BURBERRY
ESTABLISHED 1856

ANNUAL REPORT 2008/09

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

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Revenue

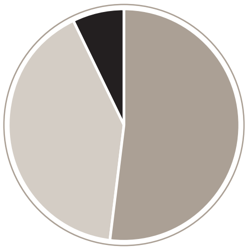
£1,202M

Up 21% reported
Up 7% underlying

2009	1,202
2008	995
2007	850
2006	743
2005	716

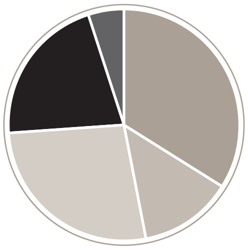
Year to March (£ millions)

Revenue by channel



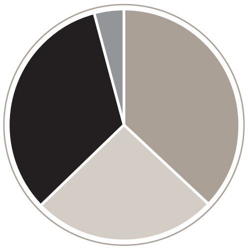
Retail	52%
Wholesale	41%
Licensing	7%

Retail/wholesale revenue by destination



Europe	34%
Spain	13%
Americas	27%
Asia Pacific	21%
Rest of World	5%

Retail/wholesale revenue by product category



Womenswear	37%
Menswear	26%
Non-apparel	33%
Childrenswear/Other	4%

Adjusted operating profit

£180.8M

Adjusted operating profit margin

15.0%

2009	180.8
2008	206.2
2007	185.1
2006	165.6
2005	161.3

Year to March (£ millions)

Adjusted operating profit is before restructuring costs, impairment charges, negative BME goodwill, Atlas costs and impact of HQ relocation

Net cash/(debt)

£7.6M

2009	7.6
2008	(64.2)
2007	(2.8)
2006	12.5
2005	169.9

As at 31 March (£ millions)

Adjusted diluted earnings per share

30.2P

2009	30.2p
2008	31.6p
2007	29.1p
2006	24.1p
2005	22.2p

Year to March (pence)

Adjusted diluted EPS is before restructuring costs, impairment charges, negative BME goodwill, impact of one-off tax credits, Atlas costs and impact of HQ relocation

Dividend per share

12.0P

2009	12.0p
2008	12.0p
2007	10.5p
2006	8.0p
2005	6.5p

Year to March (pence)

More information at
www.burberryplc.com


HORSEFERRY
ROAD SW1


DEAN RYLE
STREET SW1

Looking back to the start of Burberry's financial year in April 2008, few could have anticipated the extraordinary conditions consumer businesses would face during the ensuing 12 months. Although management was prepared for a more constrained trading environment, the rapidity, degree and global scale of contraction in consumer spending was unprecedented.

Such conditions challenge both management teams and boards of directors. There is a need to shift to defence – conserving cash, reducing capital expenditures, eliminating costs. And I am pleased to report that Burberry did take the action required, very significant action, along these lines.

However, at the same time, we also believe it is the responsibility of managements and boards to look through the negative psychology of the time and take a view on the longer term. We know that Burberry's strategy has proven effective and is being well executed. Our ambitions for Burberry remain high, with much on the agenda to accomplish. Burberry is still travelling. So, we have continued to invest in both brand and business during the year – including stores, product development, people and infrastructure.

While the external environment was the main determining factor on this year's financial results, Burberry still achieved revenues of £1.2bn, a growth of 7% at constant exchange rates, 21% reported. Operating profit decreased 12% to £181m, while diluted EPS declined 4% – both of these on an adjusted basis. After-tax return on capital remained strong at 23% on an adjusted basis. Accordingly, the Board has recommended that the full year dividend be maintained at the prior year's level of 12.0p.

I would therefore like to thank everyone at Burberry for the immense contribution made throughout this very challenging period, and looking forward, I remain confident that Burberry possesses the brand, strategy and team to continue to prosper in the years ahead.

John Peace
Chairman

Extraordinary context
In April 2008, mindful of the softening economic environment, Burberry began the 2008/09 financial year continuing to execute its strategic plan, consistent with the previous two years. This course produced good first half results: during the period ended September 2008, Group revenue increased 13% at constant exchange rates (20% at reported rates), while adjusted operating profit increased 3%.

Mid-September then brought the onset of true economic crisis – almost fully coincident with the start of Burberry's second half. This led to the addition of new, urgent priorities to the agenda. While the core strategies remained in effect, tactical adjustments were made. Matters relating to inventory management, capital investment and expense structure were evaluated in a new light. This drove development of a £50m cost efficiency programme. Involving all areas of the business throughout the world, the programme presented a challenging shift for our growth oriented organisation. The team responded brilliantly to the task, and the programme is targeted to underpin profitability in 2009/10.

Continued progress
At the same time, good progress continued across key strategies during the year.

- Front end. The front end of the business refers to the public face of Burberry.

  Brand. Burberry continued to purify the brand's message and enhance consistency across all forms of its expression. During the year, the Group completed and relocated to new global headquarters in central London. Designed internally, Horseferry House is a comprehensive expression of the Burberry brand – for customers, partners and employees. Store base upgrading continued, with renovation of the London Knightsbridge and Beverly Hills flagships as highlights.

  Product. Our talented design and merchandising teams responded quickly to the changing environment. Through continued innovation, outerwear remained at the centre of our business. Significant, new brand platforms brought further progress in underdeveloped segments of our product architecture, while new interpretations of classic icons addressed a consumer trend toward authenticity and heritage.

Regions. Burberry strengthened its position in important underdeveloped markets through the establishment of new operating structures. The Group transformed its existing Middle East franchise relationship to a joint venture to best capitalise on the potential of this high growth region. Burberry also formed a joint venture with current licensees to develop the brand's luxury accessories categories in Japan, the world's largest luxury accessories market.

- Back-of-house. Continuous operational improvement remains a primary objective.

  Merchandising. Enhancing merchandising disciplines across Burberry's complex product assortments to improve efficiency has been a key goal. Through implementation in 2008/09 of a global planning function, more targeted design processes and new regional purchasing models, the Group expects significant expense savings, improved working capital management and higher retail sell-through in future seasons.

  Infrastructure. The year also allowed the Group's infrastructure to continue to catch up with its front end. Modernisation of the supply chain continued with the move to a more sophisticated sourcing base and a refined logistics operation, producing substantial expense savings. SAP implementation neared completion with the Americas region going live at year end.

- Great brand/Great company. In addition to a great brand, Burberry aspires to be a great company. The Group advanced across several measures during the year.

  Supply chain. In supply chain, increased investment in ethical compliance teams enhanced visibility of supplier operations and improved practices in line with Burberry's values.

  Environment. Burberry continued efforts to thoughtfully reduce its environmental impact. The Group significantly reduced carbon emissions during the year through relocation to the new energy-efficient global headquarters, policy shift from air to sea for product shipments and adjusting activities to reduce dependency on international travel.

  Burberry Foundation. Aimed at empowering the intellectual creativity of young people, the Burberry Foundation began operating in earnest. During the year, the Foundation engaged with high performing charities in key cities and added internal expertise and energy to the Foundation's monetary contributions through an employee engagement programme.

These accomplishments, strategic and operational, ongoing and exceptional, point to the quality of Burberry's teams throughout the world and their ability to work as a single team. In the end, the full year financial results of a 7% revenue increase (currency adjusted) and 12% adjusted operating profit decline are more in keeping with external conditions than internal efforts.

Staying the course

A look forward presents a distinct lack of visibility regarding the economy and consumer behaviour. While the precise timing is unclear, economic recovery is anticipated to begin within this year or the next. With respect to the luxury sector, we believe the consumer preferences which fuelled growth during the past 15 years will remain relevant.

So, fundamentally, Burberry plans to stay the course. The brand has perhaps never been better positioned. Relative momentum is strong and our strategies have proven effective. Burberry's 150-year heritage and the authenticity of core products stand the business well amid the uncertainty. At the same time, we approach 2009/10 with caution. Sales are planned conservatively and the expense structure has been rationalised with an ongoing focus on costs. Capital investment plans are reduced. Management is maintaining flexibility and vigilantly monitoring the business to respond to unanticipated changes. Still, this united, dynamic team remains optimistic, with a strong belief that Burberry can prosper.

Angela Ahrendts
Chief Executive Officer

BRAND AND BUSINESS

From its founding in 1856 when Thomas Burberry constructed his first outerwear garments for the sportsmen of Basingstoke, England, Burberry has become a leading luxury brand with a global business.

The Burberry brand is defined by its:

- Authentic British heritage
- Unique democratic positioning within the luxury arena
- Founding principles of quality, function and modern classic style, rooted in the integrity of its outerwear
- Globally recognised icon portfolio: the trench coat, trademark check and Prorsum horse logo

Today, the business built upon this brand is distinguished by:

- Multi-category competency: womenswear, menswear, non-apparel and childrenswear – with innovative outerwear as the foundation
- Channel expertise in retail (including e-commerce), wholesale and licensing
- Global reach: operations in markets throughout the world, with a balance across major geographic regions
- A unified, passionate and seasoned management team

The Group management and their teams are challenged with the responsibility of maintaining the integrity and vitality of this extraordinary brand while continuing to develop a business which remains relevant to ever-evolving markets and consumer tastes. The following pages outline Burberry's strategy under each of its five key strategic themes:

- Leveraging the franchise
- Intensifying non-apparel development
- Accelerating retail-led growth
- Investing in under-penetrated markets
- Pursuing operational excellence

LEVERAGING THE FRANCHISE

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

The front end comprises everything the consumer sees from products to marketing imagery to stores. Key highlights for 2008/09 include:

- **Maintaining brand momentum.** Consistent projection of Burberry's distinctive luxury message across all mediums is a core objective. In December 2008, the Group relocated to a new global headquarters in central London. Designed internally, the building is a comprehensive expression of the Burberry brand – for customers, partners and employees.
- **Reinforcing outerwear heritage and leadership.** As the brand's defining category, outerwear innovation remains the top product priority. In 2008/09, Burberry continued to intensify under-developed outerwear segments. In womenswear, for example, the Group took its packable trench coat strategy to scale through the creation and retail presentation of a full range of colours and styles. In menswear, the team intensified focus on the more modern, fitted and higher fashion segment of its business.
- **Further reshaping the product pyramid.** Burberry continues to create clear distinctions between its Prorsum (runway), London Collection (wear to work) and Lifestyle (wear at weekend) lines. During 2008/09, the Burberry Beat check was launched as a key branding platform for the London Collection ranges. Within Lifestyle, Burberry continued to contemporise the assortment, through further development of Burberry Sport and building a core denim programme.
- **Capitalising on menswear opportunity.** For most of its history, menswear dominated Burberry's sales. While womenswear took the lead during the brand's revitalisation over the last decade, Burberry sees substantial opportunity to develop its menswear business. During 2008/09, menswear continued its transition from legacy product licences, strengthened its tailoring offering and enhanced dedicated marketing initiatives.
- **Building childrenswear.** Currently a small business for Burberry, the Group believes the highly fragmented childrenswear sector offers substantial opportunity for the brand in all markets. From its initial operation, the childrenswear team continued to develop a global product assortment and build the required organisation. Childrenswear revenue increased over 50% in the year and the Group began testing dedicated childrenswear stores.
- **Enhancing marketing.** The continuous enhancement of marketing and PR functions is a key objective of the Group. In the year, Burberry intensified efforts in the rapidly evolving digital arena through a reallocation of media spend and added dedicated human resources.
- **Optimising licensing.** Through its licensing operations, Burberry leverages its brand management, design and marketing expertise in categories requiring the specialised skills of partners. The Group has global product licences for the fragrance, eyewear and watch categories. Following the successful launch of Burberry The Beat for Women last year, the successful launch of Burberry The Beat for Men commenced in the second half of 2008/09.

LEVERAGING THE FRANCHISE

The back-of-house operations comprise the infrastructure and functional components required for the success of Burberry's front end. Burberry applies the expertise from one area of its operations to others in order to optimise performance.

- **Spain modernisation.** In 2008/09, Burberry began to modernise functions in Spain in line with actions taken in the Group's central operations during the previous two years. Core to this has been restructuring the local supply chain. During the year, Spain began transition from a sourcing base dominated by small, single function suppliers to large, vertically integrated resources – a transition the Group has made centrally since 2006.

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

£1,202M in 2008/09 **+7%**

2009	1,202	**+7%**
2008	995	**+18%**
2007	850	**+15%**

Year to March (£ millions)

Retail Wholesale Licensing

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

In 2008/09, in challenging and volatile markets, Burberry's revenue was £1,202m – a 7% underlying increase on the previous year. Sales through the retail channel increased by 14%, in wholesale by 2%, while licensing declined by 9%.

INTENSIFYING NON-APPAREL DEVELOPMENT

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

Non-apparel was again Burberry's fastest growing product division in 2008/09, and yet still offers substantial room for further growth given Burberry's relatively low market share in certain categories.

- **Handbags.** In response to a consumer shift toward a more timeless aesthetic, Burberry rebalanced the fashion/heritage mix of its handbag assortment. This included innovative interpretations of iconic branding, as well as new and elevated expressions of classic styles.
- **Shoes.** Shoes grew strongly in 2008/09 based on the previous investment in design, technical product expertise and supply chain functions. Through the year, the team has continued to build out the complete product pyramid while developing core items to drive the growth of this category.
- **Men's non-apparel.** Although currently a small category for Burberry, the Group believes this is a key area of opportunity. Burberry continues to build on this opportunity through expanding the product offering, including testing luggage.
- **Product-specific marketing.** Non-apparel categories continued to receive marketing and PR focus via prominence on the runway, editorial priority and heightened presence in global advertising campaigns. During 2008/09, Burberry introduced product-specific advertising imagery for non-apparel, including e-brochures, in order to support these strategies.
- **Partnership buy.** Burberry initiated its partnership buy model for non-apparel with the Autumn/Winter 2009 season. The partnership buy is a new, more collaborative approach to assortment development in which Burberry's regional buying teams work directly with central design teams throughout the product development process. The model's primary objectives are to enhance efficiency through reduced development expenses and sourcing leverage, increase retail sell-through with more targeted purchasing and consistency of brand statements across geographic regions.
- **Japanese non-apparel joint venture.** Burberry continues to evolve the non-apparel business model in Japan, which to date has been primarily operated by licence partners focusing on a domestic, premium-priced offering. In November 2008, Burberry entered into a joint venture agreement to develop the retail distribution of Burberry's international luxury accessories in Japan. The organisation has been established and plans to begin operations in 2009/10.

KPI: Growth in non-apparel revenue measures the success of Burberry's initiatives in this category, which includes handbags, small leather goods, scarves, shoes, belts and jewellery.

£366M in 2008/09 **+12%**

2009	366	+12%
2008	290	+39%
2007	211	+15%

Year to March (£ millions)

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

In 2008/09, non-apparel revenue increased by 12%, compared to 7% for Burberry as a whole. Non-apparel accounted for 33% of retail and wholesale revenue, compared to 32% last year.

ACCELERATING RETAIL-LED GROWTH

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

Retail contributed over half of the total Group revenue in 2008/09 for the first time, reflecting the Group's emphasis on this channel. Burberry continues to move from a relatively static, traditional, wholesale structure to a more dynamic, retail culture and mindset. This more consumer-centric, responsive organisation is having a positive impact on directly operated stores, franchise partners, wholesale customers and licensing partners worldwide.

Centrally, Burberry continues to work on:

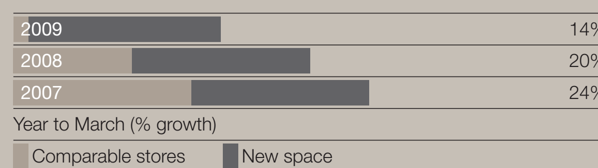
- **Focused collections.** Reorientating design and merchandising toward more disciplined, style-efficient and balanced collections.
- **Flow frequency**. Increasing the frequency of new goods flowing to stores.
- **Replenishment**. Developing a more extensive and responsive replenishment programme in all product divisions, while evolving in-store visual merchandising and processes to support.

Looking to the retail stores, Burberry remains focused on:

- **Enhancing store productivity.** Through concentration on operational activities, such as replenishment, planning, merchandising, fixturing and visual, Burberry continues to drive store productivity. In addition, Burberry has developed and piloted a sales and service programme which will be implemented globally in retail stores through 2009/10.
- **Accelerating new store openings.** In 2008/09, Burberry continued new store roll-out with 14% net new space added during the year. This included five standalone childrenswear stores as Burberry looks to grow this product area.
- **Continuing e-commerce development.** Burberry now operates e-commerce in the United States and across 26 European countries. Burberry continues to look to develop and scale its business in this high-growth channel.
- **Upgrading store image.** The Group continues to renovate high profile locations worldwide with a brighter, modern aesthetic and more efficient and productive design concept.

KPI: Growth in retail revenue includes comparable store sales growth, which measures growth in productivity of existing stores; plus sales from new space.

+14% in 2008/09

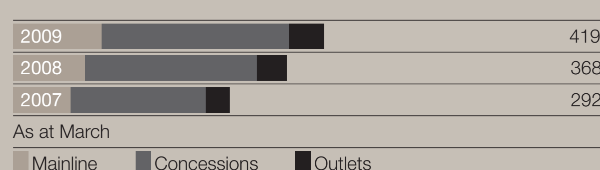


Growth rate is year-on-year underlying change i.e. at constant exchange rates. Comparable store sales growth is defined as the annual percentage increase in sales from stores that have been opened for more than 12 months, adjusted for closures and refurbishments

In 2008/09, comparable store sales increased by 1% (H1 up 3%; H2 down 1%) – a solid performance as global economic conditions deteriorated throughout the year. The balance of revenue growth was driven by new space, which increased 14% on average during the year.

KPI: Number of stores measures the number of Burberry directly operated stores around the world.

419 at March 2009



* Includes ten stores operated by Burberry Middle East

The number of stores directly operated by Burberry increased by over 50 in 2008/09, including a net 22 more mainline stores and a net 22 concessions around the world. The majority of the new mainline stores were in the Americas and Middle East.


BURBERRY

INVESTING IN UNDER-PENETRATED MARKETS

Focus on and invest in under-penetrated markets. For Burberry, these under-penetrated markets consist of both developed markets, like the United States, and emerging markets including China, India, the Middle East and Russia. All distribution channels (retail, wholesale and licensing) are used to optimise these opportunities.

Americas

The United States continues to provide significant opportunity for the Group to increase market share. In 2008/09, Burberry opened a net ten new stores (including its first store in Canada and two childrenswear standalone test stores), and completed three major renovations. In wholesale, Burberry further professionalised the organisation to work more closely with its large department store customers. In addition, during the year, the newly created Americas region took ownership of the Latin American markets and integration is now in progress. In April 2009, the Americas organisation moved into its new regional headquarters (pictured opposite) at 444 Madison Avenue with a rare outdoor marketing opportunity to feature Burberry.

Emerging Markets

In 2008/09, Burberry achieved a 50% increase in revenue from key emerging economies including China, the Middle East, Russia and India. These markets now contribute 9% of sales, up from 6% in 2007/08. Historically, Burberry has operated in these markets through local partners who possess the specific knowledge and resources required to develop the brand in their respective regions. In September 2008, Burberry entered a joint venture with its main partner in the Middle East to manage retail and wholesale operations in certain key markets. Since inception, Burberry Middle East has opened four stores, including two standalone childrenswear stores. Burberry continues to open stores with franchise partners in other markets, with a net eight stores opening last year, including a net two in China and the first significant stores in India.

KPI: Number of stores in Emerging Markets measures the reach of the Burberry brand in these high potential countries.

91 at March 2009

2009	91*
2008	79
2007	58

As at March

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

* Includes ten stores operated by Burberry Middle East

Burberry added a net 12 stores in Emerging Markets, of which eight stores were opened in conjunction with its local partners. Of the total, 81 are operated under franchise and ten by the Burberry Middle East joint venture.

In the Americas, which Burberry has also identified as an under-penetrated market, underlying retail and wholesale revenue increased by 9% in 2008/09, although the market became much more difficult from the second half.


BURBERRY

PURSUING OPERATIONAL EXCELLENCE

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

Key initiatives for 2008/09 include:

- **Global cost efficiency programme.** In January 2009, Burberry announced a global cost efficiency programme to deliver annual savings of about £50m to underpin profitability in 2009/10 and beyond. The savings are derived from process efficiencies, further evolving the supply chain, including manufacturing, and streamlining other operations around the world. The implementation of this programme is now well advanced and tracking to plan.
- **Global IT programme implementation.** The global IT programme, based on SAP technology, continues to be rolled out to the regions, with retail and wholesale distribution implementations in Hong Kong and the United States. The technology is now live in 15 countries, with approximately 75% of retail/wholesale revenue now processed through SAP. Over 80% of mainline stores are converted, giving greater visibility from design to the consumer.
- **Continued modernisation of supplier base.** The Group continues to modernise its supplier base through the move to fewer, larger, vertically integrated suppliers.
- **Refined logistics operations.** This included the continued consolidation of distribution centres throughout the Group, including the establishment of the Asian distribution hub in Hong Kong in November 2008. In addition, a global carrier programme was launched to drive significant savings in transportation costs.
- **Initial implementation of global planning function.** During the year, Burberry also began to invest in a global planning function to enable a tighter control and management of inventory. Leveraging data from the global IT solution, certain early efficiencies have been identified, including a significant reduction in style options, reduced purchases, improved replenishment processes and monthly flow disciplines.

