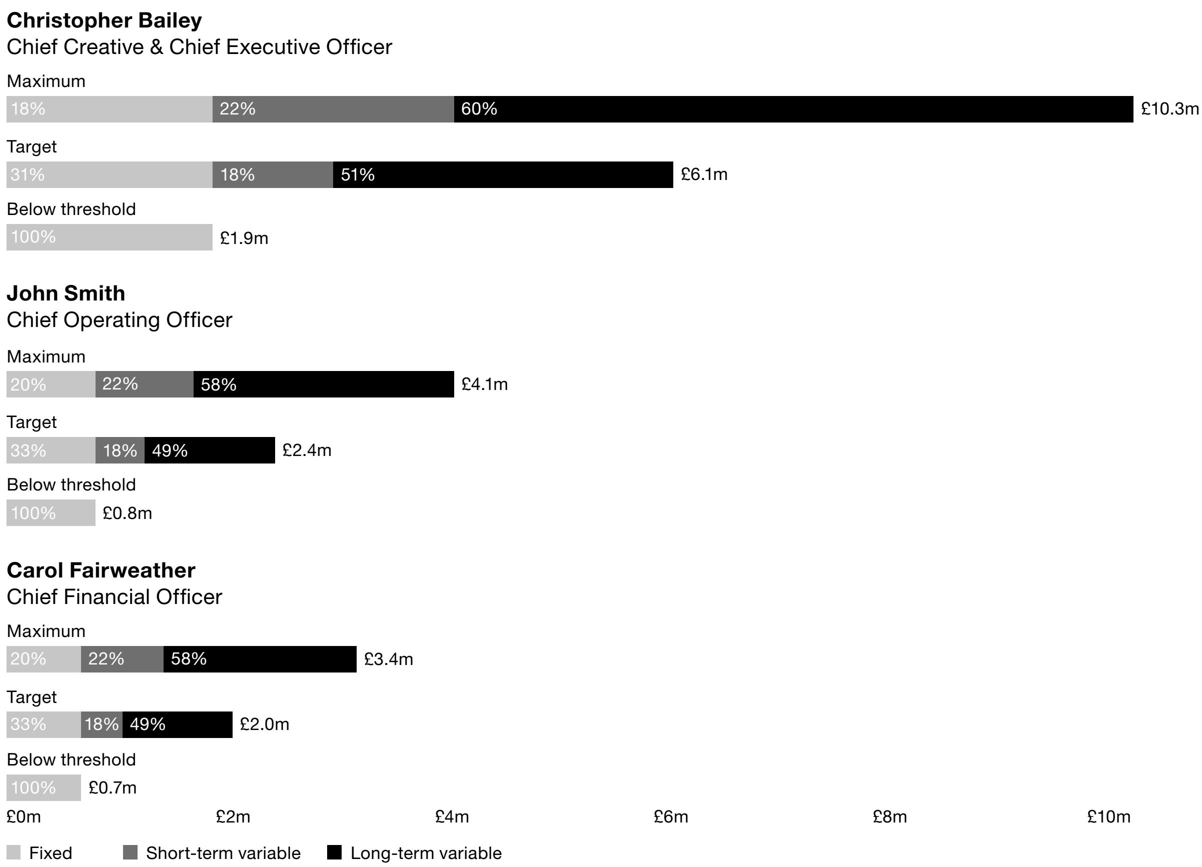
The remuneration arrangements for executive directors outlined in section 1.1. above are consistent with those for the other senior executives, although quantum and award opportunities vary by executive level.

During its deliberations on executive remuneration, the Committee considers the reward framework for all employees worldwide, ensuring that the principles applied are consistent with the executive remuneration policy. Merit increases awarded to executives are determined within the broader context of employee remuneration. All employees are eligible for an annual bonus based on performance and executive share plans are extended through the organisation to senior executives and high-potential employees as and where appropriate. The principle of shareholder alignment is reflected throughout the organisation through our all employee share plans, which are (where legally possible) extended to all eligible Burberry employees globally.

Indicative total remuneration levels

A substantial portion of executive director remuneration is dependent on Company performance. The charts below illustrate indicative levels of total remuneration which would be received by each executive director under the remuneration policy above for the first complete financial year in which the policy will apply (from 1 April 2015) at each of: (1) maximum, (2) target and (3) below threshold performance scenarios.

Executive director total remuneration at different levels of performance



Notes:

- 'Maximum' remuneration includes fixed pay plus 100% of annual bonus opportunity and a 400% of salary ESP award.
- 'Target' remuneration includes fixed pay plus 50% of annual bonus opportunity and a 200% of salary ESP award.
- 'Below threshold' remuneration includes fixed pay only (salary, pension and cash allowances).
- No share price growth or dividend payments have been applied to share awards included in these indicative total remuneration figures.
- Salaries are assumed to be at the levels that will apply from 1 July 2014.
- The CC & CEO's 2014 exceptional share award has been included in the chart above on an annualised basis – the same approach will be taken in each year until the award has vested in full. His 2010 and 2013 exceptional share awards have been excluded, as they do not form part of the general policy or his remuneration as CC & CEO.

Policy on service agreements and termination provisions

Executive directors

The Company's general policy on directors' service agreements is that they operate on a rolling basis with no specific end date and include a 12-month notice period both to and from the Company.

	Date of current service agreement	Date employment commenced	Notice period to the Company	Notice period from the Company
Christopher Bailey	30 April 2014	7 May 2001	6 months	12 months
John Smith	6 February 2013	4 March 2013	12 months	12 months
Carol Fairweather	11 July 2013	12 June 2006	6 months	12 months

Standard terms on termination

- **Salary, benefits and allowances:** Executive directors continue to receive salary, benefits and allowances during their notice period. Pursuant to the terms of Business Protection Agreements (which set out restrictive covenants and terms relating to the non-solicitation of employees) in place with the executive directors (except the CC & CEO), payments equal to salary for the duration of certain restrictive covenants may be made if the employer chooses to enforce them to protect Burberry's continuing business.
- **Annual bonus paid in cash:** An executive considered to be a 'good leaver' (for example leaving the Company on retirement, redundancy, ill health, as a result of death in service or as decided by the Committee) may remain eligible for a prorated payment of the annual bonus subject to achievement of bonus targets. An executive who has left employment for a reason such as leaving to join a competitor company during the performance period or before the payment is due, or who has given or been given notice in those circumstances at the time of payment, will not be eligible to receive an annual bonus. The Committee retains discretion to vary the approach and the payment of annual bonus to leavers, as outlined below.
- **CIP invested shares:** An executive leaving the Company for any reason is entitled to retain all invested shares held.
- **CIP matching awards:** For an executive considered to be a 'good leaver' (including leaving the Company on retirement, redundancy, ill health, as a result of death in service or as decided by the Committee), outstanding awards will be prorated for time and vest subject to performance on the original vesting date. Upon a change in control of the Company, outstanding awards will be prorated for time and vest subject to performance at the point of change in control. For an executive whose employment is terminated for any other reason (such as leaving to join a competitor company) during the performance period, CIP matching awards will lapse in full. The Committee retains discretion to vary the approach and the extent to which CIP matching awards vest for leavers, as outlined below.
- **RSP awards:** For an executive considered to be a 'good leaver' (including leaving the Company on retirement, redundancy, ill health, as a result of death in service or as decided by the Committee), outstanding awards will be prorated for time and vest subject to performance. Upon a change in control of the Company, outstanding awards will vest subject to performance at the point of change in control. For an executive whose employment is terminated for any other reason (such as leaving to join a competitor company) during the performance period, RSP awards will lapse in full. The Committee retains discretion to vary the approach and the extent to which RSP awards vest for leavers, as outlined below.
- **ESP awards (proposed):** For an executive considered to be a 'good leaver' (including leaving the Company on retirement, redundancy, ill health, as a result of death in service or as decided by the Committee), outstanding awards will be prorated for time and vest subject to performance on the original vesting date. Upon a change in control of the Company, outstanding awards will be prorated for time and vest subject to performance at the point of change in control. For an executive whose employment is terminated for any other reason (such as leaving to join a competitor company) during the performance period, ESP awards will lapse in full. The Committee retains discretion to vary the approach and the extent to which awards vest for leavers, as outlined below.
- **Other:** Reasonable disbursements (for example, legal or professional fees, relocation costs) will be paid.
- **Discretion:** In the Committee's experience, directors leave for a wide variety of reasons and individual circumstances, which do not all fall within the 'good leaver' categories outlined above. The Committee therefore retains discretion to approve payments to individuals based on individual circumstances and performance while in office. In applying any such discretion, the Committee will make any decisions by considering the best interests of shareholders and those of the remaining employees including directors. Where awards are subject to performance conditions, these would be tested at the end of the relevant period(s) and any award which is allowed to vest would be prorated for time in office.

<u>Christopher Bailey</u>
The Company has agreed specific arrangements with Christopher Bailey in relation to termination of his employment in substitution for the first two bullets of the standard terms described in the previous section. These specific arrangements are described below.

The Company may terminate Christopher Bailey's service agreement without cause by giving 12 months' written notice. The Company may terminate the service agreement immediately, in its sole discretion, by written notice and electing to pay to Christopher Bailey either (1) a lump sum representing his salary in lieu of the unexpired notice period within 14 days of termination or (2) in monthly instalments of 1/12 of his annual salary and 1/12 of his annual allowance of £440,000 in lieu of the unexpired notice period or until Christopher Bailey commences any new employment or engagement if earlier. Christopher Bailey must use his reasonable endeavours to seek alternative employment during the balance of his unexpired notice period. The Company will also pay Christopher Bailey a bonus for the year in which employment terminated subject to achievement of the performance targets and other requirements of the bonus arrangements for that year, prorated to actual service in the bonus year. The bonus would be paid on the usual bonus payment date.

Christopher Bailey may terminate his service agreement at any time for 'Good Reason', provided he has requested that the Company remedy the relevant breach within 14 days of notification and the Company has failed to do so. 'Good Reason' means the Company is guilty of serious and continued non-observance or breach of the terms of the service agreement or of any applicable substantial laws which are detrimental to Christopher Bailey. On termination for 'Good Reason' Christopher Bailey is entitled to a lump sum payment representing his salary in lieu of notice. The Company will also pay Christopher Bailey a bonus for the year in which employment terminated subject to achievement of the performance targets and other requirements of the bonus arrangements for that year, prorated to actual service in the bonus year. The bonus would be paid on the usual bonus payment date.

The Company may terminate the service agreement on health grounds by giving Christopher Bailey not less than six months' notice once Christopher Bailey's entitlement to Company sick pay has been exhausted or he has been incapacitated for more than 26 weeks (whether or not continuous) in any period of 52 weeks. The Company may, in its sole discretion, terminate the employment by making a payment of 130 per cent of his salary, and pay the allowance in lieu of notice within 14 days of termination. The Company will also pay Christopher Bailey a bonus for the year in which employment terminated subject to achievement of the performance targets and other requirements of the bonus arrangements for that year, prorated to actual service in that year. The bonus would be paid on the usual bonus payment date.

If Christopher Bailey dies during his employment with the Company, the Company will pay his estate his salary to the termination date and a bonus calculated as for an ill health termination described above.

Upon termination of the service agreement, Christopher Bailey's entitlements (if any) under the relevant share plans in which he participates will be determined in accordance with the rules of those plans, as described above.

Non-executive directors
The non-executive directors serve under Letters of Appointment with the Company. Non-executive directors may continue to serve subject to the annual re-election by shareholders at each Annual General Meeting of the Company, subject to six months' notice by either party. There are no provisions for compensation for loss of office, or payments in lieu of notice in the Letters of Appointment.

1.4. Development of directors' remuneration policy
In developing and reviewing the directors' remuneration policy, the Committee is mindful of the views of shareholders and is sensitive of the relativities of arrangements for senior executives to those for employees more generally.

The Committee proactively seeks feedback from shareholders when considering any significant changes to remuneration for executive directors. The Committee also listens to and takes into consideration investor views more generally throughout the year. For example, during the year the Company consulted with its leading shareholders on the proposed ESP and remuneration policy and refined the proposals based on the feedback received.

Base salary increases awarded to executives are determined within the broader context of Company-wide salary increases. Given the scale, geographic spread and the diversity of roles of the Company's employees, the Committee does not proactively consult with employees specifically on the remuneration policy for directors. Employees are free to communicate their views internally on any topic including by using the Burberry internal social media platform or using the employee confidential helpline. In addition, many of the Company's employees are shareholders, through the Sharesave and Free Share plans, and they, like other shareholders, are able to express their views on directors' remuneration at each general meeting.

2. Directors' remuneration in 2013/14

The information set out in this section has been subject to external audit where indicated.

2.1. Single figure of total remuneration outcomes for 2013/14 (audited)

The table below sets out the single figure of total remuneration received or receivable by the directors in respect of the 2013/14 year (or the three-year performance period ending on 31 March 2014 in respect of the 2011 Co-Investment Plan awards).

The remuneration for Angela Ahrendts relates to the period 1 April 2013 to 31 March 2014, during which she served as Chief Executive Officer. The remuneration for Carol Fairweather relates to the period 11 July 2013 to 31 March 2014, the period during which she served as a director and Chief Financial Officer. The remuneration for Stacey Cartwright relates to the period from 1 April 2013 to 12 July 2013, when she stepped down from the Board. Christopher Bailey was not a director during the year and so his remuneration does not appear in this table.

	Salary/fees £'000	Benefits/ allowances £'000	Bonus £'000	CIP £'000	RSP £'000	Total LTI £'000	Pension £'000	Total £'000
Executive directors								
Angela Ahrendts								
Year to 31 March 2014	1,057	467	1,492	4,662	–	4,662	317	**7,995**
Year to 31 March 2013	1,020	439	1,545	7,591	–	7,591	306	10,901
John Smith								
Year to 31 March 2014	575	48	604	–	–	–	173	**1,400**
Year to 31 March 2013	110	6	–	–	–	–	14	130
Carol Fairweather								
Year to 31 March 2014	302	23	308	325	–	325	91	**1,049**
Former executive directors								
Stacey Cartwright								
Year to 31 March 2014	175	11	–	–	–	–	53	**239**
Year to 31 March 2013	615	40	698	3,208	968	4,176	185	5,714
Non-executive directors								
Sir John Peace								
Year to 31 March 2014	388							**388**
Year to 31 March 2013	350	2						352
Philip Bowman								
Year to 31 March 2014	130							**130**
Year to 31 March 2013	115	2						117
Ian Carter								
Year to 31 March 2014	109	12						**121**
Year to 31 March 2013	84	14						98
Stephanie George								
Year to 31 March 2014	78	12						**90**
Year to 31 March 2013	70	14						84
David Tyler								
Year to 31 March 2014	78							**78**
Year to 31 March 2013	76	2						78
Matthew Key								
Year to 31 March 2014	47							**47**
Jeremy Darroch								
Year to 31 March 2014	15							**15**

Note:
Each executive director is entitled to an annual pension contribution or allowance equal to 30% of base salary.

The table below details the benefits/allowances received by the executive directors during the 2013/14 year:

2013/14 benefits/allowances (£'000s)	Overseas allowance	Car allowance	Clothing allowance	Private medical insurance	Life assurance	Long-term disability insurance	Tax and other professional advice	Total £'000
Angela Ahrendts	344	18	25	23	9	6	42	**467**
John Smith	–	17	15	2	11	3	–	**48**
Carol Fairweather	–	7	11	3	1	1	–	**23**
Former executive directors								
Stacey Cartwright	–	5	4	–	1	1	–	**11**

Notes:
- It is the intention of Carol Fairweather and John Smith that 100% of their 2013/14 annual bonus after tax will be invested in shares under the CIP.
- The amounts shown for 2011 CIP awards vesting for Angela Ahrendts and Carol Fairweather (for year to 31 March 2014) assume a share price of £14.75, based on the average share price over the three months to 31 March 2014, and payments of £233,595 and £16,259 respectively in lieu of dividends, because these awards are yet to vest.
- 2010 CIP awards vested in full on 10 June 2013 at a share price of £14.29. The amount shown for Angela Ahrendts also includes a payment of £423,798 in lieu of dividends.
- John Smith became an executive director on 4 March 2013, having previously served as a non-executive director until that date. Salary/fees for John Smith for the year to 31 March 2013 comprise non-executive fees of £64,000 and executive director salary of £46,000. Allowances paid in cash for the same period comprise £2,000 while a non-executive director and £2,000 for allowances received as an executive director.
- Fees for Matthew Key relate to the period from 1 September 2013 (his appointment date) to 31 March 2014.
- Fees for Jeremy Darroch relate to the period from 5 February 2014 (his appointment date) to 31 March 2014.
- Stacey Cartwright 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 can be retained by her. From 1 April 2013 to 12 July 2013 fees for this appointment were £29,960 (1 April 2012 to 31 March 2013: £85,000).
- Stacey Cartwright continued as an employee to receive salary, benefits and pension contribution for the period when she had stepped down from the Board, from 12 July 2013 until her leaving date of 31 July 2013 (salary of £31,000, benefits/allowances of £2,084 and pension of £9,434) – these amounts are not included in the table above. For the full year to 31 March 2013, Stacey Cartwright served as Chief Financial Officer and was therefore entitled to an annual bonus, her 2010 CIP award, which vested in full (214,944 shares at a price of £14.29, plus a dividend equivalent payment of £136,489) and the first tranche (50%) of her 2010 RSP award which vested at 87% (67,860 shares at a share price of £14.27) – these are included in the table above. Stacey Cartwright did not receive any payment for loss of office or otherwise in respect of her departure from the Company.
- No payment has been made to a past director other than to Stacey Cartwright, as stated above.

