



BURBERRY
ESTABLISHED 1856

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2013/2014 Annual Review

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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.

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Strategic Report

INTRODUCTION

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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.

Strategic Report – Introduction

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%

Strategic Report – Introduction

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.

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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.



Strategic Report – Introduction

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.

Strategic Report – Introduction

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.

Strategic Report – Introduction

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.

Strategic Report

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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.

Strategic Report – Burberry Group Overview

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.

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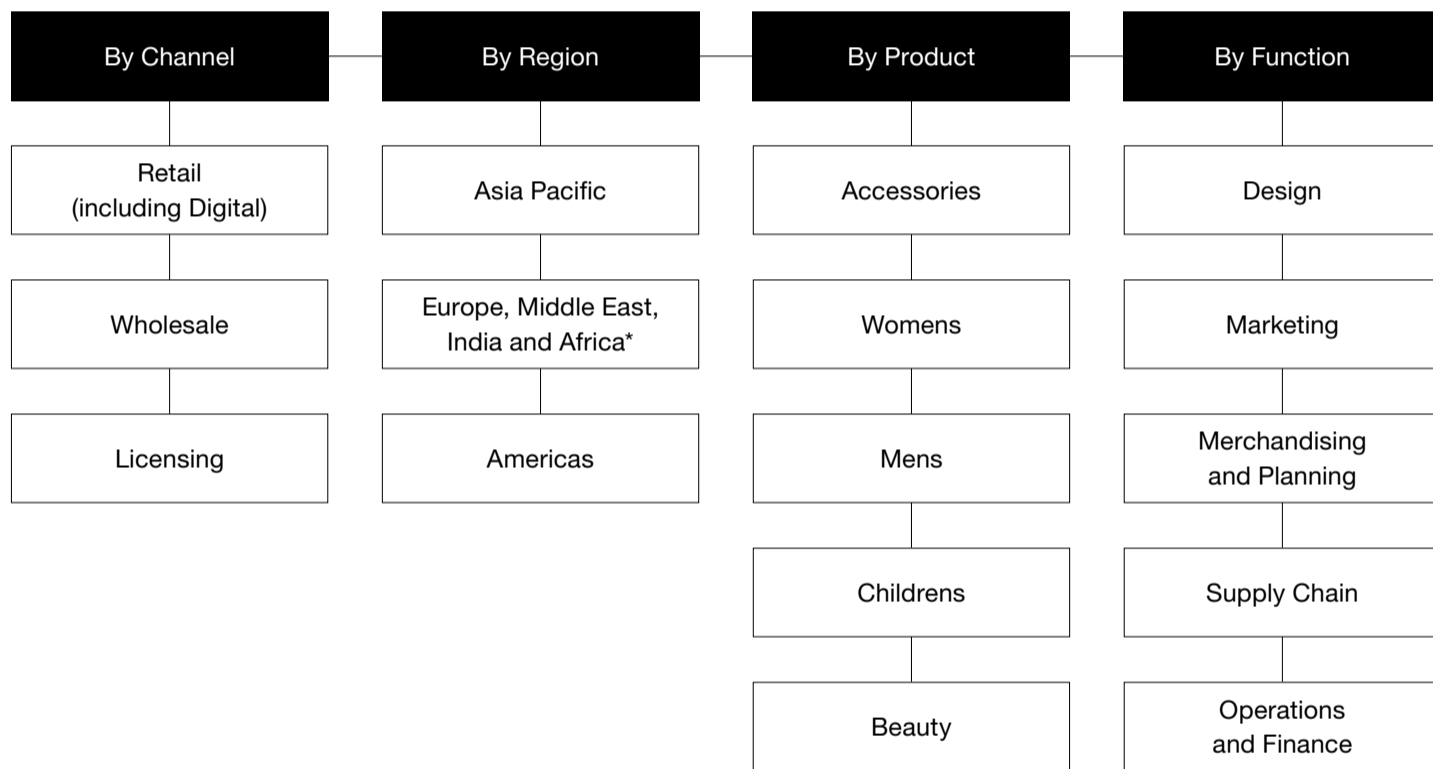
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Strategic Report – Burberry Group Overview