Performance highlights for the year include:

- Reduction in number of distribution facilities from 24 in 2007/08 to 14
- Consolidation in freight carriers from 31 in 2007/08 to three
- Global suppliers from 148 in 2006/07 to 100*
- Shipment from air to sea (excluding road): minimal in 2007/08 to 68% in Autumn/Winter 2009

* Excludes Spain supply chain

KPI: Retail and wholesale gross margin measures, among other things, how efficiently Burberry sources its products.

52.1% in 2008/09

2009	52.1%
2008	58.5%
2007	56.9%

Year to March

Gross margin in retail and wholesale combined declined by 640 basis points in 2008/09. Further sourcing benefits were achieved, more than offset by a lower proportion of full price sales especially in the second half.

KPI: Adjusted retail and wholesale operating profit margin measures how Burberry's initiatives and its investment to improve its business processes, including sourcing, IT and logistics are impacting its profit margin.

9.8% in 2008/09

2009	9.8%
2008	14.9%
2007	14.6%

Year to March

Adjusted operating profit is before restructuring costs, impairment charges, negative BME goodwill, Atlas costs and impact of HQ relocation

Due to the challenging economic environment Burberry's adjusted retail and wholesale operating profit margin was 9.8% in 2008/09, with pressure on gross margin offset in part by tight management of discretionary expenses.


A NEW FRAGRANCE FOR MEN FROM
BURBERRY
THE BEAT
THE BEAT
BURBERRY

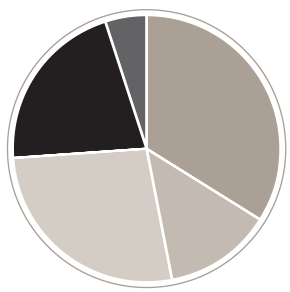
BURBERRY GROUP OVERVIEW

Burberry designs, markets and sources womenswear, menswear, non-apparel and childrenswear – with innovative outerwear as the foundation. These are distributed through a diversified network of retail, wholesale and licensing channels worldwide.

The business is managed by region, channel and product, supported by corporate functions.

REGIONS

Retail/wholesale revenue by destination 2008/09



Europe	34%
Spain	13%
Americas	27%
Asia Pacific	21%
Rest of World	5%

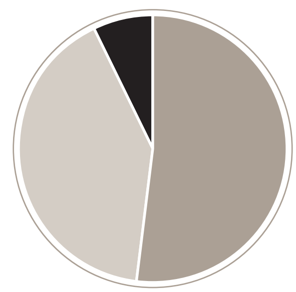
Americas: includes the United States, Canada and Latin America
Asia Pacific: includes China

Broad geographic portfolio

Burberry has a solid infrastructure around the world, operating in three main regions (Europe, Americas and Asia Pacific), as well as Spain and Rest of World. Europe including Spain is 47% of sales, Americas is 27% and Asia Pacific is 21%. Emerging Markets, which spans across all regions and includes China, India, Russia, Eastern Europe and the Middle East, contributed 9% to retail and wholesale revenue.

CHANNELS

Revenue by channel
2008/09



Retail	52%
Wholesale	41%
Licensing	7%

Retail: includes 119 mainline stores, 253 concessions within department stores and 47 outlets

Wholesale: includes sales to prestige department stores and specialty retailers around the world, as well as sales to its franchisees who operate 81 Burberry stores, mainly in Emerging Markets

Licensing: royalty income primarily received from Burberry's partners in Japan and global licensees for fragrance, eyewear, timepieces and European childrenswear

Balanced channel mix

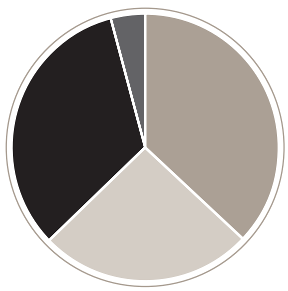
Burberry sells its products to the end consumer through both the retail (including e-commerce) and wholesale channels. Retail was 52% of revenue in 2008/09 and wholesale was 41%. Burberry also has selective licensing agreements in Japan and globally, leveraging the local and technical expertise of its licence partners.

Go to pages 35 to 39 to see what progress was made in 2008/09 by region, channel and product.

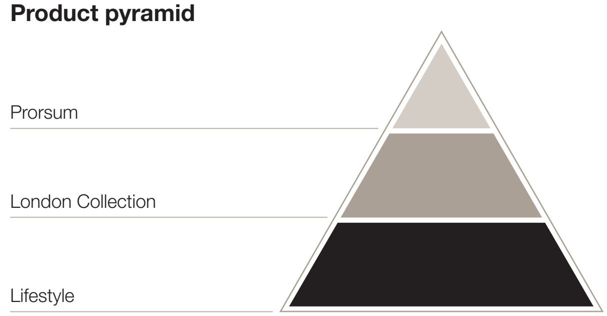
PRODUCTS

Retail/wholesale revenue by product category
2008/09

Womenswear	37%
Menswear	26%
Non-apparel	33%
Childrenswear/Other	4%



Product pyramid



Diversified offering

The Burberry brand has broad consumer appeal. The business is balanced between womenswear (37% of 2008/09 revenue), menswear (26%) and non-apparel (33%), with a small contribution from the new childrenswear division. Outerwear, which is included in womenswear, menswear and childrenswear, is the core of its product offer at approximately 50% of apparel and the category in which Burberry is top-of-mind among consumers. Burberry continues to grow this category by continued product innovation. Another key strategy is to grow non-apparel – revenue here increased by 12% underlying in 2008/09. Burberry is planning further growth in menswear and childrenswear over the next few years.

Product pyramid

Each collection is developed with a strict product hierarchy or pyramid.

At the top is Prorsum, the most fashion forward collection centred around catwalk/runway shows each year. Prorsum, the Latin word for moves forward, provides the design inspiration for other seasonal ranges.

In the middle of the pyramid is London Collection or what a Burberry customer wears on weekdays for work, i.e. tailored ready to wear.

And at the base of the pyramid is Lifestyle or what a Burberry customer wears on the weekend, i.e. casual sportswear.

Ranges at Burberry are balanced appropriately to drive sales and profitability. Outerwear goes across all three levels as Burberry continues to innovate and diversify this core category. Prorsum provides the inspiration for all ranges, London Collection continues to grow, especially with new tailoring initiatives, and Lifestyle includes Burberry Sport and new denim initiatives which further contemporise this large casual component.

CORPORATE

Burberry's regional, product and channel teams are supported by corporate functions which both efficiently and effectively sustain the business and also develop the brand in a coordinated and cohesive way around the world.

Front end	Design
	Merchandising and product development
	Marketing
Back end	Sourcing
– Supply chain	Quality assurance
	Logistics
	Customer services
– Support functions	Strategy
	Corporate resources
	IT
	Finance
	Corporate support

At the front end, these include:
- Design (including product design, store design, visual merchandising) – everything the consumer sees is developed centrally under Christopher Bailey, Burberry's Creative Director
- Merchandising and product development
- Marketing (including advertising, PR and communications)

At the back end, Burberry has built a central global supply chain team responsible for sourcing, quality assurance, logistics and customer service worldwide. These are supported by a number of further corporate functions including:
- Strategy: this division includes Burberry's corporate strategy, new business development, and licensing functions
- Corporate Resources: which includes human resources, service and productivity, facilities and loss prevention
- IT: Burberry has a global IT function covering infrastructure, systems and support
- Finance and Corporate Support: including all finance functions, investor relations, legal and corporate responsibility, corporate planning, audit and risk and business integration

RESOURCES

In order to drive growth by pursuing its five key strategies, Burberry must continue to invest in its key resources.

People
Burberry employs approximately 5,500 people worldwide. The team has been strengthened considerably over the past few years to drive delivery of the five strategic themes and support and sustain continued growth. Burberry is committed to attracting, retaining and developing world class talent. As the business grows and the demand for expertise and ability across the organisation increases, Burberry is ensuring that it develops a strong 'pipeline' of talent throughout the Group.

Brand
With over 150 years of history, rooted in its authentic British heritage and the integrity of its outerwear, Burberry continues to strive to elevate and extend the brand. Burberry has broad consumer appeal across genders and generations, a unique demographic positioning within the luxury arena, and broad global reach. Burberry continues to invest in the brand through design innovation, reinventing its icons and reinforcing the brand with professional merchandising and compelling marketing campaigns.

Infrastructure
Crucial to Burberry's ability to deliver sustainable growth is an efficient infrastructure, including its stores, supply chain, IT systems, logistics and distribution capabilities. Historically, Burberry's organisation has been highly decentralised. The current strategy is to integrate anything branded Burberry around the world. Burberry aims to be recognised as much for its operational expertise as for its product and marketing excellence and has been investing in its business processes and systems in the last few years.

Go to page 40 to see what progress Burberry's corporate functions made during 2008/09.

KPIs

The following key performance indicators (KPIs) are reviewed by the Board and the management team to assess Burberry's progress against its five strategic initiatives. Although the trends in each of the KPIs below can be influenced by more than one of the strategic initiatives, the following information provides investors with a scorecard for Burberry's performance.

KPI	**2008/09**	2007/08	2006/07
Total revenue growth (%) – see page 18	**+7%**	+18%	+15%
Growth in non-apparel revenue (%) – see page 20	**+12%**	+39%	+15%
Growth in retail revenue (%) – see page 22	**+14%**	+20%	+24%
Number of stores – see page 22	**419**	368	292
Number of stores in Emerging Markets – see page 24	**91**	79	58
Retail and wholesale gross margin (%) – see page 26	**52.1%**	58.5%	56.9%
Adjusted retail and wholesale operating profit margin (%) – see page 26	**9.8%**	14.9%	14.6%
Adjusted diluted earnings per share growth (%) – see below	**(4%)**	+9%	+21%

Creating shareholder value

KPI: Growth in adjusted diluted EPS is a key valuation metric for Burberry's shareholders.

30.2P in 2008/09, a decline of 4%

2009	30.2p	**(4)%**
2008	31.6p	**+9%**
2007	29.1p	**+21%**

Year to March (pence)

Adjusted diluted EPS is before restructuring costs, impairment charges, negative BME goodwill, impact of one-off tax credits, Atlas costs and impact of HQ relocation

Adjusted diluted EPS was down 4% to 30.2p in 2008/09 as a lower tax rate partially mitigated the decline in profit.

Total Shareholder Return

As explained on page 65 in the Report on Directors' Remuneration and related matters, Burberry also monitors Total Shareholder Return (TSR). This measures the growth in value of a shareholding assuming dividends are reinvested to purchase additional units of stock.

Corporate responsibility

Burberry also recognises its responsibility to key stakeholders in managing its business. The progress Burberry has made this year in respect of its supply chain, people management and employee communications, community involvement and environmental matters is reported on pages 48 to 52.

MARKETS

Markets in which Burberry operates
Burberry operates in the global luxury sector which, for Burberry's relevant categories, is estimated to be an approximately £145bn global market.

The luxury goods market has grown on average by 7% per annum during the last four years. During 2008, growth slowed and industry analysts expect the market to contract during 2009. Despite current headwinds associated with the global economic environment, the fundamental long-term drivers of growth in the luxury market remain:

- economic growth – the luxury market has generally grown at two to three times the rate of the global economy
- consumption associated with the rapid expansion of emerging economies including China and Russia
- growth in high net worth individuals (HNWIs) in both core and emerging markets; HNWIs are defined as consumers with financial assets (not including their primary residence) in excess of US$1m; they have a higher propensity to purchase luxury goods than other consumers
- increasing demand for luxury brands, as consumer aspirations develop, spend by working women increases and a greater number of men select luxury brands
- more international travel and tourism
- continuous product innovation by luxury brands creating demand for new products

The luxury goods market is made up of apparel, accessories including handbags and shoes, perfume and cosmetics and hard luxury, including watches and jewellery.

Global luxury goods market

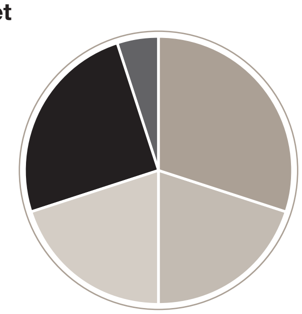
£145BN in 2008

2008	145
2007	140
2006	130
2005	120
2004	110

Year to December (retail value £ bn)

Global luxury goods market by product

Apparel	30%
Accessories	20%
Hard luxury	20%
Perfumes and cosmetics	25%
Other	5%



Company and industry estimates

Competitive position
In the year to 31 March 2009, Burberry's reported sales were £1,202m. Converting wholesale and licensing revenue to retail sales value (how much the consumer spends on Burberry products), the global sales under the Burberry brand are estimated to be £3.5bn. Burberry is among the top ten global luxury brands.

Burberry competes with a variety of luxury goods companies. Some are large international conglomerates, owning many luxury brands; others are focused on a single brand globally; while others are small, more localised operations. Burberry's relevant peer group differs by product category – womenswear, menswear, non-apparel and childrenswear.

Management remuneration is partially based on Burberry's performance relative to peers. A full list of the comparator group, which includes Hermès, LVMH, PPR and Richemont is provided on page 69 of this report.

GROUP FINANCIAL HIGHLIGHTS

- **Revenue of £1,202m, up 7% on an underlying basis,** 21% reported.
- **Adjusted retail/wholesale operating margin of 9.8%** (2008: 14.9%), reflecting a 640 basis point fall in gross margin due to lower full price sales, partly offset by tight management of discretionary expenses.
- **Adjusted profit before tax of £174.6m** (2008: £200.2m).
- **Tax rate on adjusted profit before tax of 23.8%** (2008: 30.1%), largely reflecting different geographical mix of profits.
- **Adjusted diluted earnings per share of 30.2p** (2008: 31.6p), as lower tax rate partly mitigates profit decrease.
- **Attributable loss of £6.0m** (2008: profit of £135.2m), after restructuring costs (£54.9m) and non-cash impairment and other charges (£135.8m), partly offset by one-off tax credits (£32.6m).
- **Maintained full year dividend of 12p per share.**
- **Net cash of £7.6m** (2008: net debt of £64.2m), driven by £50m inventory reduction. Main banking facilities renewed.

	Year to 31 March		% change	
£ million	**2009**	2008	reported	underlying
Revenue	**1,201.5**	995.4	21	7
Cost of sales	**(535.7)**	(377.7)	(42)	
Gross margin	**665.8**	617.7	8	
Adjusted operating expenses	**(485.0)**	(411.5)	(18)	
Adjusted operating profit	**180.8**	**206.2**	**(12)**	**(17)**
Other items*	**(190.7)**	(4.5)		
Operating (loss)/profit	**(9.9)**	**201.7**		
Net finance charge	**(6.2)**	(6.0)		
(Loss)/profit before taxation	**(16.1)**	**195.7**		
Taxation	**11.0**	(60.5)		
Minority interests	**(0.9)**	–		
Attributable (loss)/profit	**(6.0)**	135.2		
Adjusted EPS (pence)	**30.2**	**31.6**		
EPS (pence)	**(1.4)**	30.5		
Weighted average number of ordinary shares (millions)	**438.1**	442.8		

* See Other items on page 43 for full details
EPS is calculated on a diluted basis. 'Adjusted' refers to profitability measures (pre and post tax) calculated excluding:

- Restructuring costs of £54.9m (2008: nil) relating to the Group's cost efficiency programme
- Impairment charges of £129.6m (2008: nil) relating to Spanish goodwill (£116.2m) and stores (£13.4m)
- Credit of £1.7m (2008: nil) representing negative goodwill on the formation of the Burberry Middle East joint venture
- Impact of one-off tax credits of £32.6m (2008: nil)
- Net charge of £7.9m (2008: net profit of £15.1m) relating to the relocation of global headquarters
- Atlas costs of nil (2008: £19.6m) relating to the Group's infrastructure redesign initiative

REVENUE ANALYSIS

Total revenue in 2008/09 was £1,202m, an increase of 21% reported, 7% underlying. Exchange rates benefited revenue by £138m. Due to the global economic slowdown in the fourth quarter of calendar year 2008, Burberry's sales slowed in the second half (H1: up 13%; H2: up 2% underlying).

Revenue by channel of distribution

	Year to 31 March		% change	
£ million	**2009**	2008	reported	underlying
Retail	**629.7**	484.4	30	14
Wholesale	**489.2**	426.2	15	2
Licensing	**82.6**	84.8	(3)	(9)
Total	**1,201.5**	995.4	21	7

As previously announced, the Burberry Middle East joint venture was formed on 30 September 2008. This transaction marginally increased total underlying sales in the year (slight positive impact in retail; slight negative impact in wholesale)

Retail

Retail sales grew by 14% on an underlying basis (30% reported) in the year, contributing over half of total revenue for the first time. Comparable store sales increased 1%; new space added 11% to growth, with Burberry Middle East contributing the balance of 2%.

Comparable store sales increased by 1.1% in the year (H1: up 3.4%; H2: down 0.5%). With good growth in outerwear and the London Collection, the average unit price in mainline stores continued to increase, although footfall was down in many markets. As Burberry aggressively reduced its inventory levels, this benefited sales, especially in the final quarter of the year, albeit at lower gross margin.

Europe and Asia both delivered high single-digit comparable store sales growth in the year, helped by exceptional performances from the UK and Korea, driven in part by favourable currency movements. After a strong first half (up double-digit percentage), the United States market became more challenging. Stores in major metropolitan areas such as New York and Chicago continued to perform better than regional stores. Spain remained a difficult market (down double-digit percentage), reflecting the tough economic environment.

During the year, Burberry opened a net 16 mainline stores, excluding the six stores transferred from Burberry Middle East, bringing the total to 119. The openings included Burberry's first store in Canada (Vancouver), as well as five trial childrenswear stores (two in the United States, two in the Middle East and one in London). The number of concessions in prestige department stores increased by 22, including additional childrenswear corners in Korea, Taiwan and Spain and new or enlarged accessory corners in key European department stores.

Net selling space at 31 March 2009 was nearly 850,000 square feet – an average increase of 14% year-on-year. Two percentage points of this growth came from the conversion of Burberry Middle East from wholesale to retail. E-commerce is now live in over 25 countries and, although currently small, has high growth potential.

Outlook

In the year to March 2010, Burberry plans to add 10-12% to average selling space, including the stores now operated by the Burberry Middle East joint venture (3-4% of this increase). With a bias towards Asia and Americas, the number of mainline stores in 2009/10 is planned to increase by between 10 and 15 from 119 at the year end.

REVENUE ANALYSIS CONTINUED

Wholesale

Wholesale revenue, which contributed about 40% of total sales in the year, increased by 15% on a reported and 2% on an underlying basis (H1: up 15%; H2: down 11%). All regions except Spain showed double-digit growth in the first half. As the environment became more challenging in the second half, wholesale revenue declined in all regions except Emerging Markets. This was due in part to more conservative inventory management by department store partners, lower replenishment and re-orders and continued rationalisation of European independent specialty stores.

Supply chain improvements enabled earlier and more frequent deliveries, mitigating the risk of cancellations and increasing wholesale customers' regular price selling cycle, enhancing the relative profitability of the Burberry brand.

In partnership with local franchisees, Burberry opened a net eight stores during the year, in markets such as India, China (including a flagship store in Jinbao Place in Beijing) and Turkey (including a trial childrenswear store). At 31 March 2009, there were 81 franchise stores around the world, with mid single-digit comparable store sales growth. Saudi Arabia and China were particularly strong. In line with global trends, trading in all Emerging Markets became more challenging during the second half. About 15 franchise store openings are planned for 2009/10.

Outlook

Burberry projects wholesale revenue at constant exchange rates in the six months to 30 September 2009 to be down around 15% on a comparable basis. This reflects wholesale customers adjusting their inventory levels in line with the current economic environment and sales trends. This projected outcome excludes the impact of actions under the cost efficiency programme, such as the closure of Thomas Burberry; the continued planned rationalisation of many small speciality accounts in Europe; and the conversion of Burberry Middle East from wholesale to retail. Including these actions and closures, first half wholesale revenue is planned down around 25% at constant exchange rates.

Licensing

Total licensing revenue in the year declined by 9% on an underlying basis (down 3% reported), in line with guidance. The planned non-renewal of menswear licences accounted for three percentage points of the decline, as Burberry moves towards a single global menswear collection.

Department store sales in Japan weakened during the year, resulting in lower royalty income in both apparel and non-apparel. Global product licences were broadly unchanged year-on-year, including a successful launch of Burberry The Beat for Men fragrance, building on Burberry The Beat for Women last year.

Outlook

In the year to March 2010, Burberry expects reported licensing revenue to increase year-on-year, including a benefit of about £17m from the Sterling:Yen exchange rate. Underlying licensing revenue is projected to decline by between 10% and 15%, reflecting continuing weakness in Japan and further planned non-renewal of local menswear licences, offset by growth from global product licences, including new product launches in fragrance and eyewear.