2.2. Salary for 2013/14

Angela Ahrendts held the role of Chief Executive Officer for the 2013/14 year and left the Company on 30 April 2014. Her annual salary was £1,066,000 from 1 July 2013. John Smith became an executive director on 4 March 2013 with a salary of £575,000, this will be reviewed in July 2014. Carol Fairweather became an executive director on 11 July 2013 and her salary was increased on 1 October 2013 from £350,000 to £450,000 to reflect her new role. Carol Fairweather's salary will be reviewed in July 2014.

2.3. Annual bonus outcomes 2013/14 (audited)

For the year to 31 March 2014, the 2013/14 Adjusted PBT achieved was between the target and maximum level set by the Committee, which resulted in bonuses for the executive directors of 70% of maximum, as set out in the table below.

Annual bonus for 2013/14	Maximum bonus opportunity (% of salary)	2013/14 bonus payment (% of maximum)	2013/14 bonus payment (% of salary)	2013/14 bonus payment (£'000)
Angela Ahrendts	200%	70%	140%	1,492
John Smith	150%	70%	105%	604
Carol Fairweather	135%	70%	95%	308

Targets will be disclosed in the 2014/15 report unless the Board deems them to be commercially sensitive.

For the final time, in respect of 2013/14 bonuses, executive directors (excluding Angela Ahrendts) can choose to invest the full amount into shares and any invested amounts are eligible for matching awards under the Co-Investment Plan. Christopher Bailey, John Smith and Carol Fairweather intend to invest 100% of their bonuses (after the deduction of tax) into Burberry shares under the CIP. Further details of the associated matching awards are shown in the Summary of key remuneration aspects in 2014/15 for executive directors on page 103, full details will appear in the 2014/15 Directors' Remuneration Report.

2.4. Co-Investment Plan outcomes for 2013/14 (audited)

In June 2011, Angela Ahrendts and Carol Fairweather were awarded Co-Investment Plan ('CIP') matching awards of 300,252 and 20,898 shares respectively. Vesting was subject to performance from 1 April 2011 to 31 March 2014, as follows: 25% of awards vest if growth in Adjusted PBT is 5% per annum over three years, 100% vest if Adjusted PBT growth is equal to or exceeds 10% per annum over three years. The vesting outcome based on three-year Adjusted PBT growth is calculated using Adjusted PBT as disclosed in the annual accounts. Actual Adjusted PBT growth over the three-year period to 31 March 2014 at constant exchange rates was 14.2%, therefore 100% of awards will vest in June 2014, as set out in the table below.

CIP outcomes for 2013/14	2011 CIP award (no. of matching shares)	2011 CIP Adjusted PBT growth targets over three years (p.a.)	Level of Adjusted PBT growth achieved over three years#	2013/14 CIP vesting (% of maximum)	2013/14 CIP vesting (£'000)*
Angela Ahrendts	300,252	Threshold: 5%	14.2% p.a.	100%	4,662
Carol Fairweather	20,898	Maximum: 10%		100%	325

* The amounts shown for 2011 CIP awards vesting for Angela Ahrendts and Carol Fairweather (for year to 31 March 2014) assume a share price of £14.75, based on the average share price over the three months to 31 March 2014, and payments of £233,595 and £16,259 respectively in lieu of dividends, because these awards are yet to vest.

\# The level of Adjusted PBT achieved is lower than the reported 2013/14 Adjusted PBT due to adjustments made by the Committee to reflect both constant exchange rates and the deduction of items disallowed by the Committee for remuneration purposes.

John Smith became an executive director on 4 March 2013 and so did not receive a CIP award in 2011.

2.5. Restricted Share Plan outcomes for 2013/14 (audited)

No Restricted Share Plan ('RSP') awards are due to vest for the 2013/14 year, as no RSP awards were granted to executive directors under the plan in 2011.

2.6. Change in the Chief Executive Officer's remuneration relative to all employees

The table below sets out the year-on-year change (2013/14 vs. 2012/13) of Angela Ahrendts's salary, benefits and annual bonus received in her role as Chief Executive Officer, compared to the year-on-year change for comparator group of UK-based employees.

		Salary	Benefits	Bonus
Chief Executive Officer	Year-on-year change (%)	+3.6%	+5.7%	-3.4%
Employees*	Year-on-year change (%)	+3.5%	0%	-3.4%

* The comparator group includes employees in senior corporate roles based in the UK. This group has been chosen as these employees have a remuneration package with a similar structure to the CEO (including salary, benefits/allowances and annual bonus) and being UK-based, most closely reflects the economic environment encountered by the CEO. For the comparator group of employees, the salary and bonus year-on-year changes include the annual salary review but exclude any additional changes made in the year (to salary or bonus levels), for example on promotion. In 2013/14, the bonus outturn based on Adjusted PBT performance was 70% of maximum, compared to 75% of maximum in 2012/13. The 0% increase for benefits for the comparator group of employees reflects no change to benefits policies or levels during the year. It does not reflect any changes to the level of benefits an individual may have received as a result of a change in role, for example on promotion. For all employees, the average salary increase was 3.5% (including annual salary review but excluding any additional changes). A meaningful year-on-year change for benefits and bonus for all employees cannot be provided due to the variation in structure of these pay elements across roles and regions.

2.7. Relative importance of spend on pay for 2013/14

The table below sets out the total payroll costs for all employees over 2013/14 compared to total dividends payable for the year.

Relative importance of spend on pay		2013/14	2012/13
Dividends paid during the year (total)	£m	130.7	113.5
	% change	+15.2%	
Payroll costs for all employees	£m	441.3	387.0
	% change	+14.0%	
Average number of full-time equivalent employees		9,698	8,867
	% change	+9.4%	

3. Outstanding share interests

The information set out in this section has been subject to external audit where indicated.

3.1. Conditional share awards granted in 2013/14 (audited)

The table below summarises the long-term conditional share awards granted to directors during 2013/14.

Summary of conditional share awards granted in 2013/14

Type of award	Performance measure	Vesting schedule	Performance period end	Director	Basis of award	Number of shares awarded	Face value at grant[3]
CIP matching share awards[1]	Growth in Adjusted PBT over three years	25% for 5% p.a. 100% for 10% p.a. or above Straight-line vesting between	31/3/2016	Angela Ahrendts[4]	1.5x invested 2012/13 bonus	170,116	£2,317,500
				John Smith		–	–
				Carol Fairweather	1.125x invested 2012/13 bonus	21,677	£295,313
RSP share awards[2]	Growth in Adjusted PBT over three years (50%)	25% for 10% p.a.[5] 100% for 15% p.a. or above Straight-line vesting between	31/3/2016	Angela Ahrendts[4]	2x salary	157,343	£2,132,000
	TSR vs. sector peers over three years (50%)	25% for median 100% for upper quartile or above Straight-line vesting between		John Smith	1.5x salary	63,653	£862,500
				Carol Fairweather	1x salary	25,830	£350,000

1 The CIP matching shares were awarded on 14 June 2013 and will vest after three years, subject to the performance conditions outlined above. John Smith became an executive director on 4 March 2013 and so did not receive either a bonus for 2012/13 or a CIP matching award in 2013/14.
2 The RSP shares were awarded on 14 June 2013 and will vest 50% after three years, and 25% after each of four and five years, subject to the performance conditions outlined above.
3 The face value of each award has been calculated using the share price at the date of grant (£13.62 for CIP matching awards and £13.55 for RSP awards). As receipt of these is conditional on performance, the actual value of these awards may be nil. Vesting outcomes will be disclosed in the 2016/17 remuneration report.
4 The CIP and RSP awards granted to Angela Ahrendts during 2013/14 lapsed in full upon her departure from Burberry, as noted on page 104.
5 The threshold PBT target for RSP awards was set at a stretching 10% p.a. to reflect that awards above 1x salary had been granted.

3.2. Further information on conditional share awards granted in 2013/14 (audited)

TSR performance vs. sector peers

50% of the RSP share awards granted in 2013/14 vest subject to Burberry's three-year TSR performance relative to sector peers. The TSR peer group for the 2013 awards comprises: Coach, Compagnie Financière Richemont, Estée Lauder, Fossil, Fifth & Pacific (formerly Liz Claiborne), Geox, Hermès International, Hugo Boss, Inditex, Kering (formerly PPR), Luxottica Group, LVMH Moët Hennessy Louis Vuitton, Nike, Nordstrom, Polo Ralph Lauren, Saks, Swatch, Tiffany & Co, and Tod's. The vesting outcome based on relative TSR is calculated by Towers Watson.

Growth in Adjusted PBT

The vesting outcome based on three-year Adjusted PBT growth is calculated using Adjusted PBT as disclosed in the annual accounts, subject to any adjustments made by the Committee to reflect any items deemed to be outside of management's control.

3.3. Total interests in shares (audited)

The table below summarises the total interests of the directors in ordinary shares of Burberry Group plc as at 31 March 2014. There have been no changes in the period up to and including 20 May 2014 (apart from those detailed in notes 3 and 6 below). These include beneficial and conditional interests and the interests of their connected persons in shares.

Director	Type of award	Date of grant	Conditional (with performance)	Conditional (continued employment)	Unconditional but unexercised	Number of shares owned	Total
Angela Ahrendts[5]	RSP	01-Jun-09	–	112,500	–		
	RSP[1,3]	14-Jun-13	157,343	–	–		
	CIP[2]	07-Jun-11	300,252	–	–		
	CIP[2,3]	18-Jul-12	326,736	–	–		
	CIP[2,3]	14-Jun-13	170,116	–	–		
	One-off NCO[3]	08-Dec-10	500,000	–	–		
	SAYE/SIP[3]	25-Jun-10	–	2,773	–		
	Total		**1,454,447**	**115,273**	**–**	**685,011**	**2,254,731**
John Smith	RSP[1]	14-Jun-13	63,653	–	–		
	SAYE/SIP	20-Jun-13	–	737	–		
	Total		**63,653**	**737**	**–**	**2,560**	**66,950**
Carol Fairweather[4]	RSP	25-Jun-08	–	–	6,250		
	RSP	01-Jun-09	–	10,000	–		
	RSP	10-Jun-10	–	13,050	–		
	RSP[1]	13-Jun-12	39,651	–	–		
	RSP[1]	14-Jun-13	25,830	–	–		
	CIP[2]	07-Jun-11	20,898	–	–		
	CIP[2]	18-Jul-12	32,178	–	–		
	CIP[2]	14-Jun-13	21,677	–	–		
	SAYE/SIP	20-Jun-13	–	737	–		
	Total		**140,234**	**23,787**	**6,250**	**52,653**	**222,924**
Sir John Peace			–	–	–	**195,738**	**195,738**
Philip Bowman			–	–	–	**75,000**	**75,000**
Ian Carter			–	–	–	**34,790**	**34,790**
Stephanie George			–	–	–	**41,600**	**41,600**
David Tyler			–	–	–	**44,000**	**44,000**
Matthew Key			–	–	–	**1,260**	**1,260**
Jeremy Darroch			–	–	–	**–**	**–**
Former directors							
Stacey Cartwright[7] (holding as at 12 July 2013)	RSP[1,6]	01-Jun-09	–	66,250	–		
	RSP[1,6]	10-Jun-10	–	33,930	–		
	RSP[1,6]	13-Jun-12	83,333	–	–		
	CIP[2,6]	18-Jul-12	148,516	–	–		
	Total		**231,849**	**100,180**	**–**	**452,261**	**784,290**

1 RSP awards are subject to the same performance conditions as outlined on page 103.
2 CIP awards are subject to the same performance conditions as outlined on page 103.
3 Awards lapsed in full upon Angela Ahrendts' departure in accordance with the rules of each plan and as outlined on page 104 (the 'One-off NCO' was a nil-cost option award).
4 Carol Fairweather exercised the following awards during the year:
– 35,651 shares under CIP (granted 9 June 2010). The market value of Burberry shares on the date of exercise (14 June 2013) was 1362.30p;
– 10,000 shares under RSP (granted 1 June 2009). The market value of Burberry shares on the date of exercise (14 June 2013) was 1362.30p;
– 13,050 shares under RSP (granted 10 June 2010). The market value of Burberry shares on the date of exercise (14 June 2013) was 1362.30p.
5 Angela Ahrendts exercised the following awards during the year:
– 501,536 shares under CIP (granted 9 June 2010). The market value of Burberry shares on the date of exercise (26 November 2013) was 1499.196p;
– 112,500 shares under RSP (granted 1 June 2009). The market value of Burberry shares on the date of exercise (26 November 2013) was 1499.196p.
6 Awards lapsed in full upon Stacey Cartwright's departure in accordance with the rules of each plan.
7 Stacey Cartwright exercised during the year:
– 214,944 shares under CIP (granted 9 June 2010). The market value of Burberry shares on the date of exercise (14 June 2013) was 1362.30p;
– 10,076 shares under RSP (granted 10 August 2006). The market value of Burberry shares on the date of exercise (14 June 2013) was 1362.30p;
– 2,521 shares under RSP (granted 27 November 2006). The market value of Burberry shares on the date of exercise (14 June 2013) was 1362.30p;
– 15,746 shares under RSP (granted 11 June 2007). The market value of Burberry shares on the date of exercise (14 June 2013) was 1362.30p;
– 66,250 shares under RSP (granted 1 June 2009). The market value of Burberry shares on the date of exercise (14 June 2013) was 1362.30p;
– 33,930 shares under RSP (granted 10 June 2010). The market value of Burberry shares on the date of exercise (14 June 2013) was 1362.30p.

Shareholding policy

To ensure continued alignment with the interests of shareholders, the Board has increased the minimum shareholding requirement for directors and senior executives to the following levels:

- 500,000 shares for the CC & CEO;
- two-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 50% of shares acquired on the exercise of options and awards net of tax, until such guidelines are met.

As at 31 March 2014 (at the closing share price of £13.95), the value of shares owned by John Smith and Carol Fairweather was £35,712 and £734,509 respectively (or 6% and 163% of their respective salaries as at that date). Both John and Carol became executive directors during 2013 and will now be expected to make progress towards their executive shareholding requirement of two-times salary. As at 31 March 2014, Angela Ahrendts had fulfilled her shareholding requirement and held shares worth £9,555,903 (or 896% of her salary). As at 31 March 2014, all of the non-executive directors had fulfilled the requirement to hold shares with a market value of £6,000 for each year of their appointment, with the exception of Jeremy Darroch who was appointed towards the end of the year. As at her leaving date, Stacey Cartwright had fulfilled her shareholding requirement.

4. Directors' remuneration in 2014/15

It is the Committee's intention that the remuneration policy, once approved by shareholders, will be applied immediately following approval. The table below summarises how the remuneration policy will be implemented for executive directors in the year 2014/15. Carol Fairweather will receive a salary increase of 11.1% to reflect her strong performance as CFO and to address that her salary was set at below market levels when she was appointed as CFO.

Summary of key remuneration aspects in 2014/15 for executive directors

Element	Performance measure(s)		Director	Maximum level
Base salary	–		Christopher Bailey	£1,100,000 (no increase)
			John Smith	£592,000 (3.0% increase)
			Carol Fairweather	£500,000 (11.1% increase)
Annual bonus	**Annual Adjusted PBT**		Christopher Bailey	200% of salary
	The Board considers the forward-looking PBT bonus targets to be commercially sensitive and so they will be disclosed retrospectively only		John Smith	150% of salary
			Carol Fairweather	150% of salary
CIP matching awards (final awards under this plan)	**Three-year growth in Adjusted PBT**		Christopher Bailey	196% of salary (1.4x invested 13/14 bonus)
	25% for 5% p.a.		John Smith	110% of salary (1.05x invested 13/14 bonus)
	100% for 10% p.a.			
	Straight-line vesting between		Carol Fairweather	99% of salary (1.05x invested 13/14 bonus)
RSP share awards (final awards under this plan)	**Three-year growth in Adjusted PBT (50%)**	**Three-year TSR vs. sector peers (50%)**	Christopher Bailey	100% of salary
	25% for 5% p.a.	25% for median	John Smith	100% of salary
	100% for 15% p.a.	100% for upper quartile		
	Straight-line vesting between	Straight-line vesting between	Carol Fairweather	150% of salary

The table below sets out the fee structure for the Chairman and non-executive directors for 2014/15.