OPERATING MODEL

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



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

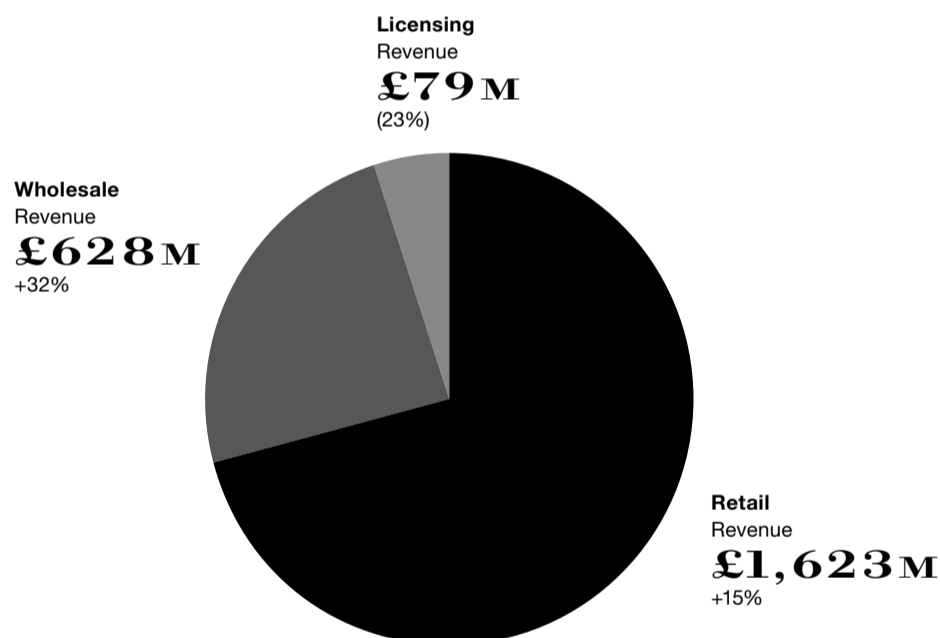
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CHANNEL MIX

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)

Strategic Report – Burberry Group Overview

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

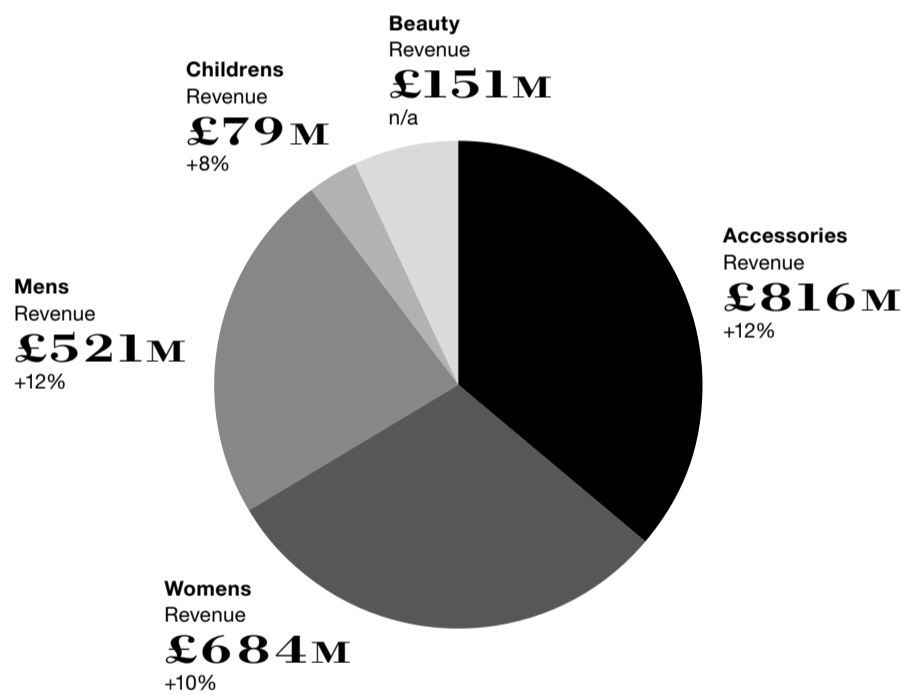
- 18% underlying growth
- Retail accounted for about 85% of revenue
- Double-digit comparable sales growth led by Greater China, especially Hong Kong
- Travel Retail, which makes up the majority of wholesale in the region, performed well

Strategic Report – Burberry Group Overview

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

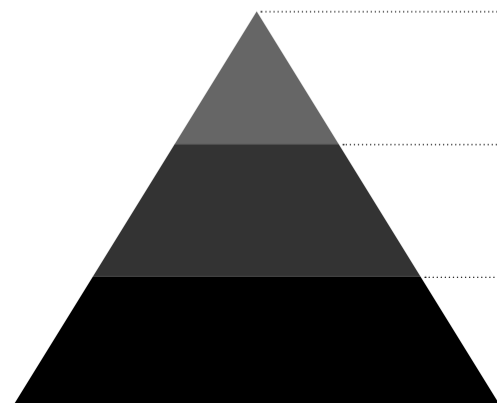
- Outerwear about 35% of mainline revenue
- Prorsum-inspired collections strong

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

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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 Report***STRATEGIC THEMES**

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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.

Strategic Report – Strategic Themes

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.

Strategic Report – Strategic Themes

- 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.

Marketing innovation

- 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

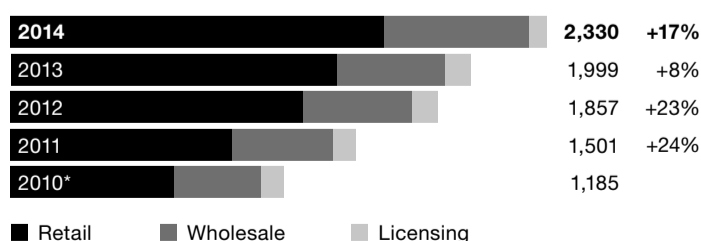
Burberry was also recognised externally during the year.