Revenue by region

Revenue by origin of business

£ million	Year to 31 March 2009	2008	% change reported
EMEA*	**443.6**	364.5	22
Spain	**163.9**	172.8	(5)
Americas	**302.0**	231.6	30
Asia Pacific	**292.0**	226.5	29
Total	**1,201.5**	995.4	21

* Excluding Spain, including Burberry Middle East

Retail/wholesale revenue by destination

£ million	Year to 31 March 2009	2008	% change reported	underlying
Europe*	**379.8**	291.8	30	17
Spain	**144.5**	161.6	(11)	(24)
Americas	**304.7**	234.8	30	9
Asia Pacific	**240.0**	189.1	27	17
Rest of World#	**49.9**	33.3	50	40
Total retail/wholesale	**1,118.9**	910.6	23	8

* Excluding Spain
\# Including Burberry Middle East

Comments on pages 37 and 38 refer to revenue by destination which better reflects the regional demand for Burberry products

Europe

Revenue in Europe increased by 17% on an underlying basis (30% reported), with double-digit growth throughout the year.

Retail contributed just over half of the region's revenue, helped by an exceptional performance in the London stores. This was driven in part by favourable currency and increased tourism, as well as focused investment in new stores (Westfield opened in December 2008), new concessions in premier department stores and the refurbishment of Knightsbridge. After a strong first half, wholesale revenue declined in the second half, reflecting the difficult environment and further rationalisation of European specialty stores.

For the first half of 2009/10, Burberry is planning to reduce the number of small wholesale accounts by over 200 as its own retail presence is strengthened, as minimum order sizes are increased, credit terms are more carefully monitored and non-core categories, including golf, are eliminated.

Spain

Revenue in Spain declined by 24% on an underlying basis (11% reported), reflecting the continuing difficult economic environment.

REVENUE ANALYSIS CONTINUED

Retail sales accounted for just over 40% of Spain's revenue, with the majority coming from over 100 womenswear, non-apparel and childrenswear concessions.

Comparable store sales were down double-digit throughout the year. Underlying wholesale revenue declined 30% year-on-year, as the number of domestic independent retail customers declined by more than 10% for Spring/Summer 2009 – a more rapid contraction than in past seasons.

A major part of the cost efficiency programme relates to Spain, where headcount has been reduced by about one third. By working more closely with London in areas such as supply chain and planning and with greater synchronisation with the global collections, Burberry continues to focus and strengthen its product offer in what is expected to remain a challenging market in the current financial year.

Americas

Revenue in the Americas increased by 30% on a reported basis and 9% underlying (H1: up 23%; H2: down 2%).

Retail contributed about three-quarters of Americas' revenue. Comparable store sales were up double-digit in the first half but reversed in the second half, reflecting the slowdown in the economy from Autumn 2008. A net ten stores were opened and several were renovated in key markets such as the West Coast (Beverly Hills and Costa Mesa).

Wholesale revenue showed a similar pattern to retail as department store partners took a more conservative approach to inventory management in the second half, with lower than anticipated replenishment and fewer re-orders. Burberry believes it continues to gain share in this market, as its teams focus on increasing productivity in its partners' best performing stores and on gaining space for core and new product categories.

The Americas team made excellent operational progress in the year. It expanded operations into Canada and took initial steps to integrate South America – both markets where Burberry is very under-penetrated. In addition, in April 2009, SAP went live in retail and distribution and the regional headquarters moved to new showrooms and offices at 444 Madison Avenue.

Asia Pacific

Asia Pacific revenue increased by 17% on an underlying basis (27% reported), with double-digit growth throughout the year.

Retail and wholesale channels grew evenly, with retail accounting for over half of the region's revenue. Korea, Burberry's largest Asian retail market outside Japan, grew strongly in the year (with comparable store sales up by over 20%), benefiting from the repositioning of the business, especially in non-apparel. Favourable currency movements led to an increase in the number of Japanese luxury tourists and encouraged the local luxury consumer to travel less and spend more in Korea. Hong Kong was more challenging, while Australia and Singapore performed well. In wholesale, the duty free market was weak, offset by increased sales to Burberry's Chinese franchise partner. China remained strong, with comparable store sales up double-digit percentage, an aggressive store renovation programme and a net two store openings.

Operationally, the management team was further strengthened and consolidated in the regional head office; SAP and the new regional distribution hub in Hong Kong went live in November 2008; and improved planning increased the consistency and profitability of the product offer.

Retail/wholesale revenue by product category

	Year to 31 March		% change	
£ million	**2009**	2008	reported	underlying
Womenswear	**412.8**	345.2	20	6
Menswear	**298.4**	247.8	20	5
Non-apparel	**366.3**	289.7	26	12
Childrenswear/Other	**41.4**	27.9	48	37
Total retail/wholesale	**1,118.9**	910.6	23	8

Womenswear (37% of sales)
Womenswear grew by 6% on an underlying basis, driven by outerwear, dresses and tailored jacket categories. Prorsum continued to receive strong press and editorial coverage, reinforcing brand momentum. The London Collection performed well, driven by modern designs and the new innovative branding. The large Lifestyle business saw early success with the expansion of Sport and the new denim strategy.

Menswear (26% of sales)
Menswear revenue grew by 5% underlying, with strong performances from the outerwear and knitwear categories. New, more contemporary fits and innovative design drove outerwear penetration. Burberry continues to establish the London Collection as an authoritative tailored suiting business, as it takes control of and further develops products previously under licence, such as tailoring, shirts and ties.

Non-apparel (33% of sales)
Non-apparel revenue grew by 12% underlying – contributing the largest increase in sales. Handbags led this growth, due to improved merchandising, the new partnership buy and increased innovation in the core and newly launched iconic programmes. Improved planning and replenishment processes added to this performance, as did further development of a complete shoe assortment (from runway through Collection to Lifestyle) and a positive response to new categories such as jewellery and men's accessories.

Childrenswear/Other (4% of sales)
Childrenswear grew by 55% on an underlying basis, albeit from a small base. Burberry continues to build and balance out the global product assortment and the required organisation and infrastructure to capitalise on this long-term growth opportunity, especially in large department stores.

REVENUE ANALYSIS CONTINUED

Corporate functions

Further progress was made in 2008/09 by the corporate functions in supporting the brand and teams around the world. This was facilitated by the move to Horseferry House in December 2008 which brought all the corporate teams together in one building for the first time and exemplifies the full expression of the Burberry brand experience. The new aesthetic showcased at Horseferry House can also be seen in the recent store renovations, including Beverly Hills, Los Angeles and the Knightsbridge flagship in London.

Within marketing, the teams have continued to focus on delivering a clear consistent message across all forms of media highlighting all product divisions while reinforcing the authenticity of Burberry's core British icons. The press teams have further increased Burberry's editorial coverage with a 30% increase in the number of magazine covers featuring Burberry product year-on-year. Burberry successfully launched a VIP programme which has further increased the exposure and supported the elevation of the brand. Reflecting changes in consumer communication a digital dimension has been added. For example, the launch of the fragrance Burberry The Beat for Men was enhanced by proactive use of digital media and social networking sites.

Burberry's investment in its supply chain continues to drive efficiencies throughout procurement and distribution, delivering a significant contribution to the Group's cost efficiency programme. The team continues to modernise the supplier base globally, particularly in the UK and Spain. Within logistics, the Asian distribution hub was established in October 2008 and a global carrier programme was launched to significantly drive savings in transportation costs.

Within corporate resources, our sales and productivity team has led projects to drive retail profitability, developing and testing a sales and service programme which will be implemented globally during 2009/10. The human resources and organisational development teams professionally implemented the global cost efficiency programme, while continuing to attract and retain our talent. In addition, the facilities and security teams were reinforced to support the running of the new global headquarters.

The IT team continued to implement Burberry's global IT programme with Hong Kong going live in late 2008, the United States in April 2009 and the rest of Asia will follow during the remainder of the year. The European region, which has been live on the global solution since October 2007, is starting to realise the benefits of year-on-year comparable data and increased visibility of its operations.

During the year, Burberry also began to invest in a global planning function to further reinforce the shift to a retail-led model and to enable a tighter control and management of inventory. Leveraging data from the global IT solution, certain early efficiencies have been identified, including a significant reduction in style options, reduced purchases, improved replenishment processes and monthly flow disciplines.

Cost efficiency programme

In January 2009, Burberry announced a global cost efficiency programme to deliver annual savings of about £50m to underpin profitability in 2009/10 and beyond. The implementation of this programme is well advanced and total planned benefits and costs are in line with previous guidance.

There are two main parts to this programme:

- Accelerating the benefits from investments made in supply chain, IT and infrastructure to deliver some £15-20m of annual savings:
  - With about half from supply chain: changing the default for shipping from air to sea where appropriate; consolidating distribution centres; and improving sourcing by further rationalisation of the supplier base
  - The balance of savings will come from corporate processes, such as: changing the Prorsum business model; implementing an integrated design process; and rolling out the partnership buy model where the regions work early on in conjunction with the product divisions to develop a more targeted assortment, reducing style and option counts
- Cost reduction initiatives to deliver some £30-35m of annual savings, having:
  - Restructured the Spanish operations, by modernising the supply chain, closing the underperforming Thomas Burberry brand after Spring/Summer 2009 and streamlining operations to reflect the lower level of sales in this market
  - Rationalised internal manufacturing facilities
  - Closed one European showroom
  - Reduced corporate headcount
  - Controlling expenses, including a headcount freeze and a focus on all areas of discretionary spend

To date, some 800 employees have left the Group: nearly 300 in Spain; 400 in internal manufacturing; and the balance across corporate functions and in the regions. This represents nearly 15% of the total workforce.

Of the annual savings, about 70% will benefit operating expenses, with the balance to gross margin.

The total profit and loss charge associated with this programme remains at about £60m. £55m has been charged in 2008/09, with the balance to be charged in 2009/10. Cash costs of £16m were incurred in 2008/09, with about £35m expected in 2009/10.

OPERATING PROFIT ANALYSIS

Total operating profit

	Year to 31 March		% change	
£ million	**2009**	2008	reported	underlying
Retail/wholesale	**110.1**	135.6	(19)	(23)
Licensing	**70.7**	70.6	nc	(7)
Adjusted operating profit	**180.8**	**206.2**	**(12)**	**(17)**
Adjusted operating margin	**15.0%**	20.7%		
Other items	**(190.7)**	(4.5)		
Operating (loss)/profit	**(9.9)**	**201.7**		

Adjusted operating profit was £180.8m in 2008/09, including a £10.6m benefit from exchange rates. The adjusted operating margin fell to 15.0% reflecting a reduced proportion of revenue from higher margin licensing and a lower retail/wholesale operating margin.

OPERATING PROFIT ANALYSIS CONTINUED

Retail/wholesale adjusted operating profit

	Year to 31 March		% change
£ million	**2009**	2008	reported
Revenue	**1,118.9**	910.6	23
Cost of sales	**(535.7)**	(377.7)	(42)
Gross margin	**583.2**	532.9	9
Gross margin %	**52.1%**	58.5%	
Horseferry/SAP costs	**(10.0)**	–	–
Other operating expenses	**(463.1)**	(397.3)	(16)
Adjusted operating profit	**110.1**	**135.6**	**(19)**
Other operating expenses as percentage of sales	**41.4%**	43.6%	
Adjusted operating margin	**9.8%**	14.9%	

Retail/wholesale adjusted operating margin was 9.8% in 2008/09, with pressure on gross margin offset in part by tight management of discretionary expenses.

Gross margin

Gross margin in retail and wholesale combined declined by 640 basis points for the year (H1: 340 basis points; H2: 880 basis points). Further sourcing benefits were achieved, protecting the initial margin despite currency pressures. However, these benefits were more than offset by a lower proportion of full price sales, especially in the second half.

For 2009/10, Burberry expects an improvement in the gross margin, second half weighted, based on:

- More focused assortments, very conservative planning and lower procurement of inventory for Autumn/Winter 2009 (which starts shipping in June 2009), leading to less clearance activity
- A further shift from wholesale to retail, a higher gross margin channel
- About £15m of benefits from the cost efficiency programme

Operating expenses

In 2008/09, about three-quarters of Burberry's operating expenses were incurred in the regions, with the balance in the corporate teams, including design, product development, merchandising, marketing, supply chain, logistics and IT, as well as central functions such as finance, corporate resources and legal.

Regional operating expenses as a percentage of sales were broadly unchanged year-on-year.

Corporate expenses as a percentage of sales declined materially, excluding one-off costs of £10.0m associated with the move to Horseferry House and the implementation of SAP. An increase in the expense ratio, due to continued investment in areas such as design and supply chain, as well as the full year impact of the investments made in the corporate team during 2007/08, was more than offset by:

- Tight management of discretionary expenses
- A near £20m reduction in bonus and performance-related share scheme costs

For 2009/10, Burberry expects operating expenses as a percentage of sales to increase, reflecting:

- The previously announced projected decline in first half wholesale revenue, which, combined with a cautious outlook for retail sales, results in operating deleverage
- The proportional shift in mix from wholesale to retail, a higher cost channel
- Partly offset by about £35m of benefits from the cost efficiency programme

Licensing operating profit

£ million	Year to 31 March 2009	2008	Year to 31 March 2009 At constant FX
Revenue	**82.6**	84.8	77.5
Cost of sales	**–**	–	–
Gross margin	**82.6**	84.8	77.5
Gross margin %	**100%**	100%	
Operating expenses	**(11.9)**	(14.2)	(11.9)
Operating profit	**70.7**	**70.6**	**65.6**
Operating margin	**85.6%**	83.3%	

As outlined earlier, underlying licensing revenue was down 9% (down 3% reported). Exchange rates benefited both revenue and gross margin by £5.1m. Due to a reduction in operating expenses, operating margin was 85.6% in the year.

Other items

£ million	Year to 31 March 2009	2008
Restructuring costs	**(54.9)**	–
Goodwill impairment charge	**(116.2)**	–
Store impairments	**(13.4)**	–
Negative goodwill	**1.7**	–
Relocation of headquarters	**(7.9)**	15.1
Atlas costs	**–**	(19.6)
	(190.7)	(4.5)

During 2008/09, Burberry incurred the following costs/credits:

- £54.9m restructuring charge relating to its cost efficiency programme. Of this, about £35m is redundancy and other direct costs, with the balance being asset write-offs and provisions
- £116.2m relating to the impairment of Spanish goodwill, reflecting an increasingly challenging economic environment in that market
- £13.4m relating to store impairments and onerous lease provisions, broadly split half in Europe and half in the United States
- £1.7m credit on the negative goodwill on the formation of Burberry Middle East
- £7.9m additional provision for onerous leases on vacant properties resulting from the relocation of the global headquarters. This charge reflects the deterioration in the London commercial property market during the last year

About 70% of these charges are non-cash items, with the exception of part of the restructuring charge (£16m spent in 2008/09; about £35m expected in 2009/10) and the onerous lease provisions.

OPERATING PROFIT ANALYSIS CONTINUED

Taxation

In the year to 31 March 2009, Burberry had a tax credit of £11m, comprising:

- A tax charge of £42m on adjusted profit before tax of £175m, giving a tax rate of 23.8% (2008: 30.1%). The year-on-year decline is due to a different geographical mix of profits and lower corporate tax rates in some countries
- A tax credit of £20m relating to certain of the other items detailed above
- One-off tax credits totalling £33m due to a prior year adjustment (as disclosed in the interim results in November 2008) and arising on a reorganisation within the Group. These credits will reduce cash tax payable in 2009/10 by about £23m

Cash flow and net debt

Net cash at 31 March 2009 was £7.6m, compared to net debt of £114.3m at 30 September 2008 and net debt of £64.2m at 31 March 2008, benefiting mainly from management's intense focus on reducing inventory.

At 31 March 2009, inventory was £263m, compared to £331m at 30 September 2008 and £269m at 31 March 2008. This is a year-on-year reduction of 19% (or £50m) at constant exchange rates, even after 14% space growth.

Major outflows were capital expenditure of £90m (2008: £49m), including £23m on Horseferry House in 2008/09. Tax paid at £26m was lower (2008: £53m) and dividends were slightly higher (£52m compared to £47m in 2008). There was no share buyback during the year (2008: £40m).

For the year to March 2010, capital expenditure, excluding Japan, is now planned at about £60m, in line with Burberry's normalised spend, as Burberry takes advantage of better real estate terms from developers around the world.

In March 2009, Burberry successfully refinanced its £200m multi-currency revolving credit facility. It now has banking facilities totalling £260m, of which £60m matures in June 2011 and the refinanced £200m matures in June 2012. These facilities will ensure the Group has adequate liquidity to meet its operating and financial needs over this period.

Store portfolio

	Directly-operated stores				
	Mainline stores	Concessions	Outlets	Total	Franchise stores
At 31 March 2008	97	231	40	368	79
Additions	21	29	10	60	13
Closures	(5)	(7)	(3)	(15)	(5)
Transfers*	6	–	–	6	(6)
At 31 March 2009	**119**	**253**	**47**	**419**	**81**

Store portfolio by region

	Directly-operated stores				
At 31 March 2009	Mainline stores	Concessions	Outlets	Total	Franchise stores
Europe#	32	25	16	73	12
Spain	6	131	5	142	–
Americas	57	–	22	79	–
Asia Pacific	14	97	4	115	54
Rest of World	10	–	–	10	15
Total	**119**	**253**	**47**	**419**	**81**

* Six stores operated by Burberry Middle East at 1 October 2008, which have been reclassified as mainline stores
\# Excluding Spain

Sales to franchise stores reported in wholesale revenue

The management of the business and the execution of the Group's growth strategies are subject to a number of risks, the occurrence of any one of which may adversely affect the management of the Group and the execution of growth strategies.

The key business risks affecting the Group are set out below. The steps the Group takes to address these risks, where they are matters within its control, are also described. Such steps will mitigate but not eliminate these risks. Some of the risks relate to external factors which are beyond the Group's control. The order of the risks is in no way an indication of their relative importance, and each of the risks should be considered independently. If more than one of the events contemplated by the risks set out below occurs, it is possible that the combined overall effect of such events may be compounded.

Risks are formally reviewed by the Group Risk Committee, whose membership includes the Chief Executive Officer, Executive Vice President – Chief Financial Officer, Executive Vice President of Corporate Resources, Senior Vice President of Supply Chain, Senior Vice President Commercial Affairs and General Counsel and Director of Audit and Risk Assurance. At the invitation of the Committee, the Director of Intellectual Property, Head of Corporate Responsibility, Head of Risk Management and representatives from other assurance teams regularly attend meetings. The assessment of the Group's risks and the processes in place for management and mitigation of these risks are considered by the Audit Committee on a regular basis. Key business risks are also considered by the Audit Committee and are considered generally as part of the Group's strategic development and ongoing business review processes.

The global economic downturn has affected consumers' purchases of discretionary luxury items which has adversely affected Burberry's sales in certain markets
In common with all Burberry's competitors, the global economic downturn has affected the level of consumer spending on discretionary luxury items. During a recession, when disposable income is lower, a global downturn will adversely affect Burberry's sales in certain markets.

A significant proportion of the Group's sales are generated by customers (in particular Middle Eastern, Russian, Japanese, Chinese and other Asian customers) who purchase products while travelling either overseas or domestically. As a result, shifts in travel patterns or a decline in travel volumes could materially affect trading results.

During the year, the Group announced a global cost efficiency programme to underpin future profitability, the implementation of which is well advanced and is in line to provide the business with the planned benefits.

There is a risk of over-reliance on key trading partners
In a number of key product categories Burberry is reliant on a small number of suppliers. During the year, the Group continued to strengthen its supply chain management team to enable the further evolution and development of the manufacturing base and also to mitigate the risk associated with over-reliance on a number of key product suppliers. Where suitable alternatives exist, the Group has reduced volumes with such suppliers and continues to look for suitable additional alternatives where necessary.

The Group has a number of key customers whose business represents a substantial portion of sales. The Group dedicates resources to these customers and maintains close relationships with such customers to understand and respond to their needs.

The Group closely manages its relationships with key suppliers and customers which includes monitoring their financial and non-financial performance.

A substantial proportion of the Group's revenue and profits is reliant upon business in Japan and key global licensees
A significant source of profit is derived from the royalties received from licensees, specifically the Group's licensees in Japan, and the fragrance licensee InterParfums S.A. Burberry relies upon licensees, among other things, to maintain operational and financial control over their businesses. Should these licensees fail to effectively manage their operations the Group's income from royalties would decline. Failure to manage these key relationships effectively could have a material impact on the sales, profitability and reputation of the Group.

To minimise the risks in Japan, Burberry has its own offices and operations in Tokyo and closely monitors its relationships with licensees. The Group regularly implements royalty reviews and audits of licensees, but cannot guarantee that they will reveal any non-compliance with the terms of the relevant licence.

In key emerging markets, including China and the Middle East, Burberry is largely dependent upon third-party operators with the associated lack of direct control and transparency
In key emerging markets, Burberry operates through third-party franchisees. In particular, a third-party retail operation has been developed in China. The Group largely depends upon the expertise of these franchisees given its relative lack of experience in this region. During the year, the Group has strengthened its resources internally, and where appropriate has its own staff based within these operations who work closely with franchisees to further develop operational models to enable greater control and visibility.

During the year, the Group established a company in the Middle East with its longstanding franchisee to enable both parties to capitalise on further opportunities in certain parts of the Middle East.