Summary of Chairman and NED fees for 2014/15	Fee level £'000
Chairman[1]	**400**
Non-Executive Director	**80**
Senior Independent Director	**20**
Audit Committee Chair	**35**
Remuneration Committee Chair	**35**
Attendance allowance[2]	**2**

1 The Chairman is not eligible for committee chairmanship fees or attendance allowances.
2 Non-executive directors receive an attendance allowance for each meeting attended outside of their country of residence.

5. Further information on remuneration for Christopher Bailey as CC & CEO

Christopher Bailey's remuneration as CC & CEO is detailed below. Aside from a one-off performance-based share award for taking on the CEO role, there has been no increase to Christopher's remuneration compared to that he received in his previous role as Chief Creative Officer (CCO). The elements of his remuneration going forward are as follows:

- Salary of £1,100,000 plus an annual allowance of £440,000 and a pension allowance of 30% of salary.
- An annual performance-based bonus of up to 200% of salary and eligible to participate in the performance-based executive share plans. In line with the other executive directors, Christopher will invest his 2013/14 bonus in full and will be granted awards under the CIP and RSP for the final time in 2014/15, as outlined on page 103.
- As part of his appointment, Christopher will be awarded a one-off, performance based grant of 500,000 shares (similar to that previously granted to Angela Ahrendts in 2010). These will vest on a phased basis from 2017 to 2019.
- Christopher will continue to be required to retain 50% of any share award that vests (on a net of tax basis) until his shareholding guideline is achieved. The Committee has determined that he will be required to hold at least 500,000 shares.

In his previous role as CCO, Christopher was granted a number of share awards including under the Company's performance-based executive share plans. These will vest between 2014 and 2018. In addition Christopher was granted one-off share awards (not performance based) of 350,000 shares in December 2010 and 1,000,000 shares in July 2013. These will vest between 2015 and 2018.

6. Further information on remuneration for Angela Ahrendts

The table of total remuneration outcomes for 2013/14 (on page 98) details the remuneration Angela Ahrendts received during 2013/14. She stepped down from the Board and departed Burberry on 30 April 2014. Angela continued to receive her regular salary, pension contribution and benefit payments until 30 April 2014.

Upon her departure, Angela Ahrendts had fulfilled the CEO role for the complete 2013/14 financial year and the Remuneration Committee determined that she would receive an annual bonus, based on Adjusted PBT performance for the year 2013/14, as shown in the table on page 99.

The Remuneration Committee has determined that Angela Ahrendts's outstanding 2011 Co-Investment Plan (CIP) matching award of 300,252 shares will vest, as shown in the table on page 100. The three-year performance period was completed on 31 March 2014 prior to Angela Ahrendts's departure and she had fulfilled the role of CEO for the duration of the period. In respect of the 2011 CIP shares that vest, Angela Ahrendts will also receive a cash payment equivalent to the value of dividends which would have been received on these shares during the vesting period.

The Remuneration Committee has determined that Angela Ahrendts's outstanding final tranche of her 2009 Restricted Share Plan (RSP) of 112,500 shares will vest. The three-year performance period was completed on 31 March 2012.

The following outstanding share awards held by Angela Ahrendts have vesting dates in the future (the relevant vesting years are shown in brackets) and lapsed in full upon her departure from Burberry, in accordance with the rules of each plan:

- 500,000 shares – One-off nil-cost option award granted in 2010 (2015)
- 326,736 shares – CIP matching award granted in 2012 (2015)
- 170,116 shares – CIP matching award granted in 2013 (2016)
- 157,343 shares – RSP share award granted in 2013 (2016)
- 2,773 shares – All employee SAYE 2010 award (2015)

Angela will not be receiving any payment relating to her departure from the Company.

7. Remuneration Committee in 2013/14

7.1. Committee membership

The following directors served as members of the Committee throughout the financial year ending 31 March 2014:

Ian Carter (Chairman)
Philip Bowman
Jeremy Darroch (from 5 February 2014)
Stephanie George
Matthew Key (from 26 September 2013)
David Tyler

7.2. Advisors to the Committee during 2013/14

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), Carol Fairweather (Chief Financial Officer), Michael Mahony (Chief Corporate Affairs Officer), Anne-Soline Thorndike (Senior Vice President, Reward and Recognition) and Catherine Sukmonowski (Company Secretary).

During the 2013/14 financial year, the Committee received external advice from Towers Watson, as detailed in the table below. Towers Watson has been the appointed independent advisor to the Committee since 2011 and were selected at that time following a formal tender process. 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 and, as such, the Committee is satisfied that their advice is objective and independent.

Linklaters LLP provided advice to the Committee in relation to compliance with legislation, namely the regulations governing the disclosure of directors' remuneration in the Directors' Remuneration Report.

External advisors and fees

Advisors	Services provided to the Committee	Other services provided to the Company	Fees for Committee assistance
Towers Watson (TW)	Appointed by the Committee, to provide 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 TW is that any additional consulting services provided by TW 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. TW provides market benchmarking information to management in relation to a small number of roles which fall below the remit of Committee review.	£110,772 Fees charged on a time and expense basis

7.3. Remuneration report voting results

The table below shows the results of the shareholder advisory vote on the 2012/13 Directors' Remuneration Report. As mentioned earlier in this report, the Committee listens to and takes into consideration investor views throughout the year, including the feedback received at the 2013 AGM.

2013 AGM voting results

Vote	Votes for	Votes against	Votes withheld	Any issues raised and Company response
Advisory vote on 2012/13 Directors' Remuneration Report	308,452,943 (96.83%)	10,085,661 (3.17%)	4,159,334	Not applicable

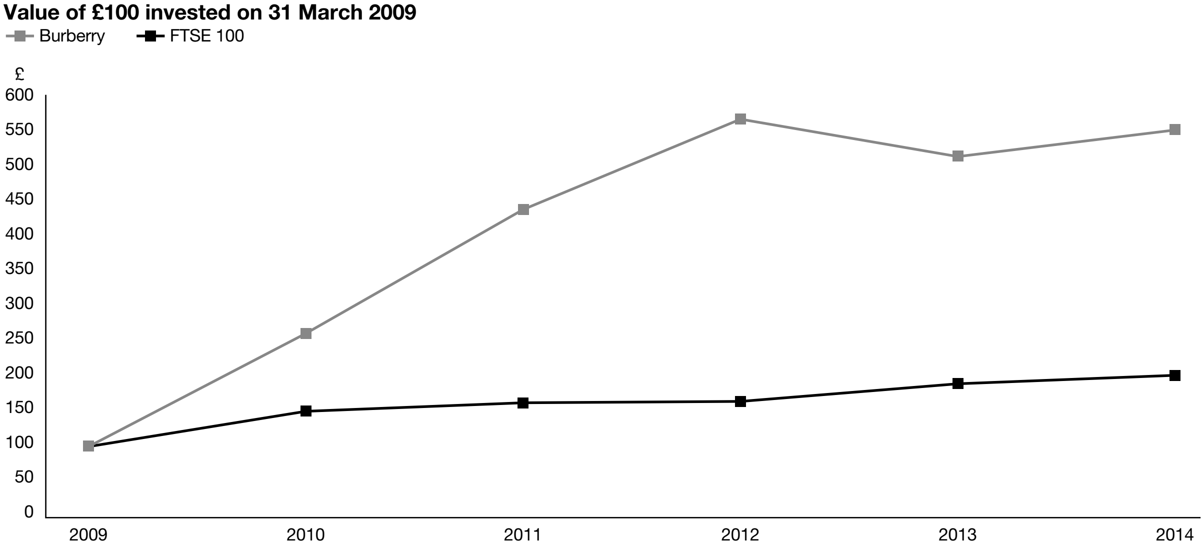
8. Five-year performance graph and Chief Executive Officer remuneration

The first chart below 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 2009. The FTSE 100 was selected because Burberry became a constituent 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.

The second chart below shows the total remuneration earned by the incumbent chief executive officer over the same five-year period, along with the proportion of maximum opportunity earned in relation to each type of incentive. The total amounts are based on the same methodology as used for the table on page 98 (Single figure of total remuneration for 2013/14).

Five-year TSR performance graph and Chief Executive Officer remuneration

Value of £100 invested on 31 March 2009



	2009/10	2010/11	2011/12	2012/13	2013/14
Angela Ahrendts (CEO to 30 April 2014)					
Total remuneration (£'000s)	7,362	16,003	9,574	10,901	7,995
Bonus (% of maximum)	100%	100%	100%	75%	70%
CIP (% of maximum)	100%	100%	–	100%	100%
RSP (% of maximum)	42.5%	–	100%	–	–
EPP* (% of maximum)	15%	50%	–	–	–

* The 'EPP' was the Burberry Exceptional Performance Share Plan, a one-off long-term incentive plan under which performance-based awards were granted in 2007 only. Details of this plan can be found in the relevant historical directors' remuneration reports.

Approval

This report has been approved by the Board and signed on its behalf by:

Ian Carter
Chairman, Remuneration Committee
20 May 2014

SENIOR LEADERSHIP TEAM

Executive directors

Christopher Bailey
Chief Creative and
Chief Executive Officer*

Carol Fairweather
Chief Financial Officer

John Smith
Chief Operating Officer

Senior management

Roberto Canevari
Chief Supply Chain Officer

Simona Cattaneo
Senior Vice President, Beauty

John Douglas
Chief Technology Officer

Fabrizio Fabbro
Senior Vice President,
Creative Operations

Alessandro Fabrini
Senior Vice President Beauty,
Watches & Eyewear

Stephen Gilbert
Senior Vice President, Architecture

Luc Goidadin
Chief Design Officer

Jan Heppe
President, Americas

Donald Kohler
Chief Merchandising
Operations Officer

Andrew Maag
CEO Europe, Middle East,
India, Africa & Americas

Michael Mahony
Chief Corporate Affairs
Officer & General Counsel

Sarah Manley
Chief Marketing Officer

Matt McEvoy
Chief of Strategy &
New Business Development

Pascal Perrier
Chief Executive Officer, Asia Pacific

Paul Price
Chief Merchandising Officer

Steve Sacks
Chief Customer Officer

Greg Stogdon
Senior Vice President, Creative Media

Mark Taylor
Chief People Officer

* From 1 May 2014

FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report, which includes the Strategic Report; the Directors' Report; the Directors' Remuneration Report; and the financial statements in accordance with applicable laws 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.

The directors consider that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

Each of the directors, whose names and functions are listed on page 66 to 67 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 Strategic Report 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.

These statements were approved by the Board on 20 May 2014 and signed on its behalf by:

Sir John Peace
Chairman

Carol Fairweather
Chief Financial Officer

Report on the Group Financial Statements

Our opinion

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 2014 and of the Group's profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (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.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The Group financial statements, which are prepared by Burberry Group plc, comprise:

- the Group Balance Sheet as at 31 March 2014;
- the Group Income Statement and Statement of Comprehensive Income for the year then ended;
- the Group Statement of Changes in Equity, and Statement of Cash Flows for the year then ended;
- the Analysis of Net Cash as at 31 March 2014; and
- the notes to the Group financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation comprises applicable law and IFRSs as adopted by the European Union. Certain disclosures required by the financial reporting framework have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)'). 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 Group financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Overview of our audit approach

Materiality

We set certain thresholds for materiality. These helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the Group financial statements as a whole to be £20 million. This represents approximately 5% of profit before taxation.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.75 million as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Overview of the scope of our audit

The Group is structured across two channels to market, being retail/wholesale and licensing. The Group financial statements are a consolidation of 98 reporting units, comprising the Group's operating businesses and holding companies across the two channels to market.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed at the reporting units by us, as the Group engagement team, or component auditors within PwC UK and from other PwC network firms operating under our instruction. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those reporting units to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole.

Accordingly, we identified six reporting units which, in our view, required an audit of their complete financial information, either due to their size or their risk characteristics, providing 79% coverage over Group revenue and 91% coverage over profit before taxation. This, together with additional procedures performed at the Group level relating primarily to taxation, litigation, impairment and earnings per share, gave us the evidence we needed for our opinion on the Group financial statements as a whole.

Areas of particular audit focus

In preparing the financial statements, the directors made a number of subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We primarily focused our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

In our audit, we tested and examined information, using sampling and other auditing techniques, to the extent we considered necessary to provide a reasonable basis for us to draw conclusions. We obtained audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

We considered the following areas to be those that required particular focus in the current year. This is not a complete list of all risks or areas of focus identified by our audit. We discussed these areas of focus with the Audit Committee. Their report on those matters that they considered to be significant issues in relation to the financial statements is set out on page 84.

Area of focus	**How the scope of our audit addressed the area of focus**
China put option liability valuation	
The valuation of the put option over the non-controlling interest in the Group's business in China is based on a number of assumptions, the key ones being the future performance of the Group's business in China; the average historic Burberry Group plc multiple; and the risk adjusted discount rate for China, taking into account the risk free rate in China (refer to note 19 of the accounts). We focused on this area because of the inherent judgement involved in determining these assumptions and the magnitude of the put option liability.	We considered and challenged the reasonableness of key assumptions by comparing the key assumptions to benchmark ranges, performing sensitivity analysis and confirming whether methods had been consistently applied. We tested the calculation of the liability to determine whether it was consistent with prior periods and with the terms of the put option. We also assessed the appropriateness of disclosures relating to the valuation.
Inventory valuation	
Judgement is required to assess the appropriate level of provisioning for items which may be ultimately sold below cost. The Group manufactures and sells luxury goods and is subject to changing consumer demands and fashion trends, increasing the level of judgement involved in estimating provisions (refer to note 16 of the accounts).	For both finished goods and raw materials, we tested the methodology for calculating the provisions, challenged the appropriateness and consistency of judgements and assumptions, and considered the nature and suitability of historic data used in estimating the provisions. In doing so we understood the ageing profile of inventory, the process for identifying specific problem inventory and historic loss rates.
Completeness and valuation of provisions for tax exposures	
The directors are required to apply significant judgement when determining whether, and how much, to provide in respect of tax assessments leading to uncertain tax positions in a number of jurisdictions (refer to notes 9 and 14 of the accounts). We focused on this area due to the inherent complexity and judgement in estimating the amount of provision required, which is increased due to the numerous jurisdictions in which the Group operates.	We held meetings with the Group's tax team and local management to understand tax developments and related tax risks, any associated technical tax issues, and the status of any current tax litigation. We assessed the appropriateness of provisions recorded in the financial statements, or the rationale for not recording a provision, having read the latest correspondence between the Group and the various tax authorities, and having obtained written responses from the Group's external advisors containing their views on material tax exposures.

Area of focus	How the scope of our audit addressed the area of focus
Risk of fraud in revenue recognition	
ISAs (UK & Ireland) presume that we consider the risk of fraud arising in revenue recognition. Whilst revenue recognition and measurement is not complex for the Group, revenue targets form part of the Group's key performance measures which could create an incentive to record revenue incorrectly. We focused on this area given the magnitude of revenue transactions that occur.	We evaluated the relevant IT systems and tested the internal controls over the completeness, accuracy and timing of revenue recognised in the financial statements. We also tested journal entries posted to revenue accounts to identify unusual or irregular items. We understood and challenged the appropriateness of revenue recognition policies.
Risk of management override of internal controls	
ISAs (UK & Ireland) require that we consider this.	We assessed the overall control environment of the Group, including the arrangements for staff to 'whistle-blow' inappropriate actions, and interviewed senior management and the Group's internal audit function. We examined the significant accounting estimates and judgements relevant to the financial statements for evidence of bias by the directors that may represent a risk of material misstatement due to fraud. We performed unpredictable audit procedures and tested key reconciliations and journal entries.

<u>Going concern</u>
Under the Listing Rules we are required to review the directors' statement, set out on page 73, in relation to going concern. We have nothing to report having performed our review. As noted in the directors' statement, the directors have concluded that it is appropriate to prepare the Group's financial statements using the going concern basis of accounting. The going concern basis presumes that the Group has adequate resources to remain in operation, and that the directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's ability to continue as a going concern.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

Other matters on which we are required to report by exception
<u>Adequacy of information and explanations received</u>
Under the Companies Act 2006 we are required to report to you if, in our opinion, we have not received all the information and explanations we require for our audit. We have no exceptions to report arising from this responsibility.

<u>Directors' remuneration</u>
Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law have not been made. We have no exceptions to report arising from this responsibility.

<u>Corporate Governance Statement</u>
Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the parent Company's compliance with nine provisions of the UK Corporate Governance Code (the 'Code'). We have nothing to report having performed our review.

On page 110 of the Annual Report, as required by the Code Provision C.1.1, the directors state that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's performance, business model and strategy. On page 84, as required by C.3.8 of the Code, the Audit Committee has set out the significant issues that it considered in relation to the financial statements, and how they were addressed. Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

- the statement given by the directors is materially inconsistent with our knowledge of the Group acquired in the course of performing our audit; or
- the section of the Annual Report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We have no exceptions to report arising from this responsibility.

Other information in the Annual Report

Under ISAs (UK & Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited Group financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- is otherwise misleading.

We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 110, 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 ISAs (UK & 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 parent 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.