- 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.

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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.

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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%.

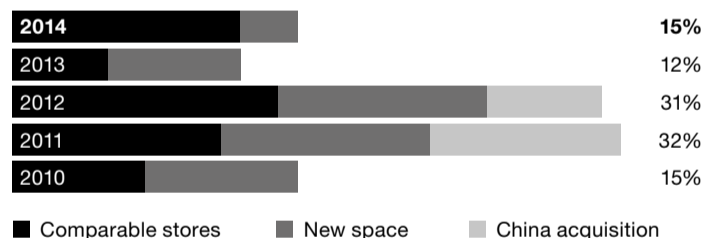
Store investment

- 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%

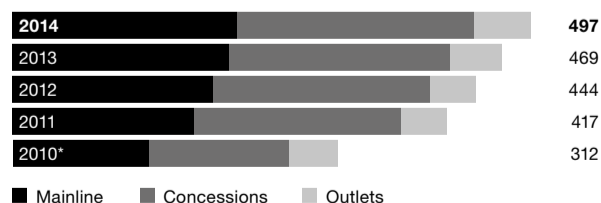


Growth rate is year-on-year underlying change i.e. at constant exchange rates. Comparable store sales growth is defined as the annual percentage increase in sales from stores that have been opened for more than 12 months, adjusted for closures and refurbishments.

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.

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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.

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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.

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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.

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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 of the annual report 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

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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 38 for more information on this. Additional grievance mechanisms have also been established in areas where local labour laws are weak, absent or poorly enforced.

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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.

Ethical Trading

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%



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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 CO₂e 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	<u>Raw materials</u> [^] Reduce the environmental impact of Burberry's three key raw materials namely, cotton, leather and PVC.	○
	<u>Chemical use in manufacturing</u> Eliminate usage of those chemicals that have a negative impact on the environment beyond legal limits.	●
	<u>Packaging</u> [^] 100% of point-of-sale packaging will be sustainably sourced (where alternatives are available).	○
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	<u>Internal manufacture</u> [^] Reduce the energy use from Burberry's two UK manufacturing sites by 25%*.	●
	<u>Suppliers</u> Work with key suppliers to assist them in reducing their energy use by up to 20%.	●
	<u>Mills</u> Work with key mills to assist them to reduce their water consumption by up to 20%.	●
	<u>Transport</u> Reduce carbon emissions from the transport of Burberry products by 10%.	●
	<u>Distribution centres</u> [^] Reduce energy use in Burberry's five third-party distribution centres by 10%*.	●
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	<u>Energy use reduction</u> [^] Reduce Burberry controlled store and office energy usage by up to 15%.	●
	<u>Sustainable consumables</u> 60% of office products to be sustainably sourced (where available).	●
	<u>Renewable energy</u> All Burberry controlled stores and offices to be powered either by on-site or green tariff renewable energy (where tariffs are available).	●
	<u>Build certifications</u> [^] All new builds being sustainable-build certified.	○
	<u>Sustainable construction materials</u> 30% of wood and steel by spend to be sourced from either recycled materials or from certified supply chains.	●
	<u>Construction waste recycling</u> 30% of construction waste to be recycled for global major projects.	●
	<u>LED lighting</u> [^] 75% of lighting per store which is LED or energy efficient in new concept stores.	○

* When normalised by a relevant productivity factor.

Key

○ Good progress ● Just starting ● Not started

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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 ₂ e		
	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 ₂ e 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.

Strategic Report – Great Brand, Great Company

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[^]



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%



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.

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Strategic Report

PERFORMANCE

43 Group Financial Highlights

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.

Strategic Report – Performance

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%

£ million	Year to 31 March		% change	
	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

Strategic Report – Performance

Revenue analysis

Revenue by channel

£ million	Year to 31 March		% change	
	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).

Strategic Report – Performance

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 rephrasing 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.

Asia Pacific

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.

Europe, Middle East, India and Africa

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.

Americas

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.

Beauty

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.

Strategic Report – Performance

Operating profit analysis

Adjusted operating profit

£ million	Year to 31 March		% change	
	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

£ million	Year to 31 March		% change
	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

£ million	Year to 31 March		% change
	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.

Strategic Report – Performance

Adjusting items

£ million	Year to 31 March	
	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

Retail: 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.

Wholesale: 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.

Retail/wholesale profit: 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.

Licensing: 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.

Tax rate: 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

Strategic Report – Performance

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

BOARD AND GOVERNANCE

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Board and Governance

BOARD OF DIRECTORS

ChairmanSir 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 directorsChristopher 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 directorsPhilip 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.

*Board and Governance*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

*Board and Governance***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

Disclaimer

The Annual Review does not constitute a strategic report for the purposes of the Companies Act 2006. A copy of the full Burberry Group plc Annual Report and Accounts 2013/14 is available for download at burberryplc.com.

The Annual Review 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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