Burberry could suffer if its supply chain is unable to produce and deliver goods at a competitive price, on time and to its specification

Burberry continues to evolve its sourcing strategy, refining its selection of suppliers to maintain and enhance product quality whilst improving sourcing efficiency. During the year, the Group announced a global cost efficiency programme which included the restructuring of its Spanish operations and consolidation of its UK manufacturing operations; the implementation of these initiatives is well advanced. These initiatives may adversely affect relationships with existing suppliers during the transition period. If Burberry's suppliers failed to ship products on time, or quality is substandard, this could result in the Group missing delivery dates to its customers, potentially resulting in cancelled orders or price reductions. Further, such a failure could affect wholesale customers' confidence which could adversely affect subsequent seasons' sales. The Group continues to rationalise its distribution network to minimise unnecessary costs and to improve delivery timeliness and accuracy.

During the year, the Group established a global planning function to further improve inventory management processes and effective product flow, facilitated by improved reporting and visibility provided by SAP. Further opportunities exist to improve inventory management processes and these will help ensure that the Group continues to produce merchandise of the right quality, in accordance with its ethical policy and delivered in accordance with its requirements.

The inability to anticipate and respond to changes in consumer demand and product category trends on a timely basis could adversely impact sales

The Group's business depends, in part, on the ability to shape, stimulate and anticipate consumer demand by producing innovative, fashionable and functional products. Categories are cyclical, so it is critical the Group builds responsive product teams to exploit trending categories, launch new categories and balance core apparel and non-apparel categories. The Burberry Check and outerwear are both an integral part of the brand's success. The Group has evolved its design calendar to enable increased product refreshment and replenishment so as to be more responsive to fashion and consumer trends and to respond more efficiently to changing circumstances and to reduce the risks associated with placing excessive capacity with key product suppliers.

Burberry continues to protect its classic core market by adding innovation to further stimulate sales to current customers, while attracting new customers to the brand. The Group balances and plans all categories and brand icons through a strict product hierarchy. To continue brand momentum, and to protect market share in apparel and non-apparel categories, the Group features outerwear and the Burberry Check icons as part of seasonal marketing initiatives.

Burberry's operating results are subject to seasonal fluctuations and vary based on the weather

In recent years, the world has seen more unpredictable global weather patterns. Burberry's business, particularly with respect to apparel, broadly operates on a seasonal basis (Spring/Summer and Autumn/Winter) and the Group has experienced, and expects to continue to experience, substantial seasonal fluctuations in sales and operating results. In particular, results vary based on the weather because of the large proportion of outerwear products Burberry offers and the effect of the weather on retail markets generally. As a result of these fluctuations, comparisons of sales and operating results between different periods within a single financial year are not necessarily meaningful. In addition, these comparisons cannot be relied on as indicators of the Group's future performance.

The cumulative change and significant growth within the business places a significant pressure on resources

The combination of the continued development of the Group's IT infrastructure, the development of the global supply chain and the implementation of the global cost efficiency programme combine to exert significant pressure on the business. Governance processes have been put in place for each major programme to monitor and manage the progress of these initiatives and these are supplemented by monthly operational meetings with senior management to review operational performance. The senior management team has been strengthened to further support these key initiatives and external consultants are used to supplement internal skills where required.

Burberry is dependent on the strength of its trademarks and other intellectual property rights

Burberry's trademarks and other proprietary rights are fundamentally important to the success and competitive position of the business. Unauthorised use of the 'Burberry' name, the Burberry Check and the Prorsum horse logo as well as the distribution of counterfeit products damage the Burberry brand image and profits. If a third-party registers one of the Group's trademarks, or similar trademarks, in a country where the Group does not currently trade, this would create a barrier to commencing trade under those marks in that country. In addition, if a third-party publishes harmful material using our trademarks, Burberry's brand image could suffer.

The Group has a dedicated team operating internationally to register and protect its trademarks and other intellectual property rights. Where infringements are identified, the Group resolves these through a mixture of criminal and civil legal action and negotiated settlement.

Nevertheless, it is not possible to guarantee that the actions taken to establish and protect the Group's trademarks and other proprietary rights will be adequate to prevent imitation of Burberry's products by others. Trademarks and intellectual property rights, while subject to international treaties, are largely driven by national law and the protection of intellectual property rights varies from one jurisdiction to another. The Group cannot therefore necessarily be as effective in all jurisdictions in addressing counterfeit products. In many territories the Group is dependent upon the vigilance and responsiveness of law enforcement bodies whose priorities may differ from the Group's. They are also subject to budgetary constraints and prioritise their actions accordingly. Whilst the Group works closely with customs and other law enforcement bodies, ultimately the Group cannot direct their actions.

Burberry may be unable to control its wholesale and licence distribution channels satisfactorily
The Group relies upon the ability to control its distribution networks and licensees to ensure that products are sold in environments consistent with the Group's luxury image. An action by any significant wholesale customer or licensee, such as presenting Burberry products in a manner inconsistent with our preferred positioning, would be damaging to our brand image. If, due to regulatory, legal or other constraints, the Group is in any way unable to control its wholesale distribution networks and licensees, the Burberry brand image, and therefore results and profitability, may be adversely affected.

If Burberry loses key management or is unable to attract and retain the talent required for its business, its operating results could suffer
Burberry's performance depends largely on its senior managers and design teams. The resignation of key individuals and the inability to recruit people with the right experience and skills to facilitate future business growth could adversely impact Burberry's results. To mitigate these issues the Remuneration Committee regularly benchmarks the Group's incentive schemes against the market and considers the framework in place to recruit, incentivise and retain key individuals. In addition, there is an ongoing recruitment and succession planning programme overseen by the Executive Vice President of Corporate Resources and Chief Executive Officer to ensure that the Group strengthens and develops its senior management team by identifying, developing and nurturing high potential talent.

Burberry faces increasingly intense competition
Competition in the luxury goods sector has intensified in recent years and Burberry is faced with increasing competition in many of our product categories and markets. The Group competes with international luxury goods groups who control a number of luxury brands and may have greater financial resources and bargaining power with suppliers, wholesale accounts and landlords. If Burberry is unable to compete successfully, operating results and growth may be adversely impacted.

Burberry is exposed to foreign currency fluctuations
Burberry derives a significant percentage of its profits from its Japanese licensing arrangements. As a consequence, the Group is exposed to a significant risk associated with the Yen to Sterling exchange rate.

In addition, the Group is continuing to expand its operations in the United States and Europe as part of its strategy to accelerate retail expansion in key under-penetrated markets. As the Group's presence in the United States and Europe increases, it is exposed to an increased risk associated with the US Dollar to Sterling exchange rate and Euro to Sterling exchange rate.

The Group manages a significant proportion of the foreign currency exposures by the use of forward exchange contracts. Currency fluctuations affecting the Yen, Euro, US Dollar and other currencies will nevertheless affect results and profitability.

The Group relies upon its licensees, suppliers, franchisees, distributors and agents to comply with relevant legislation
The Group expects its licensees, suppliers, franchisees, distributors and agents to comply with employment and other laws relating to their country of operation and to operate to good ethical standards. The Group, however, is unable to guarantee that this is the case, although it is improving its processes to gain assurance that its licensees, suppliers, franchisees, distributors and agents comply with its terms and conditions and relevant local legislation and good practice.

Major incident
A significant incident such as a natural catastrophe, global pandemic or terrorist attack affecting one or more of the Group's key locations could significantly impact the operation of our businesses. In such circumstances, the uninterrupted operation of the business cannot be ensured, particularly in the short term. Business continuity plans are in place to mitigate but not eliminate the operational risks.

Highlights of the year

- Reduced CO_2 emissions from the Group's buildings by 13% per £1,000 of turnover
- Conducted 487 factory visits during the past year
- Launched the Burberry Foundation
- Established an intern programme
- Reduced air travel for UK employees by 17% per £1,000 of turnover
- Moved to new headquarters at Horseferry House, reducing environmental footprint
- Founding member of Luxury Brands Sustainability Group

One of Burberry's five key strategies is pursuing operational excellence. Operational excellence has five important areas of focus:

- Healthy business partnerships: based on shared values and high ethical standards
- Environmental excellence: operating efficiently with minimum waste and maximum control
- Excellence in people management: attracting and retaining talented employees
- Excellent products and service: quality, craftsmanship, heritage and service standards
- Contributing to society: investing and engaging in the communities Burberry serves

For more information on Burberry Corporate Responsibility ('CR') policies, performance and case studies, please visit the corporate responsibility section of www.burberryplc.com

Clear management

Michael Mahony, Senior Vice President Commercial Affairs & General Counsel is accountable for CR matters on behalf of Burberry and the Board. He chairs the CR Committee which formally reports to the Group Risk Committee. The CR Committee held three meetings during the year. Two supplementary committees, the Environment and Supply Chain Risk sub-committees, are responsible for these two more detailed topics. Both sub-committees make formal reports to the CR Committee.

The Group employs a CR team of nine people. The team is active in the areas of supply chain, environmental and community management and draws on external independent advice.

Key policies, such as those on Environment, Ethical Trading, Employee Volunteering and Exotic Materials – are reviewed and approved by executive management.

More information at
www.burberryplc.com

Healthy business partnerships: supply chain

Burberry's goal is to be as recognised for the excellence of its supply chain as it is for its luxury products.

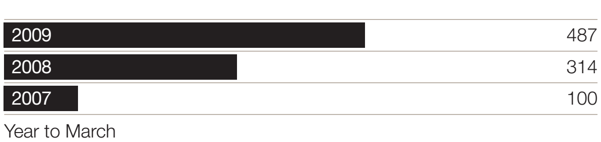
Burberry believes that its products should only be made in factories that comply with local labour and environmental laws and by workers who are paid a living wage, work fair but not excessive hours and are provided with a safe and hygienic work environment. All active Burberry suppliers are governed by its ethical trading policy. This policy is based upon internationally accepted codes and published in full on our website at www.burberryplc.com under the 'Corporate Responsibility' section.

The majority of Burberry's products are manufactured in Europe through third-party suppliers. Burberry's internal team and third-party experts monitor and audit suppliers to assure compliance with its standards. Increasingly suppliers are taking part in capacity building programmes to improve their businesses and in turn compliance with Burberry's policy. Burberry engages in many industry initiatives and is a member of Business for Social Responsibility (BSR). This Group works collectively to address industry issues and improve standards.

2008/09 Results

- Factory visits: 487 factory visits to assure compliance with the Burberry ethical trading policy.
- Stakeholder engagement: Active member of three BSR working groups: Mills and Sundry Suppliers; Luxury Brands; and Beyond Monitoring.
- Capacity building: 25 key suppliers took part in long term capacity building programmes focused on training for productivity, human resource management systems and smarter communication.
- Worker hotline: Roll out of the Burberry confidential worker hotline in its suppliers' factories, which act both as a whistleblowing mechanism and counselling line.
- Pre-approval process: New suppliers are approved by the CR team prior to working with Burberry.

Number of CR visits/audits



Environment

Burberry's largest environmental impact areas include carbon emissions (linked to energy use, travel and distribution network), solid waste and the use of bulk materials such as packaging.

The Environment Committee reviews all key impacts quarterly, tracking reductions and initiating new projects.

2008/09 Results

- Packaging: Burberry launched a packaging project to reduce the amount of transit packaging used. The re-use of boxes, a switch from plastic to paper tape to seal boxes and reduced thickness of plastic on security bags by 25% saved costs and environmental impacts.
- Corporate headquarters: During 2008, Burberry relocated to new Corporate headquarters at Horseferry House, London. The building was designed with many energy-saving features, such as ambient light sensors, efficient cooling, light timers and video conferencing facilities. The chemicals used for cleaning have been reduced, the recycled content of stationery improved and 'binless' offices have improved recycling. Horseferry House and its operational efficiencies are the standard for all Burberry offices globally.
- Energy: Energy audits were comissioned at UK manufacturing and warehousing sites and followed up with an energy-saving programme which included the installation of energy-saving compressors.
- Waste reduction: Renewed focus on increasing recycling globally. In the UK, recycled waste has increased its share of total waste to 42%. This was achieved against a back drop of increased waste overall due to a number of site re-organisations and centralising the London office.
- Transport emissions: Burberry launched a sea vs air shipping initiative which resulted in significant savings and reduced environmental impacts. New video conferencing facilities at Horseferry House and key regional offices in New York, Hong Kong and Barcelona have enabled the reduction of business travel. As a result monthly growth in air travel has reversed reducing CO_2 emissions.

Global building energy CO_2

Year to March (CO_2 kg per £1,000 of turnover)

Air travel CO_2

Year to March (CO_2 kg per £1,000 of turnover – UK based employees)

The data in these graphs comes from a combination of automated and manual internal processes. The majority is based on actual data, supplemented where necessary by some approximations.

Organisational development: attracting and retaining talented employees and customers

The corporate resources team supports the organisational strategies to deliver the business results for the organisation. A key focus is on attracting, retaining and developing talent.

2008/09 Results

- Recruitment:
  - An e-recruitment website was launched to more efficiently and effectively source global talent.
  - A corporate intern programme was launched for recent graduates and undergraduate students.
- Organisational development:
  - Talent review – a global assessment of capability at senior levels and high potential individuals was conducted throughout the organisation.
  - Development programme – management development skills workshops were designed, developed and delivered.
  - Evolving the organisation – the organisation continued to develop in line with Burberry's key strategic themes, which included evolving the supply chain and adding a new global planning function.
- Working environment: Burberry's new global headquarters, Horseferry House, provides a safe, efficient and responsible working environment for employees and visitors: high quality meeting space, comfortable and well-designed workspace and state-of-the-art videoconferencing, all contribute to improved safety, improved communication and a reduction in the need for international travel.
- The 'Burberry Experience': During the year, Burberry piloted a global education and training programme designed for and delivered to all retail staff to ensure that the customer experience is in line with Burberry's brand standards and Burberry's luxury positioning. The pilot has been highly motivational for staff and results have been promising. The plan is to continue to roll-out the programme not only to all retail stores, but to wholesale customers and all franchisees.
- Organisational effectiveness:
  - In January 2009, Burberry announced a global £50m cost efficiency programme across all regions and corporate, aiming to deliver streamlined operations in line with overall demand, the most efficient organisation through tighter and more focused and flexible teams, and removing duplication of effort and inefficient processes. A significant proportion of this included restructuring of Spanish operations and consolidation of UK manufacturing.
  - Due to the number of employees impacted it was necessary to enter into collective consultations in a number of regions. Business, employee and HR representatives worked closely to agree roles and terms and conditions beyond legal requirement. Employees were fully and proactively supported throughout with outplacement support, individual consultation, and redeployment opportunities where possible.

Health and safety

In addition to attracting and retaining talented employees Burberry also ensures a healthy and safe environment for all employees. Burberry has a formal health and safety audit process and programme that ensures all UK manufacturing sites and distribution centres are audited at least annually with major offices and retail locations audited at least once every three years. Overall UK audit scores continued to improve as a result of the thorough implementation of audit recommendations (prioritised on the basis of risk) and improved overall processes.

The auditing programme has been extended to include some major European retail stores and reviews were undertaken by a third-party consultant in the United States and key Asian markets. In addition, Burberry continues to enhance accident reporting and assurance framework for major operations.

Product and supply chain standards

Since 1856 Burberry has strived to achieve the highest quality standards in all components and stages of its supply chain process.

2008/09 Results

- Raw materials: During the past year, Burberry has been more efficient with the use of raw materials, reducing sampling and production wastage. Excess and out of season raw materials were recycled into carpet underlay or insulation.
- Fur: There has been and will continue to be occasions where consumer tastes demand Burberry's use of natural hides. The Group believes that any materials derived from animals should be produced without inflicting cruelty or threatening the environment and will not use natural hides if there is any concern that they have been produced by the unacceptable treatment of the animals. For this reason the Group does not source such materials from China. Natural hides are carefully sourced, safeguarding the correct ethical standards and traceability. Fur is principally sourced from SAGA furs in Finland who are known for upholding high standards of ethical treatment of animals and share the Group's concerns about animal welfare. The farms which supply fur are open to third-party inspections at any time and have been visited this year by Burberry's team.
- Restricted substances: To ensure no harmful chemicals are used or contained within Burberry products, the Group issues all licensees, vendors and manufacturers with a restricted substance list that prohibits the use of certain substances. The list has been amended to include the first list of chemicals proposed for action under the REACH Legislation. Burberry supports this action with a programme of vendor self-certification backed up with our own compliance testing.

Contributing to society

In 2008 Burberry continued its practice of corporate sponsorship worldwide by making targeted contributions to local charities in the communities where Burberry employees live and work. Charitable causes supported by Burberry corporate sponsorship fall across a range of needs, with special attention to the arts, education and women's and children's health and well-being. Burberry's more than 200 instances of corporate giving include cash donations and, where appropriate, product donation to assist charity development through raising awareness.

To complement this wide base of giving, in 2008 Burberry took steps to leverage its community impact by increasing and focusing charitable activity through the new Burberry Foundation. A registered charity in England and Wales, the Burberry Foundation works to help young people realise their dreams and potential through the power of their creativity. The Foundation seeks to advance three key goals for young people—to enable them to build confidence, make connections in their communities, and grasp opportunities to succeed—by empowering them to use their own intellectual creativity to imagine and achieve their life goals.

The Burberry Foundation benefits from the alignment between the Burberry brand and its philanthropic strategy: innovative, creative, and seeking programmes with broad appeal, democratic values and vibrant futures.

The Burberry Foundation uses donations received from Burberry and other benefactors to make strategic grants and targeted donations of in-kind gifts and goods. Burberry supports the work of the Foundation through a comprehensive employee engagement programme that enables and underwrites employee volunteering.

2008/09 Results

- Grantmaking: The Burberry Foundation focused this year on three cities: London, New York City and Hong Kong. The funding strategy for each city identifies unique local challenges to successful youth development and supports charities with proven programmes to address them. Wherever possible, the Foundation partners with charities and social support organisations to leverage grantmaking. Examples of this include: support in London for Tower Hamlets Summer University, Envision and IntoUniversity; in New York for the Robin Hood Foundation and New Yorkers for Children; and in Hong Kong for the KELY Support Group, Junior Achievement Hong Kong and the Changing Young Lives Foundation.

- Employee engagement: In partnership with Foundation supported charities, Burberry's employees serve as mentors to young people and volunteer for a range of programmes. In addition to time served, employee volunteers draw upon corporate resources to help young people expand their horizons or gain opportunity. For example, Burberry is the corporate partner for job training courses that bring students to Horseferry House for tours of the corporate environment, mock interviews and shadow job placements. Burberry designers host young people for art and design courses in their studios and on the showroom floor. Burberry stores serve as excellent places to give young people exposure to retail environments in preparation for entry-level jobs in the sector. At holiday and school breaks, the Burberry offices welcome young people from various charity programmes and courses for celebration and congratulations. In 2008/09, the Employee Volunteering Programme's first year, Burberry staff have volunteered a total of 350 hours to Foundation supported charities.
- In-kind donations: The Burberry Foundation seeks to channel products donated by Burberry to Foundation supported charities. Donations are designed to be both generous and strategic and range from smaller, utilitarian products (such as materials for an art or design course, or a luxury piece for a charity fundraising auction) to large-scale programmes of donation (such as tailored clothing donations to outfit job training students so they can interview smartly and arrive prepared for their first weeks of work). The 2008 Christmas Coat Donation saw more than 500 coats distributed in London, New York City, Hong Kong, and Seoul across 12 different charities, ensuring that the coats went to job training students in time to help them begin their job search with confidence.
- Office equipment donations: Redundant office furniture and equipment from Burberry's old offices were made available to the Foundation supported charities for their offices and programmes.
- Corporate donations: An ongoing part of doing business is to selectively support customer-related events and charitable causes. Each regional office has a discretionary budget which is approved and tracked quarterly.

For a list of charities supported by the Burberry Foundation, or for further information, please see www.burberryfoundation.com.

More information at www.burberryfoundation.com

Community donations

Year to March (£ million)

Indirect donations are donations from third parties that have been facilitated by Burberry

John Peace (60)†‡
Chairman
John Peace has been Chairman of the Board since June 2002 and is also Chairman of the Nomination Committee. He is Chairman of the Board of Experian plc and is Acting Chairman of Standard Chartered PLC. Previously he was Group Chief Executive of GUS plc from 2000 until 2006. John was appointed a non-executive director of First American Corporation in March 2009.

Executive directors

Angela Ahrendts (48)†
Chief Executive Officer
Angela Ahrendts became Chief Executive Officer in July 2006, having served as an executive director since January 2006. Angela previously held various senior appointments, including the position of Executive Vice President, at Liz Claiborne Inc between 1998 and 2006. She was also Executive Vice President of Henri Bendel from 1996 to 1998 and President of Donna Karan International from 1989 to 1996.

Stacey Cartwright (45)
Executive Vice President, Chief Financial Officer
Stacey Cartwright was appointed Chief Financial Officer on 1 March 2004. She had previously been Chief Financial Officer at Egg plc between 1999 and 2003, and from 1988 to 1999 she held various finance-related positions at Granada Group plc.