Other matters

We have reported separately on the parent Company financial statements of Burberry Group plc for the year ended 31 March 2014 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 2014

	Note	Year to 31 March 2014 £m	Year to 31 March 2013 £m
Continuing operations			
Revenue	3	**2,329.8**	1,998.7
Cost of sales		**(671.3)**	(556.7)
Gross profit		**1,658.5**	1,442.0
Net operating expenses	4	**(1,213.1)**	(1,096.2)
Operating profit		**445.4**	345.8
Financing			
Finance income		**3.9**	3.4
Finance expense		**(3.2)**	(3.7)
Other financing (charges)/income		**(1.7)**	5.2
Net finance (charge)/income	8	**(1.0)**	4.9
Profit before taxation	5	**444.4**	350.7
Taxation	9	**(112.1)**	(91.5)
Profit for the year		**332.3**	259.2
Attributable to:			
Owners of the Company		**322.5**	254.3
Non-controlling interest		**9.8**	4.9
Profit for the year		**332.3**	259.2
Earnings per share			
Basic	10	**73.6p**	58.3p
Diluted	10	**72.1p**	57.0p
		£m	£m
Reconciliation of adjusted profit before taxation:			
Profit before taxation		**444.4**	350.7
Adjusting items:			
Amortisation of the fragrance and beauty licence intangible	6	**14.9**	–
Termination of licence relationship	6	**–**	82.9
Restructuring credit relating to continuing operations	6	**–**	(0.6)
Put option liability finance charge/(credit)	6	**1.7**	(5.2)
Adjusted profit before taxation – non-GAAP measure		**461.0**	427.8
Adjusted earnings per share – non-GAAP measure			
Basic	10	**77.0p**	71.6p
Diluted	10	**75.4p**	70.0p
Dividends per share			
Interim	11	**8.80p**	8.00p
Proposed final (not recognised as a liability at 31 March)	11	**23.20p**	21.00p

	Note	**Year to 31 March 2014 £m**	Year to 31 March 2013 £m
Profit for the year		**332.3**	259.2
Other comprehensive income[1]:			
Cash flow hedges	22	**(5.0)**	5.7
Foreign currency translation differences		**(54.6)**	36.0
Tax on other comprehensive income:			
Cash flow hedges		**1.3**	(1.3)
Foreign currency translation differences		**4.6**	(1.4)
Other comprehensive (expense)/income for the year, net of tax		**(53.7)**	39.0
Total comprehensive income for the year		**278.6**	298.2
Total comprehensive income attributable to:			
Owners of the Company		**272.5**	291.1
Non-controlling interest		**6.1**	7.1
		278.6	298.2

1 All items included in other comprehensive income may subsequently be reclassified to profit and loss in a future period.

	Note	As at 31 March 2014 £m	As at 31 March 2013 £m
ASSETS			
Non-current assets			
Intangible assets	12	**195.4**	210.2
Property, plant and equipment	13	**398.4**	409.1
Investment properties		**2.6**	2.7
Deferred tax assets	14	**116.0**	117.6
Trade and other receivables	15	**42.3**	39.9
Derivative financial assets	17	**0.5**	0.2
		755.2	779.7
Current assets			
Inventories	16	**419.8**	351.0
Trade and other receivables	15	**231.4**	159.6
Derivative financial assets	17	**4.6**	20.1
Income tax receivables		**9.0**	9.4
Cash and cash equivalents	18	**545.5**	426.4
		1,210.3	966.5
Total assets		**1,965.5**	1,746.2
LIABILITIES			
Non-current liabilities			
Trade and other payables	19	**(107.4)**	(108.0)
Deferred tax liabilities	14	**(1.0)**	(0.8)
Derivative financial liabilities	17	**(0.9)**	(0.7)
Retirement benefit obligations		**(0.6)**	(0.6)
Provisions for other liabilities and charges	20	**(15.9)**	(19.8)
		(125.8)	(129.9)
Current liabilities			
Bank overdrafts and borrowings	21	**(143.0)**	(129.8)
Derivative financial liabilities	17	**(1.6)**	(0.1)
Trade and other payables	19	**(399.8)**	(339.8)
Provisions for other liabilities and charges	20	**(10.7)**	(12.9)
Income tax liabilities		**(76.6)**	(80.9)
		(631.7)	(563.5)
Total liabilities		**(757.5)**	(693.4)
Net assets		**1,208.0**	1,052.8
EQUITY			
Capital and reserves attributable to owners of the Company			
Ordinary share capital	22	**0.2**	0.2
Share premium account		**204.8**	203.6
Capital reserve	22	**40.0**	37.0
Hedging reserve	22	**5.6**	9.3
Foreign currency translation reserve	22	**104.7**	151.0
Retained earnings		**810.1**	615.9
Equity attributable to owners of the Company		**1,165.4**	1,017.0
Non-controlling interest in equity		**42.6**	35.8
Total equity		**1,208.0**	1,052.8

The consolidated financial statements of Burberry Group plc (registered number 03458224) on pages 115 to 159 were approved by the Board on 20 May 2014 and signed on its behalf by:

Sir John Peace
Chairman

Carol Fairweather
Chief Financial Officer

	Note	Ordinary share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling interest £m	Total equity £m
		Attributable to owners of the Company						
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	29	–	–	–	(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**
Profit for the year		–	–	–	322.5	322.5	9.8	332.3
Other comprehensive income:								
Cash flow hedges	22	–	–	(5.0)	–	(5.0)	–	(5.0)
Foreign currency translation differences		–	–	(50.9)	–	(50.9)	(3.7)	(54.6)
Tax on other comprehensive income		–	–	5.9	–	5.9	–	5.9
Total comprehensive income for the year		–	–	(50.0)	322.5	272.5	6.1	278.6
Transfer between reserves		–	–	3.0	(3.0)	–	–	–
Transactions with owners:								
Employee share incentive schemes								
Value of share options granted		–	–	–	25.4	25.4	–	25.4
Value of share options transferred to liabilities		–	–	–	(0.8)	(0.8)	–	(0.8)
Tax on share options granted		–	–	–	3.8	3.8	–	3.8
Exercise of share awards		–	1.2	–	–	1.2	–	1.2
Sale of own shares by ESOP trusts		–	–	–	1.7	1.7	–	1.7
Purchase of own shares by ESOP trusts		–	–	–	(24.7)	(24.7)	–	(24.7)
Capital contribution by non-controlling interest		–	–	–	–	–	0.7	0.7
Dividends paid in the year		–	–	–	(130.7)	(130.7)	–	(130.7)
Balance as at 31 March 2014		**0.2**	**204.8**	**150.3**	**810.1**	**1,165.4**	**42.6**	**1,208.0**

	Note	**Year to 31 March 2014 £m**	Year to 31 March 2013 £m
Cash flows from operating activities			
Operating profit		**445.4**	345.8
Termination of licence relationship		**–**	71.3
Depreciation		**105.6**	94.5
Amortisation		**33.0**	16.7
Net impairment charges		**12.3**	11.3
(Profit)/loss on disposal of property, plant and equipment and intangible assets		**(1.3)**	0.1
(Gain)/loss on derivative instruments		**(3.8)**	2.0
Charges in respect of employee share incentive schemes		**25.4**	24.9
Proceeds from settlement of equity swap contracts		**15.7**	–
Increase in inventories		**(68.2)**	(39.2)
Increase in receivables		**(73.8)**	(32.0)
Increase in payables		**45.2**	27.6
Cash generated from operating activities		**535.5**	523.0
Interest received		**3.4**	3.5
Interest paid		**(2.6)**	(2.6)
Taxation paid		**(111.1)**	(99.0)
Net cash generated from operating activities		**425.2**	424.9
Cash flows from investing activities			
Purchase of property, plant and equipment		**(129.5)**	(158.1)
Purchase of intangible assets		**(24.5)**	(17.8)
Payment to terminate licence relationship		**–**	(144.1)
Proceeds from sale of property, plant and equipment		**3.0**	–
Proceeds from sale of asset held for sale		**–**	0.1
Acquisition of subsidiaries, net of cash acquired		**(2.6)**	(1.0)
Net cash outflow from investing activities		**(153.6)**	(320.9)
Cash flows from financing activities			
Dividends paid in the year	11	**(130.7)**	(113.5)
Capital contributions by non-controlling interest		**0.7**	0.4
Issue of ordinary share capital		**1.2**	1.0
Sale of own shares by ESOP trusts		**1.7**	–
Purchase of own shares by ESOP trusts		**(24.7)**	(46.4)
Repayments of borrowings		**–**	(1.3)
Net cash outflow from financing activities		**(151.8)**	(159.8)
Net increase/(decrease) in cash and cash equivalents		**119.8**	(55.8)
Effect of exchange rate changes		**(13.9)**	12.8
Cash and cash equivalents at beginning of year		**296.6**	339.6
Cash and cash equivalents at end of year		**402.5**	296.6

Analysis of Net Cash

	Note	**As at 31 March 2014 £m**	As at 31 March 2013 £m
Cash and cash equivalents as per the Balance Sheet	18	**545.5**	426.4
Bank overdrafts	21	**(143.0)**	(129.8)
Net cash		**402.5**	296.6

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.

A number of new standards, amendments and interpretations are effective and have been adopted for the first time by the Group from 1 April 2013. Those which have a material impact on the financial statements of the Group are:

IFRS 13 Fair value measurement

This standard establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other IFRSs. It also replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7 Financial instruments: Disclosures. The application of IFRS 13 has not had a material impact on the fair value measurement of the Group's assets and liabilities.

In line with the transitional provisions of IFRS 13, the Group has applied the new fair value measurement guidance prospectively, and has not provided any comparative information for new disclosures. The Group's financial statements for the year ended 31 March 2014 have been updated to reflect these disclosures accordingly (refer to note 2 and note 19).

Amendment to IFRS 7 Financial instruments: Disclosures

As a result of the amendments to IFRS 7, the Group has expanded its disclosures about the offsetting of financial assets and financial liabilities (refer to note 17).

Amendment to IAS 1 Financial statement presentation

The amendment required entities to group items presented in other comprehensive income on the basis of whether or not they will be recycled through profit or loss at a later date, when specific conditions are met. The amendments were effective from 1 July 2012, and have been adopted by the Group from 1 April 2013. The impact on the Group has been limited to presentation.

The Group has elected to early adopt the following new standards and amendments as of 1 April 2013, which have been issued, endorsed by the EU and are effective from 1 January 2014.

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 and SIC-12 Consolidation – Special Purpose Entities. IFRS 10 introduces a new control model that is applicable to all investees, where control is defined as whether the investor has power over an investee; exposure or rights to variable returns from its involvement with the investee; and ability to use its power to affect those returns. The adoption of this new standard has had no impact on the consolidation of investments held by the Group and there has been no impact on the financial position or financial performance of the Group.

IFRS 11 Joint arrangements

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities – Non-Monetary Contributions by Ventures, and removes the option to account for jointly-controlled entities using proportionate consolidation. Currently the Group does not hold any interests in joint arrangements, and therefore the adoption of this new standard has had no 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 Group's financial statements for the year ended 31 March 2014 have been updated to reflect these disclosures accordingly (refer to note 28).

Amendments to IAS 36 Impairment of assets

These amendments remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36. The amendments require disclosure of the recoverable amount for assets or cash generating units (CGUs) for which an impairment loss or reversal has been recognised during the period. The Group has decided to early adopt the amendment as of 1 April 2013, with additional disclosure included in note 13.

1. Basis of preparation (continued)

As at 31 March 2014, 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 complete standard does not currently have an effective date and it has not currently been endorsed by the EU. Any potential impact of this new standard will be quantified closer to the date of adoption.
Amendment to IAS 32 Financial instruments: Presentation These amendments clarify some of the requirements for offsetting financial assets and financial liabilities on the Balance Sheet. The amendments have been endorsed by the EU and are effective for annual periods beginning on or after 1 January 2014, and are not considered to have a material impact on the presentation of the Group's financial assets or liabilities.

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 control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to effect those returns through its power over the 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.

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:

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; the average historic Burberry Group plc multiple; and the risk adjusted discount rate in China, taking into account 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 13 for further details of property, plant and equipment.

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 12 for further details of goodwill balances.

1. Basis of preparation (continued)

Key sources of estimation and judgement (continued)

Impairment of the fragrance and beauty intangible asset

The fragrance and beauty intangible asset is reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be fully recoverable. Where a review for impairment is carried out, the recoverable amount of the intangible asset is determined from a value-in-use calculation of the anticipated incremental income earned by the Group as a result of selling Beauty products through retail and wholesale channels rather than under licence. The value-in-use calculation is prepared on the basis of management's assumptions and estimates of the future trading performance of the Beauty product division. Refer to note 12 for further details of the fragrance and beauty intangible asset.

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

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.

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.

2. Accounting policies (continued)

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.

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 Trade and 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) <u>Pension costs</u>

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.

h) <u>Intangible fixed assets</u>

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.

i) <u>Property, plant and equipment</u>

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.

2. Accounting policies (continued)

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 12 months is considered to be highly probable. Assets classified as held for sale cease to be depreciated and they are stated at the lower of carrying amount and fair value less cost to sell.

m) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost consists of all costs of purchase, costs of conversion, design costs and other costs incurred in bringing the inventories to their present location and condition. For inventories relating to the Beauty product division, including raw materials and finished goods, cost is measured using a weighted average method. For all other product divisions, the cost of inventories is determined using a first-in, first-out (FIFO) method, taking account of the fashion seasons for which the inventory was offered. 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 utilisation and saleability.

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.

2. Accounting policies (continued)

n) Taxation (continued)

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.

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. The fair value of the Group's financial assets and liabilities held at amortised cost approximate their carrying amount due to the short maturity of these instruments.

2. Accounting policies (continued)

q) Financial instruments (continued)

The Group classifies its instruments in the following categories:

Financial instrument category	Note	Classification	Measurement	Fair value measurement hierarchy[2]
Cash and cash equivalents	18	Loans and receivables	Amortised cost	N/A
Trade and other receivables	15	Loans and receivables	Amortised cost	N/A
Trade and other payables	19	Other financial liabilities	Amortised cost	N/A
Borrowings	21	Other financial liabilities	Amortised cost	N/A
Put option over non-controlling interest	19	Derivative instrument	Fair value through profit and loss	3
Forward foreign exchange contracts[1]	17	Derivative instrument	Fair value through profit and loss	2
Equity swap contracts	17	Derivative instrument	Fair value through profit and loss	2
Onerous lease	20	Other financial liabilities	Amortised cost	N/A

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

2 The fair value measurement hierarchy is only applicable for financial instruments measured at fair value.

The measurements for financial instruments carried at fair value are categorised into different levels in the fair value hierarchy based on the inputs to the valuation technique used. The different levels are defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: includes unobservable inputs for the asset or liability.

Observable inputs are those which are developed using market data, such as publicly available information about actual events or transactions. The Group has an established framework with respect to measurement of fair values, including Level 3 fair values. The Group regularly reviews any significant inputs which are not derived from observable market data and considers, where available, relevant third-party information, to support the conclusion that such valuations meet the requirements of IFRS. The classification level in the fair value hierarchy is also considered periodically. Significant valuation issues are reported to the Audit Committee.

The fair value of forward foreign exchange contracts and equity swap contracts is based on a comparison of the contractual and market rates and, in the case of forward foreign exchange contracts, after discounting using the appropriate yield curve as at the balance sheet date. All Level 2 fair value measurements are calculated using inputs which are based on observable market data.

The fair value of the put option liability over non-controlling interest is derived using a present value calculation, incorporating observable and non-observable inputs. This valuation technique has been adopted as it most closely mirrors the contractual arrangement.

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.

2. Accounting policies (continued)

q) Financial instruments (continued)

Trade and other receivables

Trade and other receivables are included in current assets, except for maturities greater than 12 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 12 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 12 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 remeasured at fair value at each reporting period with the change in fair value recorded in the Income Statement as other finance expenses and income.

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. 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.

2. Accounting policies (continued)

q) Financial instruments (continued)

Derivative instruments (continued)

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.

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 2014	Year to 31 March 2013	**As at 31 March 2014**	As at 31 March 2013
Euro	**1.19**	1.22	**1.21**	1.18
US Dollar	**1.59**	1.58	**1.67**	1.52
Chinese Yuan Renminbi	**9.78**	9.91	**10.34**	9.44
Hong Kong Dollar	**12.38**	12.25	**12.94**	11.79
Korean Won	**1,734**	1,758	**1,771**	1,691

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 12 months in advance of royalty receipts, was Yen 137.0: £1 in the year to 31 March 2014 (2013: Yen 126.9: £1).

2. Accounting policies (continued)

s) Adjusted profit before taxation

In order to provide additional consideration of the underlying performance of the Group's ongoing business, the Group's results include a presentation of Adjusted Profit before Taxation ('adjusted PBT'). Adjusted PBT is defined as profit before taxation and before adjusting items. Adjusting items are those items which, in the opinion of the directors, should be excluded in order to provide a consistent and comparable view of the underlying performance of the Group's ongoing business. Generally this will include those items that are largely one-off and material in nature and any fair value movements on options held over equity interests held for non-speculative purposes. Adjusting items are identified and presented on a consistent basis each year and a reconciliation of adjusted PBT to profit before tax is included in the financial statements. Adjusting 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.