Non-executive directors

Philip Bowman (56)*†‡
Senior Independent Director
Philip Bowman was appointed as a non-executive director in June 2002 and is the Senior Independent Director and Chairman of the Audit Committee. He was appointed Chief Executive of Smiths Group plc in December 2007 and is a non-executive director of Berry Bros & Rudd Limited as well as a member of the Advisory Board of Alchemy Partners.

He previously held the positions of Chief Executive at Scottish Power plc from early 2006 until mid 2007 and Chief Executive at Allied Domecq plc between 1999 and 2005. His earlier career included five years as a director of Bass plc (now Mitchells & Butler plc and InterContinental Hotels Group plc). Philip Bowman 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 (47)*†‡
Non-Executive Director
Ian Carter was appointed as a non-executive director in April 2007. He is currently President of Hilton Hotels Corporation Global Operations. He was previously CEO of Hilton International Company and Executive Vice President of Hilton Hotels Corporation, and was a director of Hilton Group plc until the acquisition of Hilton International by Hilton Hotels Corporation in February 2006. He previously served as an Officer and President of Black & Decker Corporation between 2001 and 2004.

Stephanie George (52)*†‡
Non-Executive Director
Stephanie George was appointed as a non-executive director in March 2006. She is currently Executive Vice President of Time Inc., with responsibility for the publishing divisions and overall management of People, In Style, Entertainment Weekly, Real Simple, Essence and the Time Inc. Media Group. Before this, Stephanie spent 12 years at Fairchild Publications, first as publisher of W magazine and then as President, Women's Wear Daily Media Worldwide. Stephanie also sits on the Board of Lincoln Center.

David Tyler (56)*†‡
Non-Executive Director
David Tyler became a non-executive director in June 2002, having been a director of the Company since 1997. He was appointed Chairman of the Remuneration Committee in March 2007. David was Group Finance Director of GUS plc from 1997 until its demerger in October 2006. He is currently Chairman of Logica plc and is also a non-executive director of Experian plc and Reckitt Benckiser Group plc. Earlier in his career, David worked at Unilever plc, County NatWest Limited and Christie's International plc. He has an MA in Economics from Cambridge, is a fellow of the Chartered Institute of Management Accountants and a Member of the Association of Corporate Treasurers.

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

The directors present their Annual Report together with the audited financial statements for the year to 31 March 2009.

Business review

Burberry Group plc is required to set out in this report a fair review of the business of the Group during the year to 31 March 2009 and of the position of the Group at the end of the financial year and a description of the principal risks and uncertainties facing the Group (known as a 'business review'). The purpose of the business review is to enable shareholders to assess how the directors have performed their duty under section 172 of the Companies Act 2006 (duty to promote the success of the company). The Strategy and Group Overview sections on pages 15 to 33 and the Business and Financial Review on pages 34 to 44 report on the activities and results for the year and give an indication of the Company's future developments. The Corporate Responsibility Report is set out on pages 48 to 52. A description of the principal risks and uncertainties facing the Group is included on pages 45 to 47. The sections of the Annual Report referred to above, fulfil the requirements of the Business Review and are incorporated by reference and shall be deemed to form part of this report.

Principal activities

Burberry Group plc is a holding company. The Group designs, sources, manufactures and distributes luxury men's, women's and children's clothing and non-apparel accessories globally through its own retail stores, concessions, online and to wholesale customers and franchisees. Burberry also licenses third parties to manufacture and distribute products using the 'Burberry' trademarks.

Revenue and loss

Revenue during the period amounted to £1,201.5m (2008: £995.4m). The attributable loss for the year was £6.0m (2008: profit of £135.2m).

Dividends

The directors recommend that a final dividend of 8.65p per ordinary share (2008: 8.65p) in respect of the year to 31 March 2009 be paid on 30 July 2009 to those persons on the Register of Members as at 3 July 2009.

An interim dividend of 3.35p per ordinary share was paid to shareholders on 29 January 2009. This will make a total dividend of 12.0p per ordinary share in respect of the financial year to 31 March 2009. The aggregate dividends paid and recommended in respect of the year to 31 March 2009 total £51.7m.

Directors

The names and biographical details of the directors holding office at the date of this report are set out on page 55 and are incorporated by reference into this report.

At the 2009 Annual General Meeting, Angela Ahrendts, Stephanie George and David Tyler will retire by rotation in accordance with Article 81 of the Articles of Association and, being eligible, will offer themselves for re-election.

The separate circular to shareholders incorporating the Notice of this year's Annual General Meeting sets out why the Board believes these directors should be re-elected.

Details of the directors' service agreements are given in the Report on Directors' Remuneration and related matters on page 66.

Directors' share interests

Interests of the directors holding office at 31 March 2009 in the shares of the Company are shown within the Report on Directors' Remuneration and related matters on page 71. There were no changes to the beneficial interests of the directors between the period 31 March 2009 and 18 May 2009.

Share capital

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

The Company has one class of ordinary share which carries no right to fixed income. Each share carries the right to one vote at general meetings of the Company. The ordinary shares are listed on the Official List and traded on the London Stock Exchange.

In order to retain maximum flexibility, the Company proposes to renew the authority granted by ordinary shareholders at the Annual General Meeting in 2008, to repurchase up to just under 10% of its issued share capital. Further details are provided in the separate circular to shareholders incorporating the Notice of this year's Annual General Meeting.

At the Annual General Meeting in 2008, shareholders approved a resolution to allot shares up to an aggregate nominal value of £72,000. In addition, shareholders approved a resolution to give directors authority to allot shares for cash other than pro rata to existing shareholders. Resolutions will be proposed at this year's Annual General Meeting to renew these authorities.

Following the report of the Rights Issues Review Group and the subsequent guidance from the Association of British Insurers ('ABI'), the Company intends to ask shareholders to grant authority to allot shares up to an aggregate nominal value of £144,000 for use in a rights issue only. If the additional allotment authority were to be used, the ABI guidance would be followed and, if appropriate, all directors would retire at the next Annual General Meeting and would offer themselves for re-election.

The directors have no current plans to issue shares other than in connection with employee share schemes.

There are no specific restrictions on the size of holding nor on the transfer of shares which are both governed by the general provisions of the Articles of Association and prevailing legislation. The directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or voting rights.

Details of employee share schemes are set out in note 26. The Burberry Group plc ESOP Trust has waived all dividends payable by the Company in respect of the ordinary shares held by it. In addition, the Burberry Group plc SIP Trust has waived all dividends payable by the Company in respect of the unappropriated ordinary shares held by it.

The total dividends waived in the year to 31 March 2009 were in aggregate £0.3m (2008: £0.3m).

No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

With regard to the appointment and replacement of directors, the Company is governed by its Articles of Association, the Combined Code, the Companies Acts and related legislation. The Articles of Association may be amended by special resolution of the shareholders.

Substantial shareholdings

As at 18 May 2009, the Company had been notified of the following interests in the Company's ordinary shares in accordance with the Disclosure and Transparency Rules.

	Number of ordinary shares	% of total voting rights
Blackrock Inc	43,045,926	9.94%
Schroders Plc	36,760,709	8.49%
Massachusetts Financial Services Company	25,720,195	5.94%
Capital Research and Management Company	22,839,300	5.27%
Franklin Resources Inc and affiliates	21,980,778	5.07%
JPMorgan Chase & Co	21,578,580	4.98%
FMR Corp	18,315,823	4.23%
Legal and General Group plc	17,296,785	3.99%

Interests in own shares

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

Charitable donations

During the year to 31 March 2009, the Group donated £1.1m (2008: £0.4m) for the benefit of charitable causes. These donations principally comprised cash. Further information regarding the charitable donations made during the year are contained in the Corporate Responsibility Report on pages 51 and 52.

Political donations

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

Valuation of properties

Based on a valuation report prepared by Colliers Conrad Ritblat Erdman, dated 16 May 2006, the existing use value of Burberry's nine most significant freehold properties is £179.6m (based on closing exchange rates at 31 March 2009). This valuation is higher than the net book value of these assets.

Employment policies

Equal opportunities

The Group is committed to ensuring the consistent profitable growth of its business and a policy of equal opportunity in employment is integral to this commitment. The aims of the Group's policy are to ensure that the most capable job applicants are recruited and the most competent employees in the Group progress. All employees will receive fair and equal treatment irrespective of sex, race, ethnic origin, nationality, marital status, age, religion, disability and sexual orientation. In the situation where an employee becomes disabled, the Group will endeavour to assist the employee by adapting the job if appropriate or by offering a transfer to another position.

Health and safety

The Group has a health and safety policy approved by the Board and a Worldwide Health and Safety Committee which is chaired by the Executive Vice President - Chief Financial Officer.

Further information regarding the Group's employment policies are provided in the Corporate Responsibility Report on pages 48 to 52.

Employee involvement

Employee communication

The Group believes that employee communication is important in building strong relationships with, and in motivating and retaining, employees. The Group makes use of various methods, all of which are implemented globally, including, face-to-face briefings, open discussion forums with senior management, email and a corporate intranet to ensure that matters of interest and importance are conveyed to employees quickly and effectively. In addition, global quarterly updates which highlight the Group's performance and its ongoing strategic initiatives are webcast globally.

Employee share ownership

The Group recognises the importance of good relationships with employees of all levels and runs incentive schemes and share ownership schemes for the benefit of employees. Further details of these schemes are set out in the Report on Directors' Remuneration and related matters on pages 64 to 71. Employees in the UK, Germany, Hong Kong, Italy, Korea, Singapore, Spain and Taiwan have access to all-employee share plan arrangements.

Further details on the Group's approach to employee involvement and communications are provided in the Corporate Responsibility Report on page 50.

Financial instruments

The Group's financial risk management objectives and policies are set out within note 25 to the financial statements on pages 108 to 110. Note 25 also details the Group's exposure to foreign exchange, price, interest, credit and liquidity risks. These notes are incorporated by reference and are deemed to form part of this report.

Creditor payment policy
For all trade creditors, it is policy to:

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

The Company had no trade creditors at 31 March 2009 (2008: £nil).

Significant contracts – change of control
Pursuant to section 992 of the Companies Act 2006, the directors disclose that in the event of a change of control in the Company, the Group's £200m Revolving Credit Facility (dated 16 March 2009) and the Group's Bi-lateral Multicurrency Revolving Credit Facilities totalling £60m (dated 13 June 2008) could become repayable.

In circumstances of change of control of the Company, Angela Ahrendts may terminate her employment. Her entitlement in respect of remuneration is set out on page 66 of the Report on Directors' Remuneration and related matters where Burberry terminates her service agreement in circumstances where the Remuneration Committee determines that Angela Ahrendts' performance does not meet the financial expectations of the Board or shareholders.

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

Details of the service agreements of the executive directors are set out on page 66 of the Report on Directors' Remuneration and related matters. Copies of the executive and non-executive directors' service contracts are available for inspection by shareholders at the Company's registered office and at the Annual General Meeting.

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

Essential contracts
The Group has a number of contractual arrangements with suppliers (both of goods and services), wholesale customers, licensees, who manufacture and distribute products using the Burberry trademarks, and franchisees. In addition, the Group occupies leasehold premises for the purpose of conducting its business. Whilst these arrangements are important to the business of the Group, individually none of them are essential to the business of the Group.

Auditors
In accordance with section 234ZA of the Companies Act 1985, each of the Company's directors in office as at the date of this report confirms that:

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

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

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

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

Further information regarding the Group's cash flow and borrowing facilities can be found on page 44 of the Business and Financial Review.

Annual General Meeting
The Annual General Meeting of the Company will be held at the offices of Slaughter and May, One Bunhill Row, London, EC1Y 8YY commencing at 9.30am on Thursday, 16 July 2009. The Notice of this year's Annual General Meeting is included in the separate circular to shareholders. The Notice is available to view under the 'Shareholder Information' section of the Company's website www.burberryplc.com.

By order of the Board

Michael Mahony
General Counsel and Secretary
18 May 2009

Registered Office:
Horseferry House
Horseferry Road
London SW1P 2AW

Corporate Governance Statement
The Board remains committed to high standards of corporate governance which it considers to be central to the effective management of the business and to maintaining the confidence of investors. The Group complies with the laws and endeavours to observe the customs and culture in the countries in which it operates and does business. The Group expects all directors and employees to drive to achieve the highest standards and to act with respect and integrity. The Board monitors and keeps under review the Company's corporate governance framework.

In accordance with the Listing Rules of the UK Listing Authority, the Company confirms that throughout the financial year ended 31 March 2009 and as at the date of this Annual Report it complied in full with the provisions of, and applied the principles of Section 1 of the 2006 Financial Reporting Council's Combined Code on Corporate Governance ('the Code'). This report, together with the Report on Directors' Remuneration and related matters on pages 64 to 71, provide details of how the Company has applied the principles and complies with the provisions of the Code.

The Board
The Board is collectively responsible for promoting the success of the Company. The Board provides leadership for the Group and concentrates its efforts on strategy, performance, governance and internal control. As at the date of this report, the Board has seven members: the Chairman, the Chief Executive Officer, the Chief Financial Officer and four independent non-executive directors. The names and biographical details of each of the directors and details of their membership of the Board's committees are set out on page 55. The Board has a formal schedule of matters reserved to it for decision and approval which include, but are not limited to:

- the approval of the interim and annual financial statements
- any interim dividend and the recommendation of the final dividend
- the Group's business strategy
- annual budget and operating plans
- major capital expenditure, acquisitions or divestments
- the systems of corporate governance, internal control and risk management

The Chairman works closely with the Company Secretary to ensure that the Board is supplied in a timely manner with information in a form and of a quality appropriate to enable it to effectively discharge its duties. Where there are occasions when directors are unable to attend a meeting they have the opportunity to review meeting papers and submit comments to the relevant Chairman. Directors are also supplied with a monthly management report, which provides information on operational and financial performance and the Group's business plans. Directors may obtain, in the furtherance of their duties, independent professional advice, if necessary, at the Group's expense. In addition, all directors have direct access to the advice and services of the Company Secretary and all senior executive management.

As an ongoing process, directors are briefed and provided with information concerning major developments affecting their roles and responsibilities. In particular, the directors' knowledge of the Group's worldwide operations is regularly updated by arranging presentations from local management and visits to key locations.

The Board held six scheduled meetings during the year and also held two ad hoc meetings. The Group's strategy was regularly reviewed and during the year the Board held a day and a half off-site meeting dedicated to strategy. The Board considers that it met sufficiently often to enable the directors to discharge their duties effectively.

At the request of any non-executive director, the Chairman will arrange meetings consisting of only the non-executive directors to allow the opportunity for any concerns to be expressed. During the year, the Chairman maintained regular contact and met with the Senior Independent Director and other non-executive directors.

The appointment and removal of the Company Secretary is a matter reserved for the Board as a whole.

The table below gives details of directors' attendance at Board and Committee meetings during the financial year ended 31 March 2009.

	Board		Audit Committee	Remuneration Committee	Nomination Committee
	Scheduled	Ad hoc			
John Peace	6/6	2/2	–	6/6	2/2
Angela Ahrendts	6/6	2/2	–	–	2/2
Philip Bowman	6/6	2/2	3/3	6/6	2/2
Ian Carter	6/6	1/2	3/3	5/6	2/2
Stacey Cartwright	6/6	2/2	–	–	–
Stephanie George	6/6	0/2	1/3	6/6	2/2
David Tyler	6/6	1/2	3/3	6/6	2/2

There is a clear division of the roles and responsibilities of the Chairman and Chief Executive Officer which are set out in writing and agreed by the Board. The Chairman is responsible for leading the Board in reviewing the Group's strategy and monitoring high-level progress. The day-to-day management and performance of the Group's business is the responsibility of the Chief Executive Officer.

The Senior Independent Director, Philip Bowman, supports the Chairman in his role and leads the non-executive directors in the oversight of the Chairman and Chief Executive Officer. The Senior Independent Director is available to shareholders if they have concerns which the normal channels have failed to resolve or where such contact is inappropriate.

John Peace, Philip Bowman, Ian Carter, Stephanie George and David Tyler are, in the opinion of the Board, independent of management and free from any business relationship which could materially interfere with the exercise of their independent judgement. During the year under review, the majority of the Board (excluding the Chairman) comprised independent non-executive directors.

Board appointments
Board nominations are recommended to the Board by the Nomination Committee under its terms of reference. All directors are subject to election by shareholders at the Annual General Meeting following their appointment and thereafter to re-election at least once every three years in line with the Company's Articles of Association and provision A.7.1. of the Code. The biographical details of those directors seeking re-election at the forthcoming Annual General Meeting can be found on page 55 of this Annual Report.

Directors – development
On appointment, directors are furnished with an induction pack of information, which includes key Group policies, guidance notes and information on corporate governance matters. In addition, visits to key locations, meetings with members of the management team and updates on particular issues are arranged for directors as appropriate.

Board performance evaluation
In each financial year since 2006/07, the Board has undertaken a review of its performance and that of its committees and individual directors. In 2006/07, the evaluation was undertaken using an external facilitator and in 2007/08 and 2008/09 the process of evaluation was led by the Chairman. The process for evaluation is reviewed on an annual basis.

In 2008/09, the evaluation was led by the Chairman and involved holding a series of structured one-to-one interviews with each of the directors, together with the completion of a detailed questionnaire. The review considered the outcomes of previous evaluations, the current composition and responsibilities of the Board and each of its committees, together with the frequency and structure of meetings. In addition, the review considered the contribution and effectiveness of the executive and non-executive directors.

Feedback from the review was considered and it was concluded that the Board and its committees operate efficiently and effectively. As a result of this review, it was agreed that the Board would dedicate more time to meeting with senior management worldwide to gain a more detailed understanding of the business.

The evaluation of the Chairman, which was led by the Senior Independent Director, was undertaken at a formal meeting of the non-executive directors.

Conflicts of interest
The Company's Articles of Association were amended at the 2008 Annual General Meeting to allow the directors to authorise situational conflicts of interests as authorised by the Companies Act 2006.

The Board has adopted processes and procedures to manage and, where appropriate, to approve such conflicts. Following a review of directors' interests in November 2008, the Board concluded that there is currently no compromise to the independence of any director arising from an external appointment or any outside commercial interest.

Committees
The Board is supported by a number of committees including the following principal committees: Audit Committee, Remuneration Committee and Nomination Committee. All the non-executive directors are members of each of the principal committees of the Board.

The terms of reference of each of the principal committees are available on request and can be viewed on the Company's website www.burberryplc.com.

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

Audit Committee
The Audit Committee comprises four independent non-executive directors:

Philip Bowman (Chairman)
Ian Carter
Stephanie George
David Tyler

The main roles and responsibilities of the Audit Committee are set out in written terms of reference.

The Audit Committee is responsible for:

- reviewing financial statements and formal announcements relating to the Group's performance
- reviewing the Group's internal financial controls and risk management systems
- monitoring and reviewing the effectiveness of the Group's internal audit function
- assessing the independence, objectivity and effectiveness of the external auditors
- developing and implementing policies on the engagement of the external auditors for the supply of non-audit services
- making recommendations for the appointment, re-appointment and removal of the external auditors and approving their remuneration and terms of engagement
- reviewing arrangements by which employees may, in confidence, raise concerns about possible improprieties in matters of financial reporting and other matters

The Board is satisfied, in accordance with the provisions of the Code, that at least one member of the Audit Committee has recent and relevant financial experience, given the nature of the senior management positions held by Philip Bowman and David Tyler (see biographical details on page 55).

The Audit Committee met three times during the year. The attendance record of Committee members is recorded in the table on page 59. At the invitation of the Chairman of the Audit Committee, the Chairman of the Board, the Executive Vice President – Chief Financial Officer, the Director of Audit and Risk Assurance and the external auditors regularly attend meetings. In addition, the Committee met during the year with the external auditors without management present.

The Audit Committee is responsible for reviewing and monitoring the effectiveness of the Group's internal control procedures and risk management systems. During the year, the Committee reviewed the Group's internal audit plan and approved the internal audit plan for the financial year to 31 March 2010. In addition, the Committee reviewed the adequacy of the 'whistle-blowing' arrangements in place to enable employees to raise, in confidence, any concerns they may have. The Committee is satisfied that such arrangements remain appropriate.

During the financial year, the Audit Committee reviewed the effectiveness of the external audit process and the qualification, expertise, resources and independence of the external auditors. The Committee also reviewed the proposed audit fee and terms of engagement for the financial year to 31 March 2009 and has recommended to the Board that it propose to shareholders that PricewaterhouseCoopers LLP be re-appointed as the Group's external auditors.

The Committee recognises that the independence of the auditors is an essential part of the audit framework and the assurance that it provides. The Committee monitors the types of non-audit work that are undertaken by the external auditors to ensure that their objectivity and independence is not compromised. Any proposed non-audit assignments require prior approval and the Committee receives a report at each meeting providing details of non-audit assignments carried out by the external auditors in addition to their normal work.

Details of the fees paid to the external auditors during the financial year can be found in note 5 in the financial statements.

Remuneration Committee

The report of the Remuneration Committee is set out on pages 64 to 71.

Nomination Committee

The Nomination Committee comprises:

John Peace (Chairman)
Angela Ahrendts
Philip Bowman
Ian Carter
Stephanie George
David Tyler

The Nomination Committee met twice during the year under review.