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. Licensing revenue from royalties received under the fragrance and beauty licence has been included in the licensing segment up to 31 March 2013. From 1 April 2013, following the termination of the licence relationship, revenue from the sale of Beauty products is reported as part of the retail/wholesale segment.

The Board assesses channel performance based on a measure of adjusted operating profit. This measurement basis excludes the effects of adjusting 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 2014 £m	Year to 31 March 2013 £m	**Year to 31 March 2014 £m**	Year to 31 March 2013 £m	**Year to 31 March 2014 £m**	Year to 31 March 2013 £m
Retail	**1,622.6**	1,416.6	**–**	–	**1,622.6**	1,416.6
Wholesale	**628.0**	472.7	**–**	–	**628.0**	472.7
Licensing	**–**	–	**81.6**	111.4	**81.6**	111.4
Total segment revenue	**2,250.6**	1,889.3	**81.6**	111.4	**2,332.2**	2,000.7
Inter-segment revenue[1]	**–**	–	**(2.4)**	(2.0)	**(2.4)**	(2.0)
Revenue from external customers	**2,250.6**	1,889.3	**79.2**	109.4	**2,329.8**	1,998.7
Depreciation and amortisation	**138.6**	111.1	**–**	–	**138.6**	111.1
Net impairment charges	**12.3**	11.3	**–**	–	**12.3**	11.3
Other non-cash expenses						
Share based payments	**21.6**	19.9	**3.8**	5.0	**25.4**	24.9
Adjusted operating profit	**393.5**	335.6	**66.8**	92.5	**460.3**	428.1
Adjusting items[2]					**(16.6)**	(77.1)
Finance income					**3.9**	3.4
Finance expense					**(3.2)**	(3.7)
Profit before taxation					**444.4**	350.7

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

2 Refer to note 6 for details of adjusting items.

3. Segmental analysis (continued)

Segmental asset analysis

	Retail/Wholesale		Licensing		Total	
	Year to 31 March 2014 £m	Year to 31 March 2013 £m	**Year to 31 March 2014 £m**	Year to 31 March 2013 £m	**Year to 31 March 2014 £m**	Year to 31 March 2013 £m
Additions to non-current assets	**160.9**	253.6	**–**	–	**160.9**	253.6
Total segment assets	**1,200.4**	1,094.0	**5.8**	4.2	**1,206.2**	1,098.2
Goodwill					**80.2**	86.3
Cash and cash equivalents					**545.5**	426.4
Taxation					**125.0**	127.0
Assets relating to discontinued Spanish operations					**8.6**	8.3
Total assets per Balance Sheet					**1,965.5**	1,746.2

Additional revenue analysis

Revenue by product division	**Year to 31 March 2014 £m**	Year to 31 March 2013 £m
Accessories[1]	**816.1**	729.1
Womens	**684.0**	618.2
Mens	**520.8**	464.2
Childrens/Other	**78.4**	72.6
Beauty	**151.3**	5.2
Retail/Wholesale	**2,250.6**	1,889.3
Licensing	**79.2**	109.4
Total	**2,329.8**	1,998.7

1 The Accessories revenue for the year ended 31 March 2013 has been restated to exclude Beauty retail sales.

Revenue by destination	**Year to 31 March 2014 £m**	Year to 31 March 2013[2] £m
Asia Pacific	**870.3**	745.3
EMEIA[1]	**811.5**	680.7
Americas	**568.8**	463.3
Retail/Wholesale	**2,250.6**	1,889.3
Licensing	**79.2**	109.4
Total	**2,329.8**	1,998.7

1 EMEIA comprises Europe, Middle East, India and Africa.

2 As a result of an internal reorganisation, the Europe and Rest of World divisions were integrated to form EMEIA. The results for the year ended 31 March 2013 have been re-presented to reflect this organisational change.

Entity-wide disclosures

Revenue derived from external customers in the UK totalled £213.2m for the year to 31 March 2014 (2013: £170.4m).

Revenue derived from external customers in foreign countries totalled £2,116.6m for the year to 31 March 2014 (2013: £1,828.3m).This amount includes £493.8m of external revenues derived from customers in the USA (2013: £417.8m) and £318.2m of external revenues derived from customers in China (2013: £267.5m).

The total of non-current assets other than financial instruments and deferred tax assets located in the UK is £213.7m (2013: £211.5m). The remaining £394.0m of non-current assets are located in other countries (2013: £421.1m), with £136.9m located in the USA (2013: £154.3m) and £84.3m located in China (2013: £73.5m).

4. Net operating expenses

	Note	**Year to 31 March 2014 £m**	Year to 31 March 2013 £m[1]
Selling and distribution costs		**673.6**	573.1
Administrative expenses		**524.6**	440.8
Adjusting items			
Amortisation of the fragrance and beauty licence intangible	6	**14.9**	–
Termination of licence relationship	6	**–**	82.9
Restructuring costs	6	**–**	(0.6)
Total		**1,213.1**	1,096.2

1 The year ended 31 March 2013 has been re-presented to reallocate certain costs from selling and distribution costs to administrative expenses to better reflect the nature of these costs.

5. Profit before taxation

	Note	**Year to 31 March 2014 £m**	Year to 31 March 2013 £m
Profit before taxation is stated after charging/(crediting):			
Depreciation of property, plant and equipment			
Within cost of sales		**0.8**	0.5
Within selling and distribution costs		**88.7**	76.2
Within administrative expenses		**16.1**	17.7
Amortisation of intangible assets			
Within selling and distribution costs		**2.2**	2.0
Within administrative expenses		**15.9**	14.7
Depreciation of investment properties		**–**	0.1
(Profit)/loss on disposal of property, plant and equipment and intangible assets		**(1.3)**	0.1
Net impairment charge relating to retail assets		**12.3**	11.3
Employee costs[1]		**441.3**	385.6
Operating lease rentals			
Minimum lease payments		**156.5**	142.6
Contingent rents		**83.2**	73.7
Net exchange loss/(gain) on revaluation of monetary assets and liabilities		**11.5**	(5.0)
Net exchange (gain)/loss on derivatives held for trading for the year		**(4.2)**	3.4
Trade receivables net impairment (reversal)/charge		**(1.5)**	2.1
Adjusting items			
Amortisation of the fragrance and beauty licence intangible	6	**14.9**	–
Put option liability finance charges	6	**1.7**	(5.2)
Termination of licence relationship	6	**–**	82.9
Restructuring costs	6	**–**	(0.6)

1 The employee costs figure for the year ended 31 March 2013 excludes costs relating to the setup of the Beauty product division which have been included within adjusting items.

6. Adjusting items

<u>Amortisation of the fragrance and beauty licence intangible asset</u>

During the year ended 31 March 2013, an intangible asset of £70.9m was recognised on the Balance Sheet, relating to the present value of the anticipated incremental income to be earned by the Group as a result of selling Beauty products through retail and wholesale channels rather than under licence, following the termination of the existing licence relationship with Interparfums SA. This asset is amortised on a straight-line basis over the period 1 April 2013 to 31 December 2017. The amortisation is presented as an adjusting item, which is consistent with the treatment of the cost recognised on termination of the licence relationship in the year ended 31 March 2013. The amortisation expense recognised for the year ended 31 March 2014 is £14.9m (refer to note 12). A related tax credit of £1.9m has also been recognised in the current period.

6. Adjusting items (continued)

Put option liability finance income/charge

The financing charge of £1.7m for the year ended 31 March 2014 (2013: credit of £5.2m) 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.

Termination of licence relationship

During the year ended 31 March 2013, a total of £82.9m was reported as an adjusting item relating to the termination of the fragrance and beauty licence relationship with Interparfums SA. A tax credit of £19.1m was recognised on this charge in the same period. The manufacture and distribution of Beauty products has been directly operated by the Group since 1 April 2013. No further costs relating to this transaction have been reported as adjusting in the current period.

Restructuring costs

No restructuring related items have been recognised in the year ended 31 March 2014.

During the year ended 31 March 2013, a 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 was recognised in relation to this adjusting item in the same period.

7. 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 2014 £m	Year to 31 March 2013 £m
Audit services in respect of the accounts of the Company and consolidation	**0.4**	0.3
Audit services in respect of the accounts of subsidiary companies	**1.4**	1.3
Audit related assurance services	**0.1**	0.1
Services relating to taxation		
Compliance services	**0.1**	0.2
Advisory services	**0.3**	0.4
Other non-audit related services	**0.2**	0.2
Total	**2.5**	2.5

8. Financing

	Note	**Year to 31 March 2014 £m**	Year to 31 March 2013 £m
Bank interest income		**2.9**	2.7
Other finance income		**1.0**	0.7
Finance income		**3.9**	3.4
Interest expense on bank loans and overdrafts		**(1.6)**	(1.9)
Bank charges		**(1.4)**	(1.4)
Other finance expense		**(0.2)**	(0.4)
Finance expense		**(3.2)**	(3.7)
Other financing (charges)/income — put option liability	6	**(1.7)**	5.2
Net finance (charge)/income		**(1.0)**	4.9

9. Taxation

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

	Year to 31 March 2014 £m	Year to 31 March 2013 £m
Current tax		
UK corporation tax		
Current tax on income for the year to 31 March 2014 at 23% (2013: 24%)	**69.1**	79.4
Double taxation relief	**(0.8)**	(0.5)
Adjustments in respect of prior years	**(3.8)**	1.0
	64.5	79.9
Foreign tax		
Current tax on income for the year	**50.9**	37.2
Adjustments in respect of prior years	**6.2**	10.2
Total current tax	**121.6**	127.3
Deferred tax		
UK deferred tax		
Origination and reversal of temporary differences	**2.3**	(19.8)
Impact of changes to tax rates	**4.1**	1.6
Adjustments in respect of prior years	**0.2**	(1.2)
	6.6	(19.4)
Foreign deferred tax		
Origination and reversal of temporary differences	**(16.9)**	(15.7)
Adjustments in respect of prior years	**0.8**	(0.7)
Total deferred tax	**(9.5)**	(35.8)
Total tax charge on profit	**112.1**	91.5

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

	Year to 31 March 2014 £m	Year to 31 March 2013 £m
Current tax		
Recognised in other comprehensive income		
Current tax (credit)/charge on exchange differences on loans (foreign currency translation reserve)	**(4.6)**	6.8
Total current tax recognised in other comprehensive income	**(4.6)**	6.8
Recognised in equity		
Current tax credit on share options (retained earnings)	**(9.6)**	(7.3)
Total current tax recognised directly in equity	**(9.6)**	(7.3)
Deferred tax		
Recognised in other comprehensive income		
Deferred tax charge/(credit) on cash flow hedges deferred in equity (hedging reserve)	**0.9**	(0.3)
Deferred tax (credit)/charge on cash flow hedges transferred to income (hedging reserve)	**(2.2)**	1.6
Deferred tax credit on exchange differences on loans (foreign currency translation reserve)	**–**	(5.4)
Total deferred tax recognised in other comprehensive income	**(1.3)**	(4.1)
Recognised in equity		
Deferred tax charge on share options (retained earnings)	**5.8**	9.2
Total deferred tax recognised directly in equity	**5.8**	9.2

9. Taxation (continued)

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 2014 £m	Year to 31 March 2013 £m
Profit before taxation	**444.4**	350.7
Tax at 23% (2013: 24%) on profit before taxation	**102.2**	84.2
Rate adjustments relating to overseas profits	**(2.9)**	(7.4)
Permanent differences	**3.4**	0.9
Current year tax losses not recognised	**1.9**	2.9
Adjustments in respect of prior years	**3.4**	9.3
Adjustments to deferred tax relating to changes in tax rates	**4.1**	1.6
Total taxation charge	**112.1**	91.5

Total taxation recognised in the Group Income Statement arises on:

	Year to 31 March 2014 £m	Year to 31 March 2013 £m
Adjusted profit before taxation	**114.0**	110.5
Adjusting items	**(1.9)**	(19.0)
Total taxation charge	**112.1**	91.5

10. 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 2014 £m	Year to 31 March 2013 £m
Attributable profit for the year before adjusting items[1]	**337.2**	312.4
Effect of adjusting items[1] (after taxation)	**(14.7)**	(58.1)
Attributable profit for the year	**322.5**	254.3

1 Refer to note 6 for details of adjusting 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 2014 Millions	Year to 31 March 2013 Millions
Weighted average number of ordinary shares in issue during the year	**437.9**	436.2
Dilutive effect of the employee share incentive schemes	**9.4**	10.3
Diluted weighted average number of ordinary shares in issue during the year	**447.3**	446.5

11. Dividends paid to owners of the Company

	Year to 31 March 2014 £m	Year to 31 March 2013 £m
Prior year final dividend paid 21.00p per share (2013: 18.00p)	**92.1**	78.6
Interim dividend paid 8.80p per share (2013: 8.00p)	**38.6**	34.9
Total	**130.7**	113.5

A final dividend in respect of the year to 31 March 2014 of 23.20p (2013: 21.00p) per share, amounting to £101.8m (2013: £91.5m), 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 31 July 2014 to shareholders on the register at the close of business on 4 July 2014.

12. Intangible assets

Cost	Goodwill £m	Trade marks, licences and other intangible assets £m	Computer software[1] £m	Intangible assets in the course of construction[1] £m	Total £m
As at 1 April 2012	81.2	25.7	67.6	2.3	176.8
Effect of foreign exchange rate changes	5.1	0.1	0.8	–	6.0
Additions	–	73.2	9.3	5.8	88.3
Disposals	–	–	(2.1)	–	(2.1)
Reclassifications from assets in the course of construction	–	–	2.3	(2.3)	–
As at 31 March 2013	86.3	99.0	77.9	5.8	269.0
Effect of foreign exchange rate changes	(6.8)	(0.4)	(1.6)	–	(8.8)
Additions	–	0.3	17.3	8.4	26.0
Reclassifications from assets in the course of construction	–	–	4.9	(4.9)	–
Business combinations	0.7	–	–	–	0.7
As at 31 March 2014	**80.2**	**98.9**	**98.5**	**9.3**	**286.9**
Accumulated amortisation and impairment					
As at 1 April 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
Effect of foreign exchange rate changes	–	(0.3)	(1.0)	–	(1.3)
Charge for the year	–	17.2	15.8	–	33.0
Net impairment charge on assets (note 13)	–	1.0	–	–	1.0
As at 31 March 2014	**–**	**32.3**	**59.2**	**–**	**91.5**
Net book value					
As at 31 March 2014	**80.2**	**66.6**	**39.3**	**9.3**	**195.4**
As at 31 March 2013	86.3	84.6	33.5	5.8	210.2

1 As at 1 April 2012 and 31 March 2013, £2.3m and £5.8m respectively was reclassified from Computer software to Assets in the course of construction, as this was more reflective of the nature of these assets.

Fragrance and beauty intangible asset

During the year ended 31 March 2013, an intangible asset of £70.9m was recognised on the Balance Sheet, relating to the present value of the anticipated incremental income to be earned by the Group as a result of selling Beauty products through retail and wholesale channels rather than under licence following the termination of the existing licence relationship with Interparfums SA. This asset is presented within the intangible asset category ‘trade mark, licences and other intangible assets’, and is being amortised on a straight-line basis over the period 1 April 2013 to 31 December 2017. The carrying value of the Beauty intangible at 31 March 2014 is £56.0m (2013: £70.9m).

12. Intangible assets (continued)

Burberry (Thailand) Limited

On 29 November 2013, the Group acquired assets with a fair value of £0.8m from a franchise partner in Thailand, for a total cash consideration of £1.5m. As a result of this transaction, £0.7m of goodwill has been recognised in the year ended 31 March 2014.

Impairment testing of goodwill

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

	As at 31 March 2014 £m	As at 31 March 2013 £m
China[1]	**40.7**	44.7
Korea	**23.3**	24.4
Other	**16.2**	17.2
Total	**80.2**	86.3

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 2017. These plans contain management's best view of the expected performance for the year ending 31 March 2015 and the expected growth rates for the two years ending 31 March 2016 and 31 March 2017. 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 2017 incorporating the assumption that there is no growth beyond 31 March 2017.

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 2015. 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 pre-tax discount rates for China and Korea were 17.2% and 14.6% respectively (2013: 15.6%; 13.1%).

No impairment has been recognised in respect of the carrying value of the goodwill balance in the year as, for each cash generating unit, the recoverable amount of goodwill exceeds its carrying value.