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

During the year under review, the Nomination Committee considered and reviewed the Group's succession planning arrangements. These arrangements will be kept under review by the Committee.

Relations with shareholders

The Board recognises the importance of maintaining good communications with its shareholders and does this through the Annual Report, preliminary and interim announcements, interim management statements, the Annual General Meeting and through the additional processes described below.

The Chief Executive Officer and Executive Vice President – Chief Financial Officer make presentations to institutional shareholders and analysts immediately following the release of the preliminary and interim results; these presentations are made available on the Company's website www.burberryplc.com.

The Company communicates with its institutional investors frequently and regularly through a combination of formal meetings, participation at investor conferences and informal briefings with management. The Board is kept abreast of the views of major shareholders by briefings from the Director of Investor Relations. During the year, the Board obtained an independent insight into the views of major shareholders through research commissioned with an external advisor. The outcomes of that research were presented and reviewed by the Board. In addition, analysts' notes and brokers' briefings are also used to achieve a wide understanding of investors' views.

The non-executive directors, including the Senior Independent Director, are available to meet with major shareholders to discuss issues of importance to them, should a meeting be requested.

Annual General Meeting

In accordance with the provisions of the Code, the Notice of the 2008 Annual General Meeting was sent to shareholders at least 20 working days before the Meeting. A poll vote was taken on each of the resolutions put before shareholders. All directors attended the 2008 Annual General Meeting and the Chairman of the Board and the chairmen of each of the committees were available to answer shareholders' questions.

Voting at the 2009 Annual General Meeting will be by way of poll. The results of the voting at the Annual General Meeting will be announced and details of the votes will be available to view on the Company's website www.burberryplc.com as soon as possible after the meeting.

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

Corporate Responsibility

Details of the Group's approach to Corporate Responsibility are given on pages 48 to 52.

Accountability and audit

The Board acknowledges that it should present a balanced and understandable assessment of the Company's position and prospects. In this context, reference should be made to the Statement of Directors' Responsibilities on page 72, which includes a statement in compliance with the Code regarding the Group's status as a going concern, and to the Report of the Auditors on page 73 which includes a statement by the auditors about their reporting responsibilities. The Board recognises that its responsibility to present a balanced and understandable assessment extends to interim and other price sensitive public reports and reports to regulators as well as to information required to be presented by law.

Internal control

The Board acknowledges that it is responsible for the Group's system of internal control and has delegated responsibility for reviewing its effectiveness to the Audit Committee. A system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss. The Audit Committee has reviewed the effectiveness of the key procedures, which have been established to provide internal control. As part of the process that the Board has in place to review the effectiveness of the internal control system, there are procedures designed to capture and evaluate failings and weaknesses, and in the case of those categorised by the Board as 'significant', procedures exist to ensure that necessary action is taken to remedy the failings.

In accordance with the revised guidance for directors on internal control ('the Revised Turnbull Guidance'), the Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group. These include those relating to social, environmental and ethical matters. This process was in place throughout the year under review and up to the date of approval of the Annual Report and Accounts. The process is regularly reviewed by the Audit Committee which reports its findings for consideration by the Board, and is in accordance with the Revised Turnbull Guidance. The key procedures operating within the Group are as follows:

Risk assessment

The Group's business objectives are incorporated into the annual budgeting and planning cycle. Progress towards the achievement of such objectives is monitored by a variety of financial measures and non-financial performance indicators.

The Group Risk Committee of executive management meets formally at least three times a year to re-evaluate risk and to consider the work of the Internal Audit and Risk Assurance and other assurance teams. During the year, the Committee met on three occasions. The Director of Audit and Risk Assurance attends these meetings.

The Board acknowledges that it is responsible for considering operational, financial, compliance and other risks to the business and has delegated responsibility for reviewing the risk management procedures to the Audit Committee.

Control environment and control activities

The Group consists of a number of business regions, each with its own management structure which forms part of the overall management structure of the Group. The senior executives of these units report to the executive directors.

The Group has established procedures for the delegation of authorities for matters that are considered significant, either because of their value or the impact on the Group, to ensure that approval is considered at an appropriate level.

The Group's trading units operate within a framework of policies and procedures which are either already laid down or are being established in organisation or authority manuals. Policies and procedures cover key issues such as authorisation levels, compliance with legislation and physical security.

The Group has implemented various strategies to deal with the risk factors that have been identified. Such strategies include a framework of internal control and the use of third-party services to assist in monitoring specific issues. In addition, other approaches are taken, such as insurance.

Information and communication

The Group has a comprehensive system of budgetary control, focused on monthly performance reporting which is at an appropriately detailed level. A summary of results supported by commentary and performance measures is provided to the Board each month. The performance measures are subject to review to ensure that they provide relevant and reliable indications of business performance.

A summary of the key business risks and relevant control measures is submitted by the executive directors to the Audit Committee at the end of the financial year. The Audit Committee meets with both external and internal auditors.

Monitoring

A range of procedures is used to monitor the effective application of internal control within the Group. These include management review, management confirmations of compliance with standards and procedures as well as internal audit and other specialist reviews. The Internal Audit department is responsible for reporting to the Audit Committee on the effectiveness of internal control systems.

This report has been prepared on behalf of the Board by the Remuneration Committee. The Remuneration Committee has adopted the principles of good governance as set out in the Combined Code and has complied with the applicable Listing Rules and the relevant schedules of the Companies Act 1985. This report sets out the Group's policy and disclosure in relation to the remuneration and share interests of the directors of Burberry Group plc.

The Remuneration Committee
The Remuneration Committee comprises:

David Tyler (Chairman)
Philip Bowman
Ian Carter
Stephanie George
John Peace

The Remuneration Committee is responsible for setting the remuneration of the executive directors and the Chairman of the Board and monitors the level and structure of senior management pay. The remuneration of the non-executive directors is a matter for the Board as a whole. No director is involved in any discussions as to their own remuneration. During the year under review, the Remuneration Committee met six times. Details of the number of meetings and attendance at those meetings during the year are set out in the Corporate Governance Report on page 59.

The Remuneration Committee has appointed Kepler Associates ('Kepler') to assist with its considerations. Kepler provide advice on the ongoing operation of employee and executive share plans together with advice on executive remuneration; they do not provide any other services to the Company. In addition, assistance has been provided during the year by Towers Perrin.

The terms of reference of the Remuneration Committee are available on the Group's website www.burberryplc.com.

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

- Remuneration should be closely aligned with shareholders' interests through thoughtful selection of performance measures, emphasis on variable pay and delivery of remuneration in shares, part of which are expected to be retained in accordance with the Group's executive shareholding guidelines
- The overall remuneration framework should provide a balance between short and long term business objectives. Variable pay for executive directors includes (1) an annual cash bonus based on PBT, and (2) long-term share-based incentives linked primarily to increases in shareholder value and growth in profit. Furthermore, the Burberry Co-Investment Plan (the 'Co-Investment Plan') encourages executive directors and other senior executives to invest their annual cash bonus into shares over a further three-year period
- Total remuneration should be sufficient to attract, motivate and retain exceptional talent within the global luxury brands sector. Total remuneration for executive directors and other senior executives is therefore benchmarked against Burberry's main global competitors and UK companies of comparable size. The Remuneration Committee recognises that for each executive the relative importance of each of these benchmarks may be different. Benefits are based on competitive market practice for each executive, depending on individual circumstances

Changes to remuneration in 2009/10
The current economic environment has emphasised the need to ensure the interests of shareholders and executives remain aligned over the long term. During the year, the Remuneration Committee has reviewed arrangements to ensure that executive remuneration continues to reward the right behaviours and motivate executives to focus on profitability in a difficult market, set against an exceptionally challenging economic environment. As a result of this review, the Remuneration Committee has taken the following approach in respect of the executive directors' compensation:

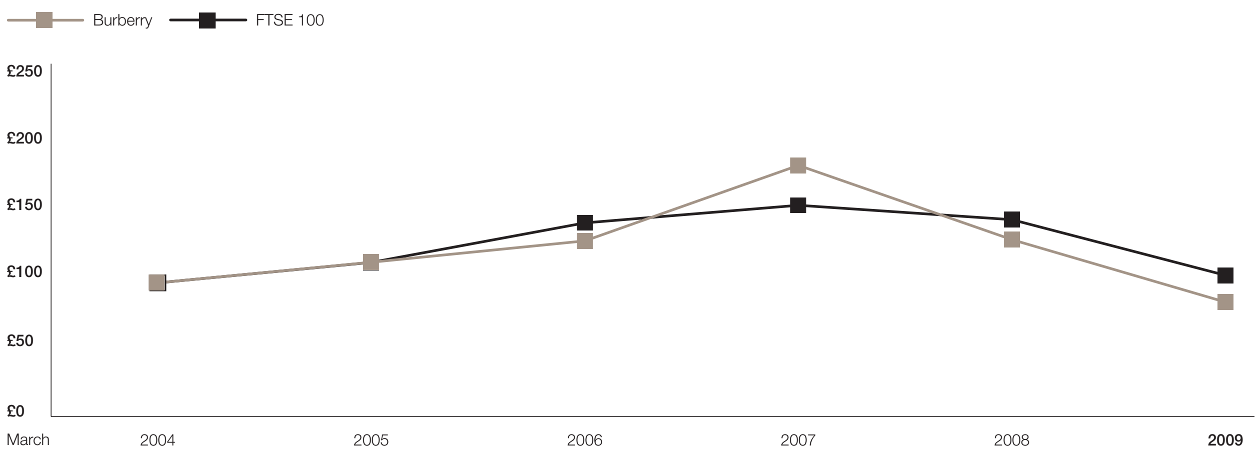
- no awards were granted under the Burberry Senior Executive Restricted Share Plan ('RSP') during 2008/09
- no salary increases have been awarded as part of the March 2009 year-end compensation cycle
- no annual bonuses have been awarded in respect of the financial year to 31 March 2009 and consequently there will be no opportunity to defer bonuses under the Burberry Co-Investment Plan
- awards with a value of two times basic salary will be granted under the RSP in 2009/10

Following consultation with major shareholders, the Remuneration Committee has made a change to the way in which the RSP will operate for awards granted in 2009, within the parameters agreed in 2004 when the plan was approved by shareholders. The RSP rewards both internal and external performance, and encourages a longer-term perspective through vesting over three, four and five years. The Remuneration Committee believes that these elements of plan design continue to be effective in the current environment. The vesting of 50% of the award will continue to be based upon Burberry's three-year Total Shareholder Return ('TSR') relative to its peers and will vest in full only if Burberry achieves least upper quartile TSR relative to its peers. In order to drive long-term profitability and to ensure that targets remain credible but challenging in today's exceptionally difficult economic environment the remaining 50% will vest in full only if Burberry achieves growth in adjusted profit before tax ('PBT') of 10% per annum. The proportion of awards which are subject to growth in PBT and were granted prior to 2009 will vest in full only if Burberry achieves growth in PBT of 15% per annum. The Remuneration Committee believes that the adjustment to the level of profit growth required to achieve full vesting is necessary to reflect the significant changes in the economic environment and will remain as challenging in the current circumstances as those set when the RSP was adopted in 2004. The Remuneration Committee believes that this change will motivate executives to achieve profit growth in a challenging market as well as to provide competitive levels of total remuneration.

Performance graph

The following graph shows the TSR for Burberry Group plc compared to the companies in the FTSE 100 Index assuming £100 was invested on 31 March 2004. The FTSE 100 Index has been selected as Burberry's capitalisation is close to that of companies at the lower end of the FTSE 100 Index.

Value of £100 invested on 31 March 2004



Elements of remuneration

Remuneration is structured such that for executive directors and other senior executives, performance-related elements represent the majority of total potential remuneration. The Group implements its remuneration policy through the provision of the following elements:

Base salary

The Group aims to provide salaries which are competitive with those of comparable roles at global companies of a similar size and global reach within the luxury goods sector and UK companies of comparable size. These companies are representative of Burberry's competitors for executive talent. When making salary determinations, the Remuneration Committee takes into account not only competitive information but also each executive's individual performance and overall contribution to the business during the year.

Annual bonus

Each year the Remuneration Committee sets bonus targets by reference to internal and external expectations. Bonuses are currently based on profitability and performance against Group strategic and individual objectives and overall contribution to the business. The Remuneration Committee believes that linking incentives to profitability helps to reinforce the Group's strategy and long term growth objectives. Targets are rigorously calibrated by Kepler using benchmarks that include broker earnings estimates for Burberry and its competitors, targets for profitability consistent with median/upper quartile shareholder returns, latest projections for the then current year, budget, strategic plan, long-term financial goals, etc. Actual bonus awards are subject to the discretion of the Remuneration Committee.

Share schemes and long-term incentive arrangements

The Group has a number of share schemes and long-term incentive arrangements in place:

- The Burberry Co-Investment Plan (the 'Co-Investment Plan')
- The Burberry Exceptional Performance Share Plan (the 'EPP')
- The Burberry Senior Executive Restricted Share Plan (the 'RSP')
- The Burberry Group plc Executive Share Option Scheme 2002 (the 'Executive Share Option Scheme')
- The Burberry Approved Savings Related Share Option Scheme (the 'SAYE')

Further information regarding these schemes can be found on pages 68 to 70 and also in note 26.

Benefits

Benefits for executive directors include private medical insurance, life assurance and long-term disability insurance. Executive directors also receive car and clothing allowances and pension contributions.

Service agreements

Attracting the best talent in the global luxury goods sector can require fixed contract terms which result in termination payments in excess of one year's remuneration. Burberry does not offer such terms unless the Remuneration Committee considers it absolutely necessary in the particular circumstances to attract a highly talented individual and even in these circumstances will ensure that, after an initial period, termination payments will not exceed one year's remuneration. Save for the service contract of Angela Ahrendts, there are no service contracts for any executive director which could result in termination payments of more than one year's total remuneration.

Angela Ahrendts

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

Under the service agreement, Angela Ahrendts was eligible for a personal achievement bonus subject to achievement of objectives set by the Remuneration Committee. Following review by the Remuneration Committee of achievement against those objectives, a final payment of US$750,000 was paid on 31 December 2008. No further payments will be made in respect of this bonus.

If Burberry terminates Angela Ahrendts' service agreement prior to January 2010 in circumstances where there is not poor performance as described below, she would be entitled to her salary and 75% of her maximum bonus opportunity for the period from the date of termination to January 2011. She would also receive her pension contributions and overseas allowances for a further 12 months together with relocation expenses. If the service agreement is terminated by Burberry after January 2010, the entitlements in respect of salary and bonus would decline to 12 months' salary and 75% of her annual maximum bonus opportunity. She would also receive her pension contribution for a further 12 months together with overseas allowances to January 2011 and relocation expenses.

If Burberry terminates the service agreement in circumstances where there is not poor performance as described below, any unvested Matching Share awards under the Co-Investment Plan will vest on a time apportioned basis.

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

Stacey Cartwright

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

Burberry may terminate Stacey Cartwright's appointment by giving 12 months' notice. If Burberry terminates the agreement on notice she will be entitled to payment of salary and other benefits for a period of 12 months. Stacey Cartwright may terminate her employment by giving six months' notice.

Audited information

Directors' remuneration

Executive directors' remuneration

The remuneration of the executive directors of Burberry Group plc in the period 1 April 2007 to 31 March 2009 is detailed below.

Aggregate emoluments by director

	Salary £'000	Allowances paid in cash £'000	Bonus £'000	Benefits £'000	Aggregate emoluments £'000
Angela Ahrendts					
Year to 31 March 2009	**910**	**401**	**522**(1)	**54**	**1,887**
Year to 31 March 2008	850	370	2,908	50	4,178
Stacey Cartwright					
Year to 31 March 2009	**520**	**155**	**–**(2)	**7**	**682**
Year to 31 March 2008	473	157	510	7	1,147
Total					
Year to 31 March 2009	**1,430**	**556**	**522**	**61**	**2,569**
Year to 31 March 2008(3)	1,645	527	3,579	64	5,815

(1) Angela Ahrendts is eligible to receive an annual bonus not exceeding 200% of annual salary. No annual bonus was paid in respect of the financial year to 31 March 2009. She received a personal achievement bonus of US$750,000 in accordance with the terms of her service agreement entered into upon her recruitment in 2005; the personal achievement bonus is not eligible for deferment under the Co-Investment Plan. The personal achievement bonus has been converted using the GB£/US$ exchange rate at the time of payment (1.44).

(2) Stacey Cartwright is eligible to receive an annual bonus not exceeding 150% of annual salary. No annual bonus was paid in respect of the financial year to 31 March 2009.

(3) Includes payments to Rose Marie Bravo, a former director.

Executive directors' pension entitlements

Angela Ahrendts

The Group makes an annual contribution equal to 30% of Angela Ahrendts' base salary to the Burberry Defined Contribution Pension Plan. For the year to 31 March 2009, the value of the Group's contribution was £273,000 (2008: £255,000).

Stacey Cartwright

Stacey Cartwright is entitled to an annual pension contribution equal to 30% of base salary. She has elected that a portion be paid as a cash supplement. For the year to 31 March 2009, the cash supplement was £123,420 (2008: £109,170). The contribution paid into her personal pension plan was £32,580 in the year to 31 March 2009 (2008: £32,580).

Payments to former directors

Rose Marie Bravo was employed by Burberry as Chief Executive between May 2002 and June 2006, upon which date she became Vice-Chairman. Rose Marie Bravo ceased to be Vice-Chairman on 1 July 2007.

In the financial year to 31 March 2009, Rose Marie Bravo received US$162,500 in respect of her base salary to 30 June 2008, a payment of US$325,000 in lieu of annual bonus for the financial year ended 31 March 2008 under the Group's bonus arrangements and allowances of US$14,670 in accordance with the terms of her service agreement.

Non-executive directors' remuneration

John Peace was appointed to the Board on 7 June 2002 as non-executive Chairman. David Tyler was formally appointed as a non-executive director on 7 June 2002. Philip Bowman was appointed as a non-executive director of the Company on 21 June 2002. Stephanie George and Ian Carter were appointed as non-executive directors on 31 March 2006 and 1 April 2007 respectively. Non-executive directors are appointed for an initial three-year term, after which they may continue to serve subject to the Board's discretion and re-election by shareholders in accordance with the Company's Articles of Association, subject to six months' notice by either party.

Fees for non-executive directors are determined by the Board within the limits set by the Articles of Association and having regard to market practice. The non-executive directors each received a base fee of £55,000 in the financial year to 31 March 2009, the chairmen of the Audit and Remuneration Committees received an additional £20,000 and £15,000 respectively. The Senior Independent Director received an additional £15,000 in respect of this responsibility. Each non-executive director receives an allowance of £2,000 for each meeting attended outside their country of residence.

Non-executive directors' fees

	Year to 31 March 2009 £'000			Year to 31 March 2008 £'000
	Allowances	Fees	Total	Total
John Peace	–	290	290	290
Philip Bowman	–	90	90	92
Ian Carter	–	55	55	57
Stephanie George	10	55	65	63
David Tyler	–	70	70	72
Total	**10**	**560**	**570**	574

Share schemes and long-term incentive arrangements

The Burberry Co-Investment Plan (the 'Co-Investment Plan')

The Group encourages executive directors and other senior management to hold shares in Burberry Group plc. To facilitate this, executive directors may, at the invitation of the Remuneration Committee, defer receipt of all or part of their annual bonus and invest it in Burberry shares, with up to a 2:1 match based on individual and Group performance during the year. The Matching Share awards do not vest for three years and are forfeited if the executive leaves due to resignation within that period. To further link pay and performance, and to align remuneration with shareholders' interests, the vesting of Matching Share awards granted after 31 March 2009 are subject to the achievement of secondary performance conditions linked to growth in profit before tax.

For the year ended 31 March 2008, Angela Ahrendts and Stacey Cartwright chose to defer and invest the whole of their bonus after the deduction of tax into Burberry shares via the Co-Investment Plan. The Invested Shares are included in the table below and in the table of directors' interests appearing on page 71. The related Matching Share awards under these arrangements are also shown in the table below. The executive directors did not receive an annual bonus in respect of the year ended 31 March 2009 and will not be granted awards under the Co-Investment Plan in respect of that financial year. The interests of the executive directors in shares granted under this scheme as at 31 March 2009 were as follows.

	Number of Invested Shares				Number of Matching Shares[1]				
	As at 31 March 2008	Purchased during the year	Sold during the year	**Total Invested Shares as at 31 March 2009**	As at 31 March 2008	Awarded during the year	Exercised during the year	**Total Matching Shares as at 31 March 2009**	Vesting date
Angela Ahrendts	82,061	–	–	**82,061**	280,123	–	–	**280,123**	20/06/2010
	–	135,434	–	**135,434**	–	416,086	–	**416,086**	03/06/2011
Total	**82,061**	**135,434**	**–**	**217,495**	**280,123**	**416,086**	**–**	**696,209**	
Stacey Cartwright	38,295	–	–	**38,295**	104,580	–	–	**104,580**	21/07/2008
	37,637	–	–	**37,637**	128,479	–	–	**128,479**	20/06/2010
	–	60,228	–	**60,228**	–	185,036	–	**185,036**	03/06/2011
Total	**75,932**	**60,288**	**–**	**136,160**	**233,059**	**185,036**	**–**	**418,095**	

(1) The Matching Share awards are made on a gross basis and are taxed at the point of vesting. The market value of these awards at the date of grant (3 June 2008) was 494.75p per share.