13. Property, plant and equipment

Cost	Freehold land and buildings £m	Leasehold improvements £m	Fixtures, fittings and equipment[1] £m	Assets in the course of construction £m	Total £m
As at 1 April 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	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
Effect of foreign exchange rate changes	(6.6)	(25.4)	(20.7)	(1.7)	(54.4)
Additions	1.0	55.4	60.4	18.1	134.9
Disposals	(2.3)	(13.7)	(12.0)	(0.1)	(28.1)
Reclassification from assets in the course of construction	–	10.2	10.3	(20.5)	–
Business combination	–	–	0.1	–	0.1
As at 31 March 2014	**96.3**	**329.6**	**404.4**	**19.0**	**849.3**
Accumulated depreciation and impairment					
As at 1 April 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	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
Effect of foreign exchange rate changes	(2.0)	(12.8)	(12.5)	–	(27.3)
Charge for the year	1.5	36.0	68.1	–	105.6
Disposals	(2.0)	(12.5)	(11.9)	–	(26.4)
Net impairment charge on assets	–	5.7	5.6	–	11.3
As at 31 March 2014	**36.7**	**157.6**	**256.6**	**–**	**450.9**
Net book value					
As at 31 March 2014	**59.6**	**172.0**	**147.8**	**19.0**	**398.4**
As at 31 March 2013	65.0	161.9	159.0	23.2	409.1

1 Included in fixtures, fittings and equipment are finance lease assets with a net book value of £2.8m (2013: £3.4m).

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 the conditions in the Spanish property market indicated that it may be difficult to realise the sale of the remaining property within 12 months. As a result, at 31 March 2013 £8.3m was transferred back into freehold land and buildings, representing the carrying value of this property. Management remains committed to selling the property and continues to actively market it as such.

During the year to 31 March 2014, a net impairment charge of £12.3m (2013: £11.3m) was identified as part of the annual impairment review of the retail store assets, £11.3m charged against property, plant and equipment and £1.0m charged against intangible assets. The impairment charge relates to 29 retail cash generating units (2013: 20 cash generating units) for which the total recoverable amount at the balance sheet date is £10.0m (2013: £6.6m).

Where indicators of impairment were identified, the impairment review compared the value-in-use of the assets to the carrying values at 31 March 2014. 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 12.4% and 18.3% (2013: between 11.8% and 18.2%), based on the Group's weighted average cost of capital adjusted for country-specific tax rates and risks.

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 2014 £m	As at 31 March 2013 £m
Deferred tax assets	**116.0**	117.6
Deferred tax liabilities	**(1.0)**	(0.8)
Net amount	**115.0**	116.8

The movement in the deferred tax account is as follows:	**Year to 31 March 2014 £m**	Year to 31 March 2013 £m
As at 1 April	**116.8**	82.7
Effect of foreign exchange rate changes	**(6.8)**	3.4
Credited to the Income Statement	**9.5**	35.8
Credited to other comprehensive income	**1.3**	4.1
Charged to equity	**(5.8)**	(9.2)
As at 31 March	**115.0**	116.8

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 inventory provisions £m	Derivative instruments £m	Unused tax losses £m	Other £m	Total £m
As at 1 April 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
Effect of foreign exchange rate changes	(2.0)	0.3	–	–	1.3	(0.4)
(Credited)/charged to the Income Statement	(8.3)	(0.4)	–	(0.2)	8.1	(0.8)
As at 31 March 2014	**15.1**	**(3.6)**	**1.5**	**(0.2)**	**(7.2)**	**5.6**

Deferred tax assets

	Capital allowances £m	Unrealised inventory profit and other inventory provisions £m	Share schemes £m	Derivative instruments £m	Unused tax losses £m	Other[1] £m	Total £m
As at 1 April 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
Effect of foreign exchange rate changes	(0.4)	(3.9)	–	–	(0.1)	(2.8)	(7.2)
(Charged)/credited to the Income Statement	(5.3)	(1.4)	(0.2)	–	0.1	15.5	8.7
Credited to other comprehensive income	–	–	–	1.3	–	–	1.3
Charged to equity	–	–	(5.8)	–	–	–	(5.8)
As at 31 March 2014	**20.2**	**30.1**	**25.5**	**(0.2)**	**2.7**	**42.3**	**120.6**

1 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.

14. Deferred taxation (continued)

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related benefit through the future taxable profits is probable. The Group did not recognise deferred tax assets of £20.1m (2013: £22.3m) in respect of losses and temporary timing differences amounting to £62.1m (2013: £68.7m) that can be set off against future taxable income. There is a time limit for the recovery of £14.9m of these potential assets (2013: £14.1m) which ranges from five to nine years (2013: six to ten years).

Included within other temporary differences above is a deferred tax liability of £0.6m (2013: £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 aggregate amount of temporary differences in respect of unremitted earnings is £150m (2013: £100m).

15. Trade and other receivables

	As at 31 March 2014 £m	As at 31 March 2013 £m
Non-current		
Deposits and other receivables	**31.0**	29.3
Prepayments	**11.3**	10.6
Total non-current trade and other receivables	**42.3**	39.9
Current		
Trade receivables	**171.2**	116.6
Provision for doubtful debts	**(5.3)**	(7.3)
Net trade receivables	**165.9**	109.3
Other financial receivables	**14.1**	10.4
Other non-financial receivables	**20.3**	15.2
Prepayments	**27.5**	21.6
Accrued income	**3.6**	3.1
Total current trade and other receivables	**231.4**	159.6
Total trade and other receivables	**273.7**	199.5

Included in total trade and other receivables are non-financial assets of £59.1m (2013: £47.4m).

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 2014, trade receivables of £14.1m (2013: £27.0m) were impaired. The amount of the provision against these receivables was £5.3m as of 31 March 2014 (2013: £7.3m). 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 2014 £m	As at 31 March 2013 £m
Current	**–**	0.5
Less than one month overdue	**9.7**	20.4
One to three months overdue	**0.7**	1.8
Over three months overdue	**3.7**	4.3
	14.1	27.0

As at 31 March 2014, trade receivables of £12.8m (2013: £5.4m) were overdue but not impaired. The ageing of these overdue receivables is as follows:

	As at 31 March 2014 £m	As at 31 March 2013 £m
Less than one month overdue	**7.6**	3.7
One to three months overdue	**4.5**	1.7
Over three months overdue	**0.7**	–
	12.8	5.4

15. Trade and other receivables (continued)

Movement on the provision for doubtful debts is as follows:

	Year to 31 March 2014 £m	Year to 31 March 2013 £m
As at 1 April	**7.3**	7.6
Increase in provision for doubtful debts	**–**	2.5
Receivables written off during the year as uncollectable	**(0.5)**	(2.4)
Unused provision reversed	**(1.5)**	(0.4)
As at 31 March	**5.3**	7.3

As at 31 March 2014 there were no impaired receivables within other receivables (2013: £nil).

The carrying amounts of the Group's non-derivative financial assets excluding cash and cash equivalents by region are:

	Year to 31 March 2014 £m	Year to 31 March 2013 £m
Asia Pacific	**88.2**	75.4
EMEIA	**70.8**	53.0
Americas	**55.6**	23.7
	214.6	152.1

16. Inventories

	As at 31 March 2014 £m	As at 31 March 2013 £m
Raw materials	**36.3**	14.7
Work in progress	**2.7**	0.7
Finished goods	**380.8**	335.6
Total inventories	**419.8**	351.0

The cost of inventories recognised as an expense and included in cost of sales amounted to £646.2m (2013: £535.8m). The net movement in inventory provisions included in cost of sales for the year ended 31 March 2014 was a cost of £13.3m (2013: £8.6m).

The cost of finished goods physically destroyed in the year is £11.0m (2013: £5.5m).

17. Derivative financial instruments

Cash 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.

Master netting arrangements

The Group's forward foreign exchange contracts and equity swap contracts are entered into under International Swaps and Derivatives Association (ISDA) master netting arrangements. In general, under such agreements the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single amount that is payable by one party to the other. In certain circumstances, such as when a default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions. The ISDA agreements do not meet the criteria for offsetting in the Balance Sheet as the Group's right to offset is enforceable only on the occurrence of future events such as default. The Group's Balance Sheet would not be materially different if it had offset its forward foreign exchange contracts and equity swap contracts subject to these ISDA agreements.

Derivative financial assets

	As at 31 March 2014 £m	As at 31 March 2013 £m
Forward foreign exchange contracts – cash flow hedges	**4.6**	8.3
Equity swap contracts – held for trading	**0.5**	12.0
Total position	**5.1**	20.3
Comprising:		
Total non-current position	**0.5**	0.2
Total current position	**4.6**	20.1

Derivative financial liabilities

	As at 31 March 2014 £m	As at 31 March 2013 £m
Forward foreign exchange contracts – cash flow hedges	**(1.2)**	(0.1)
Equity swap contracts – held for trading	**(1.3)**	(0.7)
Total position	**(2.5)**	(0.8)
Comprising:		
Total non-current position	**(0.9)**	(0.7)
Total current position	**(1.6)**	(0.1)

Net derivative financial instruments

	As at 31 March 2014 £m	As at 31 March 2013 £m
Notional principal amounts of the outstanding forward foreign exchange contracts	**218.4**	200.1
Notional principal amounts of the outstanding equity swap contracts	**17.9**	20.1

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 sheet date.

		Contractual maturities			
	Carrying amount £m	Contractual cash flows £m	1 to 6 months £m	6 to 12 months £m	1 to 2 years £m
As at 31 March 2014					
Forward exchange contracts used for hedging:					
Outflow		**(214.1)**	**(99.2)**	**(106.6)**	**(8.3)**
Inflow		**217.3**	**101.5**	**107.5**	**8.3**
	3.4	**3.2**	**2.3**	**0.9**	**–**
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	–

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

18. Cash and cash equivalents

	As at 31 March 2014 £m	As at 31 March 2013 £m
Cash at bank and in hand	**275.4**	234.7
Short-term deposits	**270.1**	191.7
Total	**545.5**	426.4

19. Trade and other payables

	As at 31 March 2014 £m	As at 31 March 2013[1] £m
Non-current		
Put option liability over non-controlling interest	**51.3**	55.0
Other payables	**4.4**	5.1
Deferred income and non-financial accruals	**51.7**	47.9
Total non-current trade and other payables	**107.4**	108.0
Current		
Trade payables	**174.3**	118.2
Other taxes and social security costs	**48.5**	43.6
Deferred consideration	**–**	1.1
Other payables	**5.7**	9.1
Accruals	**140.1**	140.6
Deferred income and non-financial accruals	**31.2**	27.2
Total current trade and other payables	**399.8**	339.8
Total trade and other payables	**507.2**	447.8

1 As at 31 March 2013, £19.0m was reclassified from Deferred income and non-financial accruals to Other taxes and social security costs, as this was more reflective of the nature of these liabilities.

Included in total trade and other payables are non-financial liabilities of £131.4m (2013: £118.7m) of which £51.7m are non-current (2013: £47.9m).

19. Trade and other payables (continued)

Put option liability over non-controlling interest

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 value of the put option liability is £51.3m at 31 March 2014 (2013: £55.0m). The movement in the liability for the period includes an increase of £1.7m relating to unrealised fair value movements, as described in note 6, offset by the impact of translation of the put liability to the Group's presentational currency.

The key inputs applied in arriving at the value of the put option are the future performance of the Group's business in China; the average historic Burberry Group plc multiple; and the risk adjusted discount rate for China, taking into account the risk free rate in China. The future performance of the business is estimated by using management's business plans together with long-term observable growth forecasts.

The carrying value of the put option liability is dependent on assumptions applied in determining these key inputs, and is subject to change, in the event that there is a change in any of those assumptions. The valuation is updated at every reporting period or more often if a significant change to any input is observed.

A 10% increase/decrease in the future performance of the Group's business in China at the put option exercise date would result in a £5.1m increase/decrease in the carrying value of the put option liability at 31 March 2014, and a corresponding £5.1m loss/gain in the profit before taxation for the year ended 31 March 2014.

A 1% increase/decrease in the risk adjusted discount rate for China would result in a £3.0m decrease/£3.1m increase in the carrying value of the put option liability at 31 March 2014, and a corresponding £3.0m gain/£3.1m loss in the profit before taxation for the year ended 31 March 2014.

Ultimately, the put option liability is subject to a contractual cap of £200m. The undiscounted value of the put option liability at 31 March 2014 is £115.3m (2013: £144.5m).

20. Provisions for other liabilities and charges

	Property obligations £m	Restructuring costs £m	Other costs £m	Total £m
Balance as at 1 April 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
Effect of foreign exchange rate changes	(1.6)	–	–	(1.6)
Created during the year	6.3	–	0.2	6.5
Discount unwind	0.2	–	–	0.2
Utilised during the year	(3.4)	(0.4)	(0.9)	(4.7)
Released during the year	(4.4)	–	(2.1)	(6.5)
Balance as at 31 March 2014	**22.9**	**1.5**	**2.2**	**26.6**

	As at 31 March 2014 £m	As at 31 March 2013 £m
Analysis of total provisions:		
Non-current	**15.9**	19.8
Current	**10.7**	12.9
Total	**26.6**	32.7

The non-current provisions relate to provisions for onerous leases and property reinstatement costs which are expected to be utilised within 22 years. Of the total £1.5m restructuring provision (2013: £1.9m), £1.4m represents a current liability (2013: £1.7m). The £0.1m non-current portion relates to an onerous lease (2013: £0.2m).

21. Bank overdrafts and borrowings

Included within bank overdrafts is £140.9m (2013: £125.6m) 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 2014, the Group held bank overdrafts of £2.1m (2013: £4.2m) 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 2014, there were no outstanding drawings (2013: £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.

22. Share capital and reserves

Allotted, called up and fully paid share capital	Number	£m
Ordinary shares of 0.05p (2013: 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
Allotted on exercise of options during the year	1,481,959	–
As at 31 March 2014	**443,642,290**	**0.2**

At 31 March 2014, there were no 0.05p ordinary shares in issue held as treasury shares (2013: 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 2014, no ordinary shares were repurchased by the Company under this authority (2013: 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 2014 the amounts offset against this reserve are £69.7m (2013: £88.1m). As at 31 March 2014, the ESOP trusts held 5.2m shares (2013: 6.9m) in the Company, with a market value of £72.5m (2013: £91.7m). In the year to 31 March 2014 the Burberry Group plc ESOP trust has waived its entitlement to dividends of £1.3m (2013: £1.0m).

During the year profits of £3.0m (2013: £3.1m) 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			
	Capital reserve £m	Hedging reserve £m	Foreign currency translation reserve £m	Total £m
Balance as at 1 April 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
Other comprehensive income:				
Cash flow hedges — gains deferred in equity	–	4.2	–	4.2
Cash flow hedges — gains transferred to income	–	(9.2)	–	(9.2)
Foreign currency translation differences	–	–	(50.9)	(50.9)
Tax on other comprehensive income	–	1.3	4.6	5.9
Total comprehensive expense for the year	–	(3.7)	(46.3)	(50.0)
Transfer between reserves	3.0	–	–	3.0
Balance as at 31 March 2014	**40.0**	**5.6**	**104.7**	**150.3**

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 2014 £m	As at 31 March 2013 £m
Amounts falling due:		
Within one year	**166.0**	139.9
Between two and five years	**407.2**	343.6
After five years	**197.2**	177.6
Total	**770.4**	661.1

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 2014 £m	As at 31 March 2013 £m	**As at 31 March 2014 £m**	As at 31 March 2013 £m
Amounts falling due:				
Within one year	**0.7**	0.7	**0.5**	1.2
Between two and five years	**3.0**	3.0	**1.8**	1.5
After five years	**0.7**	1.5	**–**	0.2
Total	**4.4**	5.2	**2.3**	2.9

24. Capital commitments

	As at 31 March 2014 £m	As at 31 March 2013 £m
Capital commitments contracted but not provided for:		
Property, plant and equipment	**26.1**	25.8
Intangible assets	**2.2**	1.6
Total	**28.3**	27.4

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.

25. Financial risk management

The Group's principal financial instruments comprise derivatives, 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 based on forecast business requirements to reduce financial risk and to ensure sufficient liquidity is available to meet foreseeable needs and to invest in cash assets safely and profitably. 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.

<u>Market risk</u>

Foreign exchange risk

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

The Group's Income Statement is affected by transactions denominated in foreign currency. To reduce exposure to currency fluctuations, the Group has a policy of hedging external foreign currency denominated transactions by entering into forward foreign exchange contracts (see note 17).

The Group's treasury risk management policy is to hedge anticipated external 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 2014, the Group has performed a sensitivity analysis to determine the effect of Sterling strengthening/weakening by 20% (2013: 20%) against other currencies with all other variables held constant. The effect on translating foreign currency denominated net cash, trade, intercompany and other financial receivables and payables and financial instruments at fair value through profit or loss would have been to decrease/increase operating profit for the year by £7.2m (2013: decrease/increase £9.3m). The effect on translating forward foreign exchange contracts designated as cash flow hedges and Sterling denominated loans held as a net investment in overseas subsidiaries would have been to decrease/increase equity by £16.1m (2013: decrease/increase £6.4m) on a post-tax basis.

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 other amounts to be received or paid in cash. Amounts exclude intercompany balances which eliminate on consolidation. Foreign exchange differences on retranslation of these assets and liabilities are recognised in 'Net operating expenses' with the exception of the put liability over the non-controlling interest which are recognised in 'Other financing income and charges'.