The Burberry Group plc Exceptional Performance Share Plan (the 'EPP')

Following shareholder approval at the 2007 Annual General Meeting, Burberry introduced a one-off long-term incentive plan, delivered in Burberry shares, the purpose of which was to incentivise senior management to achieve stretching goals and to help provide exceptional reward for exceptional performance. Awards granted under the EPP are based 50% on relative Total Shareholder Return ('TSR') performance and 50% on growth in profits over the three and four-year performance periods to 2010 and 2011. Awards do not vest unless Burberry's TSR exceeds the median of the comparator group or growth in profit before tax ('PBT') exceeds 50% over the four-year performance period to 2010 or 75% over the five-year performance period to 2011. For the performance period to 2010, maximum vesting requires Burberry's TSR to outperform the median of our peers by at least 8% p.a. and would require PBT growth of at least 75%. For the performance period to 2011, maximum vesting requires Burberry's TSR to outperform the median of its peers by at least 7% p.a. and would require PBT growth of at least 100%. Of the shares which meet the performance criteria, 50% vest on the third anniversary of the date of grant and the remaining 50% vest on the fourth anniversary of the date of grant.

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

The interests of the executive directors in ordinary shares subject to awards under this plan as at 31 March 2009 were as follows:

	Number of ordinary shares		Vesting period[1]		
	As at 31 March 2008	**As at 31 March 2009**	From	To	Expiry date
Angela Ahrendts	850,000	**850,000**	26/07/2010	26/07/2011	25/07/2012
Stacey Cartwright	350,000	**350,000**	26/07/2010	26/07/2011	25/07/2012

(1) Subject to performance testing

The Burberry Senior Executive Restricted Share Plan (the 'RSP')

Under the RSP, executives may be awarded shares up to a maximum value of two times base salary. The vesting of awards granted under the RSP is based 50% on Burberry's three-year Total Shareholder Return ('TSR') relative to its peers and 50% on three-year growth in profit before tax ('PBT'). Awards granted in 2009 will vest in full only if Burberry achieves at least upper quartile TSR relative to its peers and at least 10% per annum PBT growth. A proportion of an award (12.5%) may vest if TSR performance exceeds the median of the peer group or if PBT growth exceeds 3% per annum over three years. Of the shares which meet the performance criteria, 50% vests after three years. The remaining 50% vests in two equal tranches on the fourth and fifth anniversaries of the date of grant.

The Remuneration Committee chose TSR relative to a group of Burberry's peers because it felt that this is an objective measure of the Group's success and aligns with shareholder interests. Growth in PBT was chosen as it continues to be the primary measure used by management and the Remuneration Committee believes strong growth in pre-tax profit is key to delivering superior shareholder returns.

The TSR group for awards granted in 2007 comprised Bulgari, Coach, Compagnie Financière Richemont, Estée Lauder, Fossil, Geox, Hermès International, Hugo Boss, Inditex, Liz Claiborne, Luxottica Group, LVMH Moët Hennessy Louis Vuitton, Nike, Nordstrom, Polo Ralph Lauren, PPR, Saks, Swatch, Tiffany & Co, and Tod's.

In 2006, the peer group included Christian Dior, IT Holding, Movado and Waterford Wedgewood, following review by the Remuneration Committee, these companies were replaced by Geox, Inditex, Luxottica Group and Nike in 2007. In 2004 and 2005, the peer group included Barneys New York, Neiman-Marcus and Tommy Hilfiger. When those companies ceased to be listed, Estee Lauder, Fossil, Liz Claiborne and Nordstrom were added to the peer group in 2006.

Executive directors were not granted awards under this plan during the financial year to 31 March 2009. The interests of the executive directors in ordinary shares subject to awards under this plan as at 31 March 2009 were as follows:

	Number of ordinary shares					Vesting period[2]		
	As at 31 March 2008	Granted during the year	Lapsed during the year[1]	Exercised during the year	**As at 31 March 2009**	From	To	Expiry date
Angela Ahrendts	255,987	–	–	–	**255,987**	11/06/2010	11/06/2012	10/06/2017
Stacey Cartwright	37,129	–	–	–	**37,129**	02/08/2007	02/08/2009	01/08/2014
	133,136	–	73,092	–	**60,044**	21/07/2008	21/07/2010	20/07/2015
	94,837	–	–	–	**94,837**	10/08/2009	10/08/2011	09/08/2016
	23,709	–	–	–	**23,709**	27/11/2009	27/11/2011	26/11/2016
	74,098	–	–	–	**74,098**	11/06/2010	11/06/2012	10/06/2017

(1) Following the calculation of the achievement of the performance conditions of the awards granted in 2005, 54.9% of the awards lapsed.

(2) Subject to performance testing. For awards granted between 2004 and 2007, the PBT element of these awards (50% of the award) vests 25% for PBT growth of 5% p.a. and vests in full (100%) for PBT growth of at least 15% p.a. over three years, with straight-line vesting between these two points.

On 31 January 2006, Angela Ahrendts was granted a one-off award under the terms of her service agreement over 508,474 ordinary shares. The rules applicable to the award were the same as for the RSP other than in respect of the time of vesting. The interests of Angela Ahrendts in shares subject to this award as at 31 March 2009 were as follows:

	Number of ordinary shares				Vesting period		
	As at 31 March 2008	Exercised during the year[1]	Lapsed during the year[2]	**As at 31 March 2009**	From	To	Expiry date
Angela Ahrendts	508,474	158,898	190,678	**158,898**	01/12/2008	01/12/2010	31/01/2016

[1] The market value on the date of exercise (2 December 2008) was 202.50p.
[2] Following the calculation of the achievement of the performance conditions of the award, 37.5% lapsed.

The Burberry Group plc Executive Share Option Scheme 2002

The interests of executive directors in options granted under this scheme as at 31 March 2009 were as follows:

	Number of ordinary shares under option					Exercise period	
	As at 31 March 2008	Exercised during the year	Lapsed during the year	**As at 31 March 2009**	Exercise price (p)	From	To
Stacey Cartwright	185,185	–	–	**185,185**	378.0	02/08/2005	01/08/2014

All employee share-based plan

In order to encourage broad ownership of Burberry shares the Group offers a Save As You Earn Scheme ('SAYE'). The SAYE Scheme allows executive directors and eligible employees to save a portion of their salary which can be used to purchase Burberry shares after three years at a 20% discount to the market price at the date of invitation.

SAYE

The interests of the executive directors in options granted under the SAYE scheme are shown in the table below:

	Number of ordinary shares					Exercise period	
	As at 31 March 2008	Exercised during the year	Lapsed during the year	**As at 31 March 2009**	Exercise price (p)	From	To
Angela Ahrendts	2,667	–	–	**2,667**	350.5	01/09/2009	28/02/2010
Stacey Cartwright	2,667	–	–	**2,667**	350.5	01/09/2009	28/02/2010

Gains made by directors on share options and awards

The table below shows notional gains made by individual directors from the exercise of Burberry share options and awards during the year to 31 March 2009. The gains are calculated as at the exercise date.

	Year to 31 March 2009
Angela Ahrendts	£321,768

Shareholding guidelines

The Remuneration Committee believes that share ownership provides an effective way to align the interests of shareholders and executive directors. The Remuneration Committee implemented an Executive Shareholding Policy in 2007, which expects that executive directors and certain senior executives achieve an interest in Burberry shares equivalent to at least one times base salary over a period of five years (at least one and a half times and three times base salary for the Executive Vice President – Chief Financial Officer and Chief Executive Officer respectively).

As part of the Group's shareholding guidelines, non-executive directors are expected to acquire shares with a market value of a minimum of £6,000 for each year of their appointment.

Directors' interests

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

	Holdings of ordinary shares as at 31 March 2009	Holding of ordinary shares as at 31 March 2008
Angela Ahrendts	**411,031**(1)	82,061(1)
Stacey Cartwright	**147,007**(1)	86,779(1)
John Peace	**175,738**	155,738
Philip Bowman	**65,000**	45,000
Ian Carter	**17,990**	4,422
Stephanie George	**–**	–
David Tyler	**60,000**	48,664

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

(2) The market price of an ordinary share on 31 March 2009 (the last dealing day in the financial year) was 281.75p. The highest and lowest market prices of an ordinary share in the year were 526.5p and 160.0p respectively.

As potential beneficiaries under the Burberry Group plc ESOP Trust (the 'Trust') Angela Ahrendts and Stacey Cartwright are deemed to have an interest in the Company's ordinary shares held by the Trust. The Trust held 1,190,706 ordinary shares as at 31 March 2009. At 18 May 2009, the Trust held 1,186,446 ordinary shares, there have been no further changes in the above interests between 31 March 2009 and 18 May 2009.

There are no other non-beneficial interests.

IFRS

Appropriate adjustments have been made, where relevant, to performance targets and tests under the Company's incentive plans to ensure consistency of measurement during the transition from UK GAAP to IFRS reporting.

Audit statement

In their audit opinion on page 73, PricewaterhouseCoopers LLP refer to their audit of the disclosures required by Part 3 of Schedule 7A to the Companies Act 1985. These comprise the following disclosures in this remuneration report: the disclosures under the headings 'Executive directors' remuneration', 'Executive directors' pension entitlements', 'Payments to former directors', 'Non-executive directors' remuneration', 'The Burberry Co-Investment Plan', 'The Burberry Group plc Exceptional Performance Share Plan', 'The Burberry Senior Executive Restricted Share Plan', 'The Burberry Group plc Executive Share Option Scheme 2002' and 'SAYE' and the disclosures under the heading, 'Directors' Interests' on pages 67 to 71.

Approved by the Board and signed on its behalf by:

David Tyler
Chairman of the Remuneration Committee
18 May 2009

The directors are responsible for preparing the Annual Report, the Report on Directors' Remuneration and related matters and the Group and the parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union, and the parent Company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The Group and parent Company financial statements are required by law to give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the Group financial statements comply with IFRS as adopted by the European Union, and with regard to the parent Company financial statements that applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the Group and parent Company financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the financial statements and the Report on Directors' Remuneration and related matters comply with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Each of the directors, whose names and functions are listed on page 55 confirms that, to the best of their knowledge:

- The Group financial statements, which have been prepared in accordance with IFRS's as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit/(loss) of the Group; and
- The Directors' Report contained on page 56 includes a fair review of the development and performance of the business and the position of the Group together with a description of the principal risks and uncertainties that the Group faces which are contained on pages 45 to 47.

We have audited the Group financial statements of Burberry Group plc for the year ended 31 March 2009 which comprise the Group Income Statement, Group Statement of Recognised Income and Expense, Group Balance Sheet, Group Cash Flow Statement and the related notes. These Group financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the parent Company financial statements of Burberry Group plc for the year ended 31 March 2009 and on the information in the Report on Directors' Remuneration and related matters that is described as having been audited.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the Group financial statements give a true and fair view and whether the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the Group financial statements. The information given in the Directors' Report includes that specific information presented in the Business and Financial Review that is cross referred from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the Combined Code (2006) specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited Group financial statements. The other information comprises only the Financial Highlights, Chairman's Letter, Chief Executive Officer's Letter, Group overview, Strategy, Business and Financial Review, Risks, Corporate Responsibility, Board of Directors, Directors' Report, Corporate Governance, the unaudited part of the Report on Directors' Remuneration and related matters, the five year summary, Shareholder information and Executive directors and senior management. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Group financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the Group financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Group financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Group financial statements.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 March 2009 and of its loss and cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the Group financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London, 18 May 2009

	Note	Year to 31 March 2009 £m	Year to 31 March 2008 £m
Revenue	3	**1,201.5**	995.4
Cost of sales		**(535.7)**	(377.7)
Gross profit		**665.8**	617.7
Net operating expenses	4	**(675.7)**	(416.0)
Operating (loss)/profit		**(9.9)**	201.7
Financing			
Interest receivable and similar income	6	**7.2**	5.7
Interest payable and similar charges	6	**(13.4)**	(11.7)
Net finance charge	6	**(6.2)**	(6.0)
(Loss)/profit before taxation	5	**(16.1)**	195.7
Taxation	7	**11.0**	(60.5)
(Loss)/profit for the year	3	**(5.1)**	135.2
Attributable to:			
Equity holders of the company		**(6.0)**	135.2
Minority interest		**0.9**	–
(Loss)/profit for the year		**(5.1)**	135.2

(Loss)/earnings per share			
– basic	8	**(1.4p)**	31.3p
– diluted	8	**(1.4p)**	30.5p

Non-GAAP measures		**£m**	£m
Operating (loss)/profit		**(9.9)**	201.7
Restructuring costs	4	**54.9**	–
Goodwill impairment charge	4	**116.2**	–
Store impairments and onerous lease provisions	4	**13.4**	–
Negative goodwill	4	**(1.7)**	–
Relocation of headquarters	4	**7.9**	(15.1)
Project Atlas	4	**–**	19.6
Adjusted operating profit		**180.8**	206.2

Additional tax related Non-GAAP measures are disclosed in note 7.

Adjusted earnings per share			
– basic	8	**30.6p**	32.4p
– diluted	8	**30.2p**	31.6p

Dividends per share			
– interim	9	**3.35p**	3.35p
– proposed final (not recognised as a liability at 31 March)	9	**8.65p**	8.65p

GROUP STATEMENT OF RECOGNISED INCOME AND EXPENSE

	Note	**Year to 31 March 2009 £m**	Year to 31 March 2008 £m
Cash flow hedges – losses deferred in equity	21	**(27.4)**	(8.9)
Foreign currency translation differences	21	**116.8**	41.0
Restriction of asset on defined benefit pension scheme	21	**–**	(0.7)
Tax on items taken directly to equity	21	**3.5**	5.6
Net income recognised directly in equity		**92.9**	37.0
Cash flow hedges – gains/(losses) transferred to the income statement	21	**16.7**	(2.2)
Tax on items transferred from equity to the income statement	21	**(4.7)**	0.9
Net income recognised directly in equity net of transfers		**104.9**	35.7
(Loss)/profit for the year		**(5.1)**	135.2
Total recognised income for the year		**99.8**	170.9
Attributable to:			
Equity holders of the company	21	**98.8**	170.9
Minority interest	21	**1.0**	–
Total recognised income for the year		**99.8**	170.9

	Note	As at 31 March 2009 £m	As at 31 March 2008 £m
ASSETS			
Non-current assets			
Intangible assets	10	**57.5**	150.4
Property, plant and equipment	11	**258.6**	177.5
Deferred tax assets	12	**57.7**	29.5
Trade and other receivables	13	**9.5**	7.4
		383.3	364.8
Current assets			
Inventories	14	**262.6**	268.6
Trade and other receivables	13	**187.2**	169.2
Derivative financial assets	15	**23.2**	11.0
Income tax receivables		**17.1**	12.0
Cash and cash equivalents	16	**252.3**	127.6
		742.4	588.4
Total assets		**1,125.7**	953.2
LIABILITIES			
Non-current liabilities			
Trade and other payables	17	**(23.8)**	(13.3)
Deferred tax liabilities	12	**(2.3)**	(4.3)
Derivative financial liabilities	15	**(0.4)**	–
Retirement benefit obligations	18	**(0.6)**	(0.4)
Provisions for other liabilities and charges	19	**(7.9)**	(3.7)
		(35.0)	(21.7)
Current liabilities			
Bank overdrafts and borrowings	20	**(244.7)**	(191.8)
Derivative financial liabilities	15	**(57.1)**	(18.2)
Trade and other payables	17	**(162.4)**	(174.3)
Provisions for other liabilities and charges	19	**(33.5)**	–
Income tax liabilities		**(49.1)**	(51.9)
		(546.8)	(436.2)
Total liabilities		**(581.8)**	(457.9)
Net assets		**543.9**	495.3
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Ordinary share capital	21	**0.2**	0.2
Share premium account	21	**175.9**	174.3
Capital reserve	21	**27.2**	26.6
Hedging reserve	21	**(13.4)**	(5.8)
Foreign currency translation reserve	21	**150.2**	37.8
Retained earnings	21	**199.2**	262.2
		539.3	495.3
Minority interests in equity	21	**4.6**	–
Total equity		**543.9**	495.3

The financial statements on pages 74 to 120 were approved by the Board on 18 May 2009 and signed on its behalf by:

John Peace
Chairman

Stacey Cartwright
Executive Vice President, Chief Financial Officer

	Note	Year to 31 March 2009 £m	Year to 31 March 2008 £m
Cash flows from operating activities			
Operating (loss)/profit		**(9.9)**	201.7
Depreciation		**44.8**	28.9
Amortisation		**4.8**	3.8
Net impairment charges/(releases)		**126.8**	(0.5)
Negative goodwill		**(1.7)**	–
Loss/(profit) on disposal of property, plant and equipment		**2.0**	(19.1)
Fair value losses/(gains) on derivative instruments		**10.7**	(0.5)
Charges in respect of employee share incentive schemes		**4.5**	14.3
Decrease/(increase) in inventories		**55.7**	(122.6)
Decrease/(increase) in receivables		**2.1**	(29.1)
Increase in payables		**2.2**	28.8
Cash generated from operations		**242.0**	105.7
Interest received		**7.7**	4.8
Interest paid		**(13.6)**	(11.8)
Taxation paid		**(26.3)**	(53.3)
Net cash inflow from operating activities		**209.8**	45.4
Cash flows from investing activities			
Purchase of tangible and intangible fixed assets		**(89.9)**	(48.5)
Proceeds from sale of property, plant and equipment		**0.1**	28.3
Payment of deferred consideration		**–**	(10.0)
Acquisition of subsidiaries, net of cash acquired	27	**(0.3)**	–
Net cash outflow from investing activities		**(90.1)**	(30.2)
Cash flows from financing activities			
Dividends paid in the year	9	**(51.7)**	(47.4)
Issue of ordinary share capital		**–**	0.5
Purchase of shares through share buy back	21	**–**	(39.6)
Sale of own shares by ESOPs	21	**0.2**	4.4
Purchase of own shares by ESOPs	21	**(5.4)**	(1.5)
Repayments of borrowings		**(109.0)**	–
Proceeds from borrowings		**35.5**	49.0
Derivatives matured during the year and remaining in equity		**5.7**	–
Net cash outflow from financing activities		**(124.7)**	(34.6)
Net decrease in cash and cash equivalents		**(5.0)**	(19.4)
Effect of exchange rate changes		**13.2**	7.0
Cash and cash equivalents at beginning of period		**44.8**	57.2
Cash and cash equivalents at end of period		**53.0**	44.8

ANALYSIS OF CASH AND CASH EQUIVALENTS

	Note	As at 31 March 2009 £m	As at 31 March 2008 £m
Cash and cash equivalents as per the balance sheet	16	**252.3**	127.6
Bank overdrafts	20	**(199.3)**	(82.8)
Cash and cash equivalents per the cash flow statement		**53.0**	44.8
Bank borrowings at date of drawdown		**(35.5)**	(109.0)
Effect of exchange rate changes on foreign currency borrowings		**(9.9)**	–
Bank borrowings	20	**(45.4)**	(109.0)
Net cash/(debt)		**7.6**	(64.2)

Cash generated from operations includes £15.8m restructuring costs paid in the year.

1. Basis of preparation

Burberry Group is a luxury goods manufacturer, wholesaler and retailer in Europe, the Middle East, the Americas and Asia Pacific. Licensing activity is also carried out, principally in Japan. All of the companies which comprise Burberry Group are owned by Burberry Group plc ('the Company') directly or indirectly.

The consolidated financial statements of Burberry Group have been prepared in accordance with EU endorsed International Financial Reporting Standards ('IFRS'), IFRIC interpretations and parts of the Companies Act 1985 applicable to companies reporting under IFRS. These consolidated financial statements have been prepared under the historical cost convention, except as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss.

At the date of authorisation of these financial statements, the following new and revised standards, amendments and interpretations, which are expected to be relevant to the Group's results, were issued but not yet effective:

IFRS 8 Operating Segments

Requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes and regularly reviewed by the Board in order to allocate resources to the segment and assess its performance. The Group will be amending its segmental information with effect from 1 April 2009 to comply with this standard.

IAS 23 (Revised) – Borrowing Costs

This revision of an existing standard requires the capitalisation of borrowing costs directly attributable to an acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. It will take effect for annual periods beginning on or after 1 January 2009. No material financial impact is anticipated.

IFRS 2 (Amendment) – Share-based payment

This revision of an existing standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. All cancellations, whether by the Group or by other parties, will receive the same accounting treatment. It will take effect for annual periods beginning on or after 1 January 2009. No material financial impact is anticipated.

IAS 1 (Amendment) – Presentation of financial statements

The amendment clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with IAS 39, 'Financial instruments: Recognition and measurement' are examples of current assets and liabilities respectively. It will take effect from 1 January 2009. It is not expected to have a material impact on the Group financial statements.

IAS 1 (Revised) – Presentation of financial statements

This revision of an existing standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity. All non-owner changes in equity will be required to be shown in either one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period. It will take effect for annual periods beginning on or after 1 January 2009. No material financial impact is anticipated.