	As at 31 March 2014			As at 31 March 2013		
	Monetary Assets	**Monetary Liabilities**	**Net**	Monetary Assets	Monetary Liabilities	Net
	£m	**£m**	**£m**	£m	£m	£m
Sterling	**0.1**	**(0.3)**	**(0.2)**	0.2	–	0.2
US Dollar	**31.0**	**(22.7)**	**8.3**	0.6	(4.7)	(4.1)
Euro	**52.3**	**(57.9)**	**(5.6)**	41.4	(23.3)	18.1
Chinese Yuan Renminbi[1]	**–**	**(51.3)**	**(51.3)**	–	(55.0)	(55.0)
Other currencies	**6.9**	**(3.6)**	**3.3**	1.9	(2.0)	(0.1)
Total	**90.3**	**(135.8)**	**(45.5)**	44.1	(85.0)	(40.9)

1 The balance includes the put option over the non-controlling interest (see note 19).

25. Financial risk management (continued)

Share price risk

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

To reduce exposure to fluctuations in the employer's national insurance liability due to movements in the Group's share price, the Group has a policy of entering into equity swaps at the time of granting share options and awards. The Group does not seek hedge accounting treatment for equity swaps. The Group monitors its exposure to fluctuations in the employer's national insurance liability on an ongoing basis. An increase/decrease in the share price of 50.0p would have resulted in an increase/decrease in profit after tax of £0.1m (2013: £1.2m).

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 2014 are £143.0m (2013: £129.8m). This includes cash pool overdraft balances of £140.9m (2013: £125.6m) which are offset by cash balances for the purpose of interest calculations. At 31 March 2014, if interest rates on the remaining borrowings of £2.1m (2013: £4.2m) had been 100 basis points higher/lower (2013: 100 basis points) with all other variables held constant, post-tax profit for the year would have been £nil (2013: £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 £2.6m (2013: £3.2m).

The floating rate financial assets, being short-term deposits, are £270.1m as at 31 March 2014 (2013: £191.7m). At 31 March 2014, if interest rates on short-term deposits had been 100 basis points higher/lower (2013: 100 basis points), with all other variables held constant, post-tax profit for the year would have been £1.3m (2013: £1.5m) 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 ended 31 March 2013 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 2014 the discounted fair value of the loan is £8.6m (2013: £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.

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' other than where required for operational purposes. A total of £29.1m was held with institutions with a rating below 'A' at 31 March 2014, of which £27.0m was held in a UK government majority owned institution. These amounts are monitored on a weekly basis and regularly reported to the Board.

The Group has deposited €nil (2013: €0.1m), CHF 0.3m (2013: CHF 0.3m), INR 0.2m (2013: INR 0.2m) and AED 0.3m (2013: AED 0.3m) which is held as collateral at a number of European banks.

25. Financial risk management (continued)

Liquidity risk

The Group's financial risk management policy aims to ensure that sufficient cash is maintained to meet foreseeable needs and close out market positions. Due to the dynamic nature of the underlying business, Group Treasury aims to maintain flexibility in funding by keeping committed credit lines available. For further details of this, see note 21.

All short-term trade and other 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, excluding derivatives used for hedging, is as follows:

	As at 31 March 2014 £m	As at 31 March 2013 £m
In more than one year, but not more than two years	**5.9**	7.6
In more than two years, but not more than three years	**3.0**	3.6
In more than three years, but not more than four years	**1.1**	1.7
In more than four years, but not more than five years	**0.8**	1.2
In more than five years	**117.5**	148.0
Total financial liabilities	**128.3**	162.1

Non-current financial liabilities relate to other payables, onerous lease provisions and the put option liability over non-controlling interests.

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 2014, the Group had net cash of £402.5m (2013: £296.6m) and total equity excluding non-controlling interest of £1,165.4m (2013: £1,017.0m). The Group has access to a facility of £300m which was undrawn at 31 March 2014. 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 around 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 88 to 106 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 2014 £m	Year to 31 March 2013 £m
Wages and salaries	**348.6**	306.5
Social security costs and other taxes	**50.4**	42.2
Share based compensation (all awards and options settled in shares)	**25.4**	24.9
Other pension costs	**16.9**	13.4
Total	**441.3**	387.0

26. Employee costs (continued)

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

	Number of employees	
	Year to 31 March 2014	Year to 31 March 2013[2]
EMEIA[1]	**4,757**	4,342
Americas	**1,807**	1,670
Asia Pacific	**3,134**	2,855
Total	**9,698**	8,867

1 EMEIA comprises Europe, Middle East, India and Africa.

2 As a result of an internal reorganisation, the Europe and Rest of World divisions were integrated to form EMEIA. The results for the year ended 31 March 2013 have been re-presented to reflect this organisational change.

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 key inputs used in the Black-Scholes pricing model to determine the fair value include the share price at the commencement date; the exercise price attached to the option; the vesting period of the award; an appropriate risk-free interest rate; a dividend yield discount for those schemes that do not accrue dividends during the course of the vesting period; and an expected share price volatility, which is determined by calculating the historical annualised standard deviation of the market price of Burberry Group plc shares over a period of time, prior to the grant, equivalent to the vesting period of the option.

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 20 June 2013, 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 2013. These options are exercisable for a period of up to six months from 1 September 2016 and 1 September 2018 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)

Savings-Related Share Option Scheme (continued)

The fair value per option for the grant was determined as £2.32. The key factors used in determining the fair value were as follows:

Share price at contract commencement date	£15.34
Exercise price	£12.20
Life of award	Equivalent to vesting period
Dividend yield	2.58%
Expected volatility	37.7%
Risk free interest rate	0.88%

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 2014**	Weighted average exercise price	Year to 31 March 2013
Outstanding at 1 April	**895.7p**	**1,009,317**	682.5p	1,022,728
Granted during the year	**1,220.0p**	**313,852**	1,104.0p	355,589
Lapsed and forfeited during the year	**1,020.5p**	**(104,476)**	873.9p	(107,359)
Withdrawn during the year	**1,001.5p**	**(34,893)**	861.3p	(15,872)
Exercised during the year	**549.5p**	**(225,710)**	321.8p	(245,769)
Outstanding at 31 March	**1,066.0p**	**958,090**	895.7p	1,009,317
Exercisable at 31 March	**–**	**–**	321.0p	4,231

The weighted average share price at the respective exercise dates in the year was £15.78 (2013: £12.80).

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 2014**	Number of shares under option as at 31 March 2013
30 June 2009 – 28 February 2013	**321.0p**	**–**	4,231
30 June 2009 – 28 February 2015	**321.0p**	**48,331**	58,996
30 June 2010 – 28 February 2014	**557.0p**	**–**	223,877
30 June 2010 – 28 February 2016	**557.0p**	**27,843**	33,609
24 June 2011 – 28 February 2015	**1,049.0p**	**271,890**	319,531
24 June 2011 – 28 February 2017	**1,049.0p**	**38,766**	42,352
22 June 2012 – 28 February 2016	**1,104.0p**	**264,737**	310,822
22 June 2012 – 28 February 2018	**1,104.0p**	**15,356**	15,899
20 June 2013 – 28 February 2017	**1,220.0p**	**272,626**	–
20 June 2013 – 28 February 2019	**1,220.0p**	**18,541**	–
Total		**958,090**	1,009,317

Burberry Senior Executive Restricted Share Plan 2004 (the RSP)

On 14 June 2013, 17 June 2013 and 25 November 2013, further awards of 2,539,323; 243,542 and 26,308 ordinary shares respectively were made to senior management under the RSP (2013: 2,569,147). 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)

Burberry Senior Executive Restricted Share Plan 2004 (the RSP) (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 anniversaries of the date of grant.

Awards granted in 2012 and 2013 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 2014	Year to 31 March 2013
Outstanding at 1 April	**7,759,198**	9,335,537
Granted during the year	**2,809,173**	2,569,147
Lapsed and forfeited during the year	**(658,330)**	(1,110,076)
Exercised during the year	**(2,234,533)**	(3,035,410)
Outstanding at 31 March	**7,675,508**	7,759,198
Exercisable at 31 March	**361,189**	425,204

The weighted average share price at the respective exercise dates in the year was £14.23 (2013: £12.86).

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

Term of the award	**Number of awards as at 31 March 2014**	Number of awards as at 31 March 2013
21 July 2005 – 20 July 2015	**5,411**	11,612
10 August 2006 – 9 August 2016	**5,101**	21,860
27 November 2006 – 26 November 2016	**2,124**	4,645
11 June 2007 – 10 June 2017	**11,635**	55,206
21 November 2007 – 20 November 2017	**373**	15,853
25 June 2008 – 24 June 2018	**84,595**	324,179
1 June 2009 – 31 May 2019	**937,542**	2,026,748
30 June 2009 – 29 June 2019	**1,375**	2,750
20 November 2009 – 19 November 2019	**1,250**	3,000
10 June 2010 – 9 June 2020	**768,410**	1,832,688
22 November 2010 – 21 November 2020	**26,199**	32,442
20 June 2011 – 19 June 2021	**969,734**	1,038,241
21 November 2011 – 20 November 2021	**58,405**	59,165
13 June 2012 – 12 June 2022	**2,100,904**	2,203,221
16 November 2012 – 15 November 2022	**127,588**	127,588
14 June 2013 – 13 June 2023	**2,308,326**	–
17 June 2013 – 16 June 2023	**243,542**	–
25 November 2013 – 24 November 2023	**22,994**	–
Total	**7,675,508**	7,759,198

26. Employee costs (continued)

Burberry Senior Executive Restricted Share Plan 2004 (the RSP) (continued)

The fair values for the awards granted on 14 June 2013, 17 June 2013 and 25 November 2013 with PBT performance conditions were determined by applying the Black-Scholes option pricing model. A discount was applied to the awards with the TSR performance condition, by applying the Monte Carlo model.

	14 June 2013	17 June 2013	25 November 2013
Fair value: PBT performance conditions	£12.68	£12.68	£13.86
Fair value: TSR performance conditions	£4.60	£4.60	£5.03

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

	14 June 2013	17 June 2013	25 November 2013
Share price at grant date	£13.70	£13.70	£14.98
Exercise price	£nil	£nil	£nil
Life of award	Equivalent to vesting period	Equivalent to vesting period	Equivalent to vesting period
Dividend yield	2.58%	2.58%	2.58%
Expected volatility	37.6%	37.6%	37.5%
Risk free interest rate	0.64%	0.64%	0.92%

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.

The number of options outstanding and exercisable at 1 April 2013 was 100,833. These options were all exercised during the current year ended 31 March 2014, for a weighted average exercise price of £2.95. The weighted average share price at the respective exercise dates during the year was £14.92 (2013: £14.80).

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 17 July 2013, 205,050 ordinary shares were granted under this scheme (2013: 190,380). 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 £15.00. The key factors used in determining the fair value were as follows:

	17 July 2013
Share price at grant date	£15.00
Exercise price	£nil
Life of award	Equivalent to vesting period
Expected volatility	37.7%
Risk free interest rate	0.59%

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

	Year to 31 March 2014	Year to 31 March 2013
Outstanding at 1 April	**454,190**	348,920
Granted during the year	**205,050**	190,380
Lapsed and forfeited during the year	**(74,280)**	(72,920)
Exercised during the year	**(126,550)**	(12,190)
Outstanding at 31 March	**458,410**	454,190
Exercisable at 31 March	**53,320**	27,710

The weighted average share price at the respective exercise dates in the year was £14.56 (2013: £12.89).

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

Term of the award	**Number of awards as at 31 March 2014**	Number of awards as at 31 March 2013
12 July 2002 – 18 July 2082[1]	**3,700**	4,450
30 August 2003 – 18 July 2082[1]	**4,250**	6,000
20 August 2004 – 18 July 2082[1]	**7,050**	10,100
1 September 2005 – 18 July 2082[1]	**4,960**	7,160
1 June 2010 – 1 September 2013	**–**	92,280
19 July 2010 – 18 July 2082[1]	**33,360**	61,980
1 June 2011 – 1 September 2014	**55,050**	66,510
18 July 2011 – 18 July 2082[1]	**38,850**	43,650
18 July 2012 – 18 July 2082[1]	**54,510**	61,950
18 July 2012 – 18 September 2015	**79,920**	100,110
17 July 2013 – 18 July 2082[1]	**69,060**	–
17 July 2013 – 17 October 2016	**107,700**	–
Total	**458,410**	454,190

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 14 June 2013, 934,419 ordinary shares were awarded (2013: 1,734,471). The awards are also subject to secondary performance conditions.

Awards granted in June 2011, 2012 and 2013 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 14 June 2013 was determined as £13.55. The key factors used in determining the fair value were as follows:

	14 June 2013
Share price at grant date	£13.55
Exercise price	£nil
Life of award	Equivalent to vesting period
Expected volatility	37.6%
Risk free interest rate	0.64%

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

	Year to 31 March 2014	Year to 31 March 2013
Outstanding at 1 April	**5,179,615**	4,096,240
Granted during the year	**934,419**	1,734,471
Lapsed and forfeited during the year	**(709,422)**	(604,032)
Withdrawn during the year	**(4,276)**	(47,064)
Exercised during the year	**(2,051,826)**	–
Outstanding at 31 March	**3,348,510**	5,179,615
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 2014**	Number of awards as at 31 March 2013
8 June 2010 – 7 June 2015	**–**	2,150,552
7 June 2011 – 6 June 2016	**1,351,474**	1,409,022
14 June 2011 – 13 June 2016	**11,206**	67,502
18 July 2012 – 17 July 2017	**1,225,803**	1,552,539
14 June 2013 – 13 June 2018	**760,027**	–
Total	**3,348,510**	5,179,615

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.

Any vested but unexercised options will automatically lapse on 31 March 2016.

26. Employee costs (continued)

December 2010 One-Off Grant (continued)

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

	Year to 31 March 2014	Year to 31 March 2013
Outstanding at 1 April	**850,000**	850,000
Forfeited during the year	**(500,000)**	–
Outstanding at 31 March	**350,000**	850,000
Exercisable at 31 March	**–**	–

June 2013 One-off Grant

On 14 June 2013, options in respect of 1,000,000 ordinary shares were granted as a one-off award, with a £nil exercise price.

The options are due to vest in three stages: 20% are exercisable on the third anniversary of the grant date; 40% are exercisable on the fourth anniversary of the grant date; and the remaining 40% are exercisable on the fifth anniversary of the grant date. The vesting of these options is dependent upon continued employment over the vesting period.

Any vested but unexercised options will automatically lapse on 15 July 2019.

The fair value of the award was determined as £13.70. The key factors used in determining the fair value were as follows:

	14 June 2013
Share price at grant date	£13.70
Exercise price	£nil
Life of award	Equivalent to vesting period
Expected volatility	37.6%
Risk free interest rate	0.64%

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

	Year to 31 March 2014
Outstanding at 1 April	**–**
Granted during the year	**1,000,000**
Outstanding at 31 March	**1,000,000**
Exercisable at 31 March	**–**

27. 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 2014 £m	Year to 31 March 2013 £m
Salaries and short-term benefits	**15.0**	9.5
Termination payments	**–**	0.4
Post-employment benefits	**0.2**	0.1
Share based compensation	**3.0**	6.6
Total	**18.2**	16.6

28. Principal subsidiaries

Company	Note	Country of incorporation	Nature of business
EMEIA			
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		People's Republic of 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. (71%)	29	Japan	Luxury goods retailer
Burberry (Thailand) Limited		Thailand	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 2014, 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 2014. The Group has a 59% share in profits of Burberry Middle East LLC and has the power to appoint both the Chairperson and the majority of directors on the Board, thus establishing control. Non-operating intermediate holding and financing companies are excluded from the list above. Sparkle Roll Holding Limited, a non-Group company, holds a 15% economic interest in Burberry (Shanghai) Trading Co., Ltd.

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

29. 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 entitled 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. As a result of acquiring these call options, it was deemed that the risks and rewards of ownership of the non-controlling interest in Burberry International K.K. transferred to Burberry International Holdings Limited. Consequently, the non-controlling interest was derecognised at 31 March 2013, resulting in a transfer of £4.2m from non-controlling interest to equity attributable to owners of the Company.

On 30 April 2013, the Group exercised its option over the 20% equity stake previously held by Mitsui and Co., Ltd, increasing its equity holding to 71%.

30. 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 financial statements 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.

		Continuing operations				
Year to 31 March	2010	2010[1]	2011	2012	2013	**2014**
Revenue by channel	£m	£m	£m	£m	£m	**£m**
Retail	748.8	710.1	962.3	1,270.3	1,416.6	**1,622.6**
Wholesale	433.6	377.5	440.6	478.3	472.7	**628.0**
Retail/Wholesale	1,182.4	1,087.6	1,402.9	1,748.6	1,889.3	**2,250.6**
Licensing	97.5	97.5	98.4	108.6	109.4	**79.2**
Total revenue	1,279.9	1,185.1	1,501.3	1,857.2	1,998.7	**2,329.8**
Profit by channel	£m	£m	£m	£m	£m	**£m**
Retail/Wholesale	137.7	137.7	219.5	286.9	335.6	**393.5**
Licensing	82.2	82.2	81.6	90.0	92.5	**66.8**
Adjusted operating profit[2]	219.9	219.9	301.1	376.9	428.1	**460.3**
Retail/Wholesale analysis	%	%	%	%	%	%
Gross margin	59.7	61.0	64.9	68.1	70.6	**70.2**
Adjusted operating expenses as a percentage of sales[2]	48.1	48.3	49.3	51.7	52.8	**52.7**
Adjusted operating margin[2]	11.6	12.7	15.6	16.4	17.8	**17.5**
Licensing analysis	%	%	%	%	%	%
Licensing operating margin	84.3	84.3	82.9	82.9	84.6	**84.3**
Summary profit analysis	£m	£m	£m	£m	£m	**£m**
Adjusted operating profit[2]	219.9	219.9	301.1	376.9	428.1	**460.3**
Net finance (charge)/income[2]	(5.1)	(5.1)	(3.2)	(0.7)	(0.3)	**0.7**
Adjusted profit before taxation[2]	214.8	214.8	297.9	376.2	427.8	**461.0**
Adjusting items	(48.8)	(3.4)	(2.2)	(10.2)	(77.1)	**(16.6)**
Profit/(loss) before taxation	166.0	211.4	295.7	366.0	350.7	**444.4**
Taxation	(83.8)	(58.8)	(83.2)	(100.6)	(91.5)	**(112.1)**
Discontinued operations	–	(70.4)	(6.2)	(0.3)	–	**–**
Non-controlling interest	(0.8)	(0.8)	2.1	(1.8)	(4.9)	**(9.8)**
Attributable profit	81.4	81.4	208.4	263.3	254.3	**322.5**
Retail/Wholesale revenue by product division	£m	£m	£m	£m	£m	**£m**
Accessories[5]	419.6	416.6	563.3	689.4	729.1	**816.1**
Womens	415.5	373.4	456.6	582.5	618.2	**684.0**
Mens	288.5	249.4	325.9	410.5	464.2	**520.8**
Childrens/Other	58.8	48.2	57.1	66.2	72.6	**78.4**
Beauty	–	–	–	–	5.2	**151.3**
Retail/Wholesale revenue by destination	£m	£m	£m	£m	£m	**£m**
Asia Pacific	282.7	282.7	457.1	652.5	745.3	**870.3**
EMEIA[3]	467.8	480.2	559.3	661.6	680.7	**811.5**
Americas	324.8	324.7	386.5	434.5	463.3	**568.8**
Spain	107.1	–	–	–	–	**–**
Financial KPIs						
Total revenue growth[4]	+1%	N/A	+24%	+23%	+8%	**+17%**
Growth in accessories revenue[4, 5]	+10%	N/A	+32%	+22%	+8%	**+12%**
Growth in retail revenue[4]	+15%	N/A	+32%	+31%	+12%	**+15%**
Number of stores	440	312	417	444	469	**497**
Number of stores in Emerging Markets	111	111	136	154	173	**193**
Retail/Wholesale gross margin	59.7%	61.0%	64.9%	68.1%	70.6%	**70.2%**
Adjusted retail/wholesale operating margin[2]	11.6%	12.7%	15.6%	16.4%	17.8%	**17.5%**
Adjusted diluted EPS growth[2]	+16%	+16%	+39%	+26%	+14%	**+8%**

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 Excludes the impact of adjusting items.

3 EMEIA comprises Europe, Middle East, India and Africa. As a result of an internal reorganisation, the Europe and Rest of World divisions were integrated to form EMEIA, effective from 1 April 2013. The results for the years ended 31 March 2010 to 31 March 2013 have been re-presented to reflect this organisational change.

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

5 The Accessories revenue for the year ended 31 March 2013 has been restated to exclude Beauty retail sales.

Year to 31 March **Earnings and dividends**	2010 pence per share	2011 pence per share	2012 pence per share	2013 pence per share	**2014** **pence** **per share**
Adjusted earnings per share – diluted[1]	35.1	48.9	61.6	70.0	**75.4**
Earnings per share – diluted	18.4	46.9	59.3	57.0	**72.1**
Diluted weighted average number of ordinary shares (millions)	441.9	444.0	444.3	446.5	**447.3**
Dividend per share (on a paid basis)	12.2	15.5	22.0	26.0	**29.8**

Year to 31 March **Net Cash Flow**	2010 £m	2011 £m	2012 £m	2013 £m	**2014** **£m**
Adjusted operating profit[1]	219.9	301.1	376.9	428.1	**460.3**
Discontinued operations	–	(2.1)	2.5	–	**–**
Restructuring spend	(26.7)	(20.3)	(8.6)	(1.0)	**(0.7)**
Depreciation and amortisation	52.3	62.6	87.6	111.2	**123.7**
Employee share scheme costs	18.1	28.3	31.8	24.9	**25.4**
Proceeds on equity swap contracts	–	–	–	–	**15.7**
Decrease/(increase) in inventories	81.4	(58.0)	(61.8)	(39.2)	**(68.2)**
Decrease/(increase) in receivables	50.3	(8.1)	(17.4)	(32.0)	**(73.8)**
Increase in payables	36.0	68.0	70.1	17.6	**42.3**
Other non-cash items	0.2	(5.1)	1.4	13.4	**10.8**
Cash flow from operations	431.5	366.4	482.5	523.0	**535.5**
Capital expenditure	(69.9)	(108.4)	(153.1)	(175.9)	**(154.0)**
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	**0.7**
Acquisitions	(2.0)	(51.9)	(23.5)	(1.0)	**(2.6)**
Net interest	(5.0)	(3.2)	(0.6)	0.9	**0.8**
Tax paid	(51.3)	(98.1)	(108.2)	(99.0)	**(111.1)**
Free cash flow	310.7	111.8	202.0	104.4	**269.3**
Dividends	(52.5)	(68.7)	(99.2)	(113.5)	**(130.7)**
ESOP trust purchases/other	(3.5)	(5.6)	(60.0)	(45.4)	**(18.8)**
Exchange difference	(0.3)	(1.6)	(2.4)	12.8	**(13.9)**
Total movement in net cash	254.4	35.9	40.4	(41.7)	**105.9**
Net cash	262.0	297.9	338.3	296.6	**402.5**

As at 31 March **Balance Sheet**	2010 £m	2011 £m	2012 £m	2013 £m	**2014** **£m**
Intangible assets	64.6	114.7	133.1	210.2	**195.4**
Property, plant and equipment	256.1	281.8	328.8	409.1	**398.4**
Inventories	166.9	247.9	311.1	351.0	**419.8**
Trade and other receivables	139.4	147.7	167.5	199.5	**273.7**
Trade and other payables	(226.7)	(367.8)	(429.3)	(447.8)	**(507.2)**
Taxation (including deferred taxation)	(13.5)	16.9	39.1	45.3	**47.4**
Net cash	262.0	297.9	338.3	296.6	**402.5**
Other net assets	(45.3)	(5.4)	2.8	(11.1)	**(22.0)**
Net assets	603.5	733.7	891.4	1,052.8	**1,208.0**

1 Excludes the impact of adjusting items.

Report on the parent Company financial statements

Our opinion

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 2014;
- 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.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The parent Company financial statements, which are prepared by Burberry Group plc, comprise the Company Balance Sheet as at 31 March 2014; and the notes to the parent Company financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation comprises applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Certain disclosures required by the financial reporting framework have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK & Ireland) ('ISAs (UK & Ireland)'). 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 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 parent Company financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the parent Company financial statements are prepared is consistent with the parent Company financial statements; and
- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law have not been made. We have no exceptions to report arising from this responsibility.

Other information in the Annual Report

Under ISAs (UK & Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited parent Company financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the parent Company acquired in the course of performing our audit; or
- is otherwise misleading.

We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 110, 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 ISAs (UK & 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 parent 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.

Other matter

We have reported separately on the Group financial statements of Burberry Group plc for the year ended 31 March 2014.

Andrew Kemp
Senior Statutory Auditor
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London, 20 May 2014

	Note	As at 31 March 2014 £m	As at 31 March 2013 £m
Fixed assets			
Investments	C	**2,219.3**	2,203.7
		2,219.3	2,203.7
Current assets			
Debtors receivable within one year	D	**0.4**	0.4
Debtors receivable after one year	D	**395.5**	424.0
Derivative assets maturing within one year		**–**	11.8
Derivative assets maturing after one year		**0.5**	0.2
Cash at bank and in hand		**1.2**	0.3
		397.6	436.7
Creditors – amounts falling due within one year	E	**(198.5)**	(377.9)
Derivative liabilities maturing within one year		**(0.4)**	–
Net current assets		**198.7**	58.8
Total assets less current liabilities		**2,418.0**	2,262.5
Creditors – amounts falling due after more than one year	E	**(1,424.6)**	(1,435.9)
Derivative liabilities maturing after one year		**(0.9)**	(0.7)
Provisions for liabilities		**(1.4)**	(1.4)
Net assets		**991.1**	824.5
Capital and reserves			
Called up share capital	F	**0.2**	0.2
Share premium account	F	**204.8**	203.6
Capital reserve	F	**0.9**	0.9
Hedging reserve	F	**4.1**	4.1
Profit and loss account	F	**781.1**	615.7
Total shareholders' funds	F	**991.1**	824.5

The financial statements on pages 164 to 168 were approved by the Board on 20 May 2014 and signed on its behalf by:

Sir John Peace
Chairman

Carol Fairweather
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 with 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. Where amounts are received from subsidiary undertakings in relation to equity instruments granted to the employees of the subsidiary undertaking, the amount is derecognised from Investments in Subsidiary Undertakings, to the extent that it was initially treated as a capital contribution, with any remaining amounts recognised as an 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 the ESOP trusts, 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 1 April 2013	2,203.7
Additions	15.6
As at 31 March 2014	**2,219.3**

The directors believe that the carrying value of the investments is supported by their underlying net assets. The principal subsidiaries of the Burberry Group are listed in note 28 of the Group financial statements.

D. Debtors

	As at 31 March 2014 £m	As at 31 March 2013 £m
Prepayments	**0.4**	0.4
Debtors receivable within one year	**0.4**	0.4
Amounts owed by Group companies	**395.0**	423.1
Prepayments	**0.5**	0.9
Debtors receivable after one year	**395.5**	424.0
Total debtors	**395.9**	424.4

Included in amounts receivable from Group companies are loans of £344.0m (2013: £79.4m) which are interest bearing.

The interest rate earned is based on relevant national LIBOR equivalents plus 0.9% to 1.77%. These loans are unsecured and repayable between 1 March 2016 and 17 June 2019. The remaining receivable of £51.0m is unsecured, interest free and repayable on demand.

E. Creditors

	As at 31 March 2014 £m	As at 31 March 2013 £m
Amounts owed to Group companies	**198.0**	377.5
Accruals	**0.5**	0.4
Creditors – amounts falling due within one year	**198.5**	377.9
Amounts owed to Group companies	**1,424.6**	1,435.9
Creditors – amounts falling due after more than one year	**1,424.6**	1,435.9
Total creditors	**1,623.1**	1,813.8

Amounts owed to Group companies falling due after more than one year are interest bearing. The interest rate earned is based on LIBOR plus 0.9%. These loans are unsecured and repayable on 17 June 2019. In the prior year these loans were unsecured, interest free and repayable on 1 March 2016.

All amounts owed to Group companies falling due within one year are unsecured, interest free and repayable on demand.

F. Capital and reserves

Allotted, called up and fully paid share capital	Number	£m
Ordinary shares of 0.05p (2013: 0.05p) each		
As at 1 April 2013	442,160,331	0.2
Allotted on exercise of options during the year	1,481,959	–
As at 31 March 2014	**443,642,290**	**0.2**

As at 31 March 2014, there were no 0.05p ordinary shares held as treasury shares (2013: 30,027).

Reconciliation of movement in Company shareholders' funds

	Called up share capital £m	Share premium account £m	Capital reserve £m	Hedging reserve £m	Profit and loss account £m	Total shareholders' funds £m
As at 1 April 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**
Retained profit for the year before dividends paid	–	–	–	–	293.7	293.7
Dividends paid	–	–	–	–	(130.7)	(130.7)
Total recognised profit for the year	–	–	–	–	163.0	163.0
Employee share option scheme						
Value of share options granted	–	–	–	–	25.4	25.4
Exercise of share options	–	1.2	–	–	–	1.2
Sale of own shares by ESOP trusts	–	–	–	–	1.7	1.7
Purchase of own shares by ESOP trusts	–	–	–	–	(24.7)	(24.7)
As at 31 March 2014	**0.2**	**204.8**	**0.9**	**4.1**	**781.1**	**991.1**

Profit for the year on ordinary activities, but before dividends payable, was £293.7m (2013: £323.5m). 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 2014, no ordinary shares were repurchased by the Company under this authority (2013: nil).

F. Capital and reserves (continued)

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 2014 the amounts offset against this reserve are £69.7m (2013: £88.1m). As at 31 March 2014, the ESOP trusts held 5.2m shares (2013: 6.9m) in the Company, with a market value of £72.5m (2013: £91.7m). In the year to 31 March 2014 the ESOP trusts have waived their entitlement to dividends of £1.3m (2013: £1.0m).

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

G. Dividends

	Year to 31 March 2014 £m	Year to 31 March 2013 £m
Prior year final dividend paid 21.00p per share (2013: 18.00p)	**92.1**	78.6
Interim dividend paid 8.80p per share (2013: 8.00p)	**38.6**	34.9
Total	**130.7**	113.5

A final dividend in respect of the year to 31 March 2014 of 23.20p (2013: 21.00p) per share, amounting to £101.8m (2013: £91.5m), 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 31 July 2014 to shareholders on the register at the close of business on 4 July 2014.

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 2014 is £nil (2013: £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 incurred audit fees of £0.1m for the current year which are borne by Burberry Limited (2013: £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 Depositary Receipts
Burberry has a sponsored Level 1 American Depositary Receipt (ADR) programme to enable US investors to purchase ADRs in US Dollars. Each ADR represents two Burberry ordinary shares.

For queries relating to ADRs in Burberry, please use the following contact details:

Deutsche Bank Trust Company Americas
c/o American Stock Transfer & Trust Company
Peck Slip Station
PO Box 2050
New York, NY 10272-2050

Tel: toll free within the US: +1 866 249 2593
Tel: International: +1 (718) 921 8137
Email enquiries: DB@amstock.com

Annual General Meeting
Burberry's Annual General Meeting will be held on Friday, 11 July 2014 at 11.00am 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 burberryplc.com.

The voting results for the 2014 Annual General Meeting will be accessible on the Company's website at burberryplc.com shortly after the meeting.

Dividends
An interim dividend for the financial year ended 31 March 2014 of 8.80p per ordinary share was paid on 24 January 2014. A final dividend of 23.20p per share has been proposed and, subject to approval at the Annual General Meeting on 11 July 2014, will be paid according to the following timetable:

Final dividend record date:	4 July 2014
Deadline for return of DRIP mandate forms:	10 July 2014
Final dividend payment date:	31 July 2014

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 is 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 2014 and future dividends to qualify for the DRIP, completed application forms must be returned to Equiniti by 10 July 2014.

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 2014
Annual General Meeting	11 July 2014
First half trading update	October 2014
Interim results announcement	November 2014
Third quarter trading update	January 2015
Second half trading update	April 2015
Preliminary results announcement	May 2015

Registered office

Burberry Group plc
Horseferry House
Horseferry Road
London
SW1P 2AW

Registered in England and Wales
Registered number 03458224
burberryplc.com

Share dealing

Burberry Group plc shares can be traded through most banks, building societies or stock brokers. Equiniti offers a telephone and internet dealing service. Terms and conditions and details of the commission charges are available on request.

For telephone dealing please telephone 08456 037 037 between 8.00am and 4.30pm, Monday to Friday, and for internet dealing visit shareview.co.uk/dealing. Shareholders will need their reference number which can be found on their share certificate.

ShareGift

Shareholders with a small number of shares, the value of which makes them uneconomic to sell, may wish to consider donating their shares to charity through ShareGift, a donation scheme operated by The Orr Mackintosh Foundation. A ShareGift donation form can be obtained from Equiniti. Further information is available at sharegift.org or by telephone on 020 7930 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/scams

Website

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

Disclaimer

The purpose of this document is to provide information to the members of Burberry Group plc. This document contains certain statements that are forward-looking statements. They appear in a number of places throughout this document and include statements regarding our intentions, beliefs or current expectations and those of our officers, directors and employees concerning, amongst other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the business we operate. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this document and unless otherwise required by applicable law the Company undertakes no obligation to update or revise these forward-looking statements. Nothing in this document should be construed as a profit forecast. The Company and its directors accept no liability to third parties in respect of this document save as would arise under English law. This document does not constitute an invitation to underwrite, subscribe for or otherwise acquire or dispose of any Burberry Group plc shares, in the UK, or in the USA, or under the USA Securities Act 1933 or any other jurisdiction.

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