IFRS 3 (Amendment) – Business combinations

The standard will continue to apply the acquisition method to business combinations, but with certain significant changes. All payments to purchase a business will be recorded at fair value at the acquisition date, with some contingent payments subsequently remeasured at fair value through income. Goodwill and non-controlling (minority) interests may be calculated on a gross or net basis. All transaction costs will be expensed. It will take effect for annual periods beginning on or after 1 July 2009 and will be applied by the Group to all business combinations with effect from 1 April 2010.

IAS 27 (Amendment) – Consolidated and separate financial statements

The amendment removes the definition of the cost method from IAS 27 and has replaced it with a requirement to present dividends as income in the separate financial statements of the investor. It will take effect from 1 April 2010. No material financial impact is anticipated.

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

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Where there is a loss of control of a subsidiary, the consolidated financial statements include the results for the portion of the reporting period during which Burberry Group plc had control. The effects of intra-group transactions are eliminated in preparing the Group financial statements.

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

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Such estimates include, but are not limited to impairment of trade and other receivables, goodwill and asset impairment, inventory provisioning, provisions for onerous leases, restructuring provisions and income and deferred taxes. These are discussed below:

Impairment of trade and other receivables
A provision for impairment of trade and other receivables is established where management estimate that the Group will not be able to collect all amounts due according to the original terms of receivables.

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

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

Inventory provisioning
The Group manufactures and sells luxury goods and is subject to changing consumer demands and fashion trends. As a result, it is necessary to consider the recoverability of the cost of inventories and the associated provisioning required. Inventory provisioning is based on the age and condition of inventory, as well as anticipated saleability.

Provision for onerous leases
Provisions for onerous leases, measured net of expected rentals, are recognised when the property leased becomes vacant and is no longer used in the operations of the business. Provisions for dilapidation costs are recognised on a lease-by-lease basis.

Provision for restructuring
Provisions for restructuring costs are recognised when the Group has a detailed formal plan for the restructuring that has been communicated to affected parties.

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

2. Accounting policies

The consolidated financial information of Burberry Group plc and all its subsidiaries have been prepared in accordance with IFRS. The principal accounting policies of the Group are:

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

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

b) Segment reporting
A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

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

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

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

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

e) Operating leases
Burberry Group is a lessee of property. Gross rental expenditure in respect of operating leases is recognised on a straight line basis over the period of the leases. Certain rental expense is determined on the basis of revenue achieved in specific retail locations and is accrued for on that basis.

Amounts paid to acquire the rights to a lease ('Lease premiums') are written off in equal annual instalments over the life of the lease contract. Lease incentives, typically rent free periods and capital contributions, are recognised over the term of the lease to the first break clause.

f) Dividend distribution
Dividend distributions to Burberry Group plc's shareholders are recognised as a liability in the period in which the dividends are approved by the shareholders. Interim dividends are recognised when paid.

g) Pension costs

Defined benefit schemes

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

Where arrangements are funded, assets are held in independently administrated trusts. The cost of providing defined benefit schemes to participating Burberry employees is charged to the Income Statement over the anticipated period of employment. Net actuarial gains and losses are recognised directly to equity through the Group Statement of Recognised Income and Expense ('SORIE').

The asset or liability recognised in the Balance Sheet, in respect of defined benefit schemes, represents Burberry's share of the present value of the defined benefit obligation at the balance sheet date, less the fair value of plan assets, together with adjustments for unrecognised actuarial gains and losses and past service costs.

Defined contribution schemes

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

h) Intangible fixed assets

Goodwill

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

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

Trademarks and trading licences

The cost of securing and renewing trademarks and other intellectual property is capitalised as an intangible fixed asset and amortised by equal annual instalments over its useful economic life, typically ten years. The useful economic life of trademarks and other intellectual property is determined on a case-by-case basis, in accordance with the terms of the underlying agreement.

Computer software

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

i) Property, plant and equipment

Property, plant and equipment is stated at cost or deemed cost, based on historical revalued amounts, less accumulated depreciation and provision to reflect any impairment in value. Cost includes the original purchase price of the asset and costs attributable to bringing the asset to its working condition for its intended use.

Depreciation

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

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

Profit/loss on disposal of property, plant and equipment

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

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

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

l) Taxation
The tax expense represents the sum of the tax currently payable and deferred tax.

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

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the temporary difference arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is exempt from deferred tax. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled. Deferred tax assets and liabilities are not discounted.

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

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

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

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

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

o) Financial instruments
A financial instrument is initially recognised at fair value on the Balance Sheet when the entity becomes a party to the contractual provisions of the instrument. A financial asset is no longer recognised when the contractual rights to the cash flow expire or substantially all risks and rewards of the asset are transferred. A financial liability is no longer recognised when the obligation specified in the contract is discharged, cancelled or expires.

The Group's financial instruments consist primarily of cash and cash equivalents, accounts receivable, accounts payable, borrowings and derivative financial instruments.

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

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

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

Trade and other receivables
Trade and other receivables arise when the Group provides money, goods or services directly to a third party with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is recognised in the Income Statement.

Trade and other payables
Trade and other payables arise when the Group acquires money, goods or services directly from a supplier. They are included in current liabilities, except for maturities greater than 12 months after the balance sheet date. Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost and the difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Income Statement over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

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

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

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

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

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion of the gain or loss is recognised immediately in the Income Statement. Amounts deferred in equity are recycled in the Income Statement in the periods when the hedged item affects the Income Statement. If it is expected that all or a portion of a loss deferred in equity will not be recovered in one or more future periods, or the hedged transaction is no longer expected to occur, the amount that is not expected to be recovered is reclassified to the Income Statement. If a derivative instrument is not designated as a hedge, the subsequent change to the fair value is recognised in the Income Statement within operating expenses.

Where the Group hedges net investments in foreign operations through foreign currency borrowings, the gains or losses on the retranslation of the borrowings are recognised in equity.

p) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

Transactions in foreign currencies

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

Translation of the results of overseas businesses

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

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

The principal exchange rates used were as follows:

	Weighted average profit rate		Closing rate	
	Year to 31 March 2009	Year to 31 March 2008	**As at 31 March 2009**	As at 31 March 2008
Euro	**1.12**	1.42	**1.08**	1.26
US dollar	**1.42**	2.02	**1.43**	1.98
Hong Kong dollar	**12.79**	15.63	**11.10**	15.44
Korean won	**1,967**	1,873	**1,967**	1,966

The average exchange rate achieved by Burberry Group on its Yen royalty income, taking into account its use of Yen forward sale contracts on a monthly basis approximately 12 months in advance of royalty receipts, was Yen 213.1: £1 in the year to 31 March 2009 (2008: Yen 221.5: £1).

q) Non-GAAP measures

Non-GAAP measures are those items that are largely one-off and material in nature and presented in order to provide a clear and consistent presentation of the underlying performance of the Group's ongoing business.

3. Segmental analysis

Primary segment – analysis by origin

The Group's primary reporting segments are geographic, based on where products or services are supplied to a third party or another segment. EMEA (Europe, Middle East and Africa) comprises operations principally in the UK and also in France, Germany, Italy, Switzerland, Austria, Belgium, Czech Republic, Ireland, Hungary, the Netherlands and Middle East. The Americas comprises operations in the USA, Canada and other parts of the region. Asia Pacific comprises operations in Australia, Hong Kong, Japan, Korea, Malaysia, Singapore, Guam and Taiwan. This segmentation follows management organisation and reporting lines.

Revenue and profit before taxation – by origin of business

	EMEA		Spain		Americas		Asia Pacific		Total	
Year to 31 March	**2009 £m**	2008 £m	**2009 £m**	2008 £m	**2009 £m**	2008 £m	**2009 £m**	2008 £m	**2009 £m**	2008 £m
Gross segment revenue	**718.4**	626.9	**177.0**	193.9	**302.0**	231.6	**292.0**	226.5	**1,489.4**	1,278.9
Inter-segment revenue	**(274.8)**	(262.4)	**(13.1)**	(21.1)	**–**	–	**–**	–	**(287.9)**	(283.5)
Revenue	**443.6**	364.5	**163.9**	172.8	**302.0**	231.6	**292.0**	226.5	**1,201.5**	995.4
Adjusted operating profit/(loss)	**161.1**	139.1	**(7.6)**	14.4	**(10.8)**	14.4	**38.1**	38.3	**180.8**	206.2
Non-GAAP measures	**(23.8)**	(4.5)	**(153.5)**	–	**(12.4)**	–	**(1.0)**	–	**(190.7)**	(4.5)
Operating profit/(loss)	**137.3**	134.6	**(161.1)**	14.4	**(23.2)**	14.4	**37.1**	38.3	**(9.9)**	201.7
Net finance charge									**(6.2)**	(6.0)
(Loss)/profit before taxation									**(16.1)**	195.7
Taxation									**11.0**	(60.5)
(Loss)/profit for the year									**(5.1)**	135.2

The results above are stated after the allocation of Group central costs. Inter-segment transfers or transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties.

Other segmental items – by origin of business

	EMEA		Spain		Americas		Asia Pacific		Total	
Year to 31 March	**2009 £m**	2008 £m	**2009 £m**	2008 £m	**2009 £m**	2008 £m	**2009 £m**	2008 £m	**2009 £m**	2008 £m
Capital expenditure	**45.4**	21.3	**3.6**	4.8	**38.9**	18.7	**7.5**	5.5	**95.4**	50.3
Depreciation	**17.0**	12.4	**5.0**	5.2	**14.8**	8.5	**3.8**	2.8	**40.6**	28.9
Goodwill impairment charge	**–**	–	**116.2**	–	**–**	–	**–**	–	**116.2**	–
Impairment charge	**4.0**	–	**1.2**	0.1	**5.4**	1.1	**–**	–	**10.6**	1.2
Release of impairment charge	**–**	(1.7)	**–**	–	**–**	–	**–**	–	**–**	(1.7)
Amortisation	**4.0**	3.5	**0.1**	0.1	**–**	–	**0.4**	0.2	**4.5**	3.8
Other non-cash expenses – share based payments	**3.7**	10.2	**0.1**	1.3	**0.5**	2.2	**0.2**	0.6	**4.5**	14.3

Assets and liabilities – by origin of business

	EMEA		Spain		Americas		Asia Pacific		Total	
Year to 31 March	**2009 £m**	2008 £m	**2009 £m**	2008 £m	**2009 £m**	2008 £m	**2009 £m**	2008 £m	**2009 £m**	2008 £m
Segmental assets	**283.0**	253.3	**123.7**	142.1	**293.4**	203.6	**65.4**	55.1	**765.5**	654.1
Segmental liabilities	**(174.5)**	(129.6)	**(40.0)**	(33.7)	**(42.6)**	(33.0)	**(28.6)**	(13.7)	**(285.7)**	(210.0)
Net operating assets	**108.5**	123.7	**83.7**	108.4	**250.8**	170.6	**36.8**	41.4	**479.8**	444.1
Goodwill									**33.1**	130.1
Net cash/(debt)									**7.6**	(64.2)
Taxation (including deferred taxation)									**23.4**	(14.7)
Net assets									**543.9**	495.3

3. Segmental analysis (continued)

Secondary segment – analysis by class of business

Year to 31 March	Retail 2009 £m	Retail 2008 £m	Wholesale 2009 £m	Wholesale 2008 £m	Total Retail and Wholesale 2009 £m	Total Retail and Wholesale 2008 £m	Licensing 2009 £m	Licensing 2008 £m	Total 2009 £m	Total 2008 £m
Gross segment revenue	**629.7**	484.4	**753.2**	589.5	**1,382.9**	1,073.9	**82.6**	84.8	**1,465.5**	1,158.7
Inter-segment revenue	**–**	–	**(264.0)**	(163.3)	**(264.0)**	(163.3)	**–**	–	**(264.0)**	(163.3)
Revenue	**629.7**	484.4	**489.2**	426.2	**1,118.9**	910.6	**82.6**	84.8	**1,201.5**	995.4
Other segmental items										
Segment assets					**750.6**	640.1	**14.9**	14.0	**765.5**	654.1
Capital expenditure					**95.4**	50.3	**–**	–	**95.4**	50.3

The results above are stated after the allocation of Group central costs.

Additional information

Analysis of revenue is shown below as additional information:

Revenue by product	Year to 31 March 2009 £m	Year to 31 March 2008 £m
Womenswear	**412.8**	345.2
Menswear	**298.4**	247.8
Non-apparel	**366.3**	289.7
Childrenswear/Other	**41.4**	27.9
Retail/wholesale	**1,118.9**	910.6
Licensing	**82.6**	84.8
Total	**1,201.5**	995.4

Revenue by destination	Year to 31 March 2009 £m	Year to 31 March 2008 £m
Europe	**379.8**	291.8
Spain	**144.5**	161.6
Americas	**304.7**	234.8
Asia Pacific	**240.0**	189.1
Rest of World	**49.9**	33.3
Retail/wholesale	**1,118.9**	910.6
Licensing	**82.6**	84.8
Total	**1,201.5**	995.4

Number of directly operated stores, concessions and outlets open at 31 March	**419**	368

4. Net operating expenses

	Year to 31 March 2009 £m	Year to 31 March 2008 £m
Distribution costs	**(241.5)**	(180.9)
Administrative expenses	**(241.8)**	(230.2)
Loss on disposal of property, plant and equipment	**(1.8)**	(0.5)
Property rental income under operating leases	**0.1**	0.1
Non-GAAP measures		
Restructuring costs	**(54.9)**	–
Goodwill impairment	**(116.2)**	–
Store impairments and onerous lease provisions	**(13.4)**	–
Negative goodwill	**1.7**	–
Relocation of headquarters	**(7.9)**	15.1
Project Atlas costs	**–**	(19.6)
Total	**(675.7)**	(416.0)

Non-GAAP measures

In the year to 31 March 2009, Burberry announced a cost efficiency programme which included the restructuring of its Spanish operations and the consolidation of its UK manufacturing facilities. The total cost associated with the cost efficiency programme was £54.9m.

The Group has impaired the entire goodwill relating to the Spanish business. This has resulted in an impairment charge of £116.2m in the year to 31 March 2009 (see note 10).

The Group has impaired certain retail stores in the US and Europe. This has resulted in an impairment charge of £10.6m in the year to 31 March 2009 (see note 11) and an increase in the provision for onerous leases of £2.8m (see note 19).

Negative goodwill of £1.7m arose on the formation of the Burberry Middle East joint venture and is attributable to the excess of the net assets acquired over the cost of the acquisition.

Operating profit for the year to 31 March 2008 included a net profit of £15.1m relating to the Group's relocation of the global headquarters. In the year to 31 March 2009 the Group has increased the provision for onerous leases in relation to this relocation by £7.9m.

The year to 31 March 2008 included a charge of £19.6m relating to Project Atlas, our major infrastructure redesign initiative. The core design and build was completed in the year to 31 March 2008 and since then all ongoing costs relating to the deployment of the model are being accounted for within operating costs or capital expenditure as appropriate.

5. (Loss)/profit before taxation

	Year to 31 March 2009 £m	Year to 31 March 2008 £m
(Loss)/profit before taxation is stated after charging/(crediting):		
Depreciation of property, plant and equipment		
– within cost of sales	1.2	3.1
– within distribution costs	4.6	3.2
– within administrative expenses	34.8	22.6
Amortisation of intangible assets (included in administrative expenses)	4.5	3.8
Loss on disposal of property, plant and equipment	1.8	0.5
Fixed asset impairment charge relating to certain retail assets	–	1.2
Release of asset impairment charge relating to certain retail assets (included in administrative expenses)	–	(1.7)
Employee costs (see note 26)	202.7	189.7
Operating lease rentals		
– minimum lease payments	60.9	39.4
– contingent rents	37.0	32.3
Auditor's remuneration	3.1	2.8
Net exchange gain included in income statement	(9.5)	(2.9)
Net loss on derivatives held for trading	1.3	0.4
Trade receivables net impairment charge	3.4	2.1
Cost of goods consumed in cost of sales	519.4	361.8
Non-GAAP measures		
Restructuring costs	54.9	–
Goodwill impairment	116.2	–
Store impairments and onerous lease provision	13.4	–
Negative goodwill	(1.7)	–
Relocation of headquarters	7.9	(15.1)
Project Atlas costs	–	19.6

Auditor's remuneration is further analysed as follows:	Year to 31 March 2009 £m	Year to 31 March 2008 £m
Audit services in respect of the accounts of the Company	0.1	0.1
Audit services in respect of the accounts of subsidiary companies	1.6	1.2
Other audit services supplied pursuant to legislation	0.2	0.1
Services relating to taxation		
– compliance services	0.9	0.1
– advisory services	0.3	1.3
Total	3.1	2.8

All work performed by the external auditors is controlled by an authorisation policy agreed by the Audit Committee. The over-riding principle precludes the auditors from engaging in non-audit services that would compromise their independence. Non-audit services are provided by the auditors where they are best placed to provide the service due to their previous experience or market leadership in a particular area. Included in services relating to taxation above is £0.3m which arose in relation to advice on expatriate tax matters.

6. Net finance charge

	Year to 31 March 2009 £m	Year to 31 March 2008 £m
Bank interest income	**7.1**	4.8
Other interest income	**0.1**	0.9
Interest receivable and similar income	**7.2**	5.7
Interest expense on bank loans and overdrafts	**(12.4)**	(11.0)
Loss on derivatives held for trading	**(1.0)**	(0.7)
Interest payable and similar charges	**(13.4)**	(11.7)
Net finance charge	**(6.2)**	(6.0)

7. Taxation

Analysis of charge for the year recognised in the Income Statement

	Year to 31 March 2009 £m	Year to 31 March 2008 £m
Current tax		
UK corporation tax		
Current tax on income for the year to 31 March 2009 at 28% (2008: 30%)	**22.0**	115.8
Double taxation relief	**(3.0)**	(66.8)
Adjustments in respect of prior years	**(8.5)**	(2.2)
	10.5	46.8
Foreign tax		
Current tax on income for the year	**8.3**	22.9
Adjustments in respect of prior years	**(1.9)**	2.2
Total current tax	**16.9**	71.9
Deferred tax		
UK deferred tax		
Origination and reversal of temporary differences	**(2.4)**	(6.3)
Effects of changes in tax rates	**–**	0.4
Adjustments in respect of prior years	**1.8**	(1.2)
	(0.6)	(7.1)
Foreign deferred tax		
Origination and reversal of temporary differences	**(27.7)**	(5.9)
Effects of changes in tax rates	**(0.6)**	0.1
Adjustments in respect of prior years	**1.0**	1.5
Total deferred tax	**(27.9)**	(11.4)
Total tax (credit)/charge on (loss)/profit	**(11.0)**	60.5

7. Taxation (continued)

Analysis of charge for the year recognised in equity

	Year to 31 March 2009 £m	Year to 31 March 2008 £m
Current tax		
Current tax credit on share options (retained earnings)	**(0.4)**	(1.5)
Current tax charge/(credit) on exchange differences on loans (foreign currency translation reserve)	**3.9**	(3.1)
Total current tax recognised in equity	**3.5**	(4.6)
Deferred tax		
Deferred tax credit on cash flow hedges recognised directly to equity (hedging reserve)	**(7.8)**	(2.6)
Deferred tax charge/(credit) on cash flow hedges settled during the year (hedging reserve)	**4.7**	(0.9)
Deferred tax charge on share options (retained earnings)	**2.8**	4.7
Deferred tax charge on exchange differences on loan (foreign currency translation reserve)	**0.4**	0.1
Total deferred tax recognised in equity	**0.1**	1.3

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

	Year to 31 March 2009 £m	Year to 31 March 2008 £m
Tax at 28% (2008: 30%) on (loss)/profit before taxation	**(4.5)**	58.7
Rate adjustments relating to overseas profits	**(4.2)**	(1.1)
Permanent differences	**2.6**	2.1
Tax losses for which no deferred tax recognised	**3.3**	–
Adjustments in respect of prior years	**(7.6)**	0.3
Adjustments to deferred tax relating to changes in tax rates	**(0.6)**	0.5
Total taxation (credit)/charge	**(11.0)**	60.5

Total taxation recognised in the Income Statement arises on:

	Year to 31 March 2009 £m	Year to 31 March 2008 £m
Adjusted profit before tax	**41.6**	60.3
Non-GAAP measures	**(20.0)**	0.2
One-off tax credits	**(32.6)**	–
Total taxation (credit)/charge	**(11.0)**	60.5

The one-off credits include £5.0m (2008: £nil) in relation to the overpayment of tax in prior years and £27.6m (2008: £nil) arising on a reorganisation within the Group.

8. Earnings per share

The calculation of basic earnings per share is based on attributable profit for the year divided by the weighted average number of ordinary shares in issue during the year. Basic and diluted earnings per share based on adjusted operating profit and the underlying effective tax rate are also disclosed to indicate the underlying profitability of Burberry Group.

	Year to 31 March 2009 £m	Year to 31 March 2008 £m
Attributable profit for the year before Non-GAAP measures[1]	**132.1**	140.0
Effect of Non-GAAP measures[1] (after taxation)	**(138.1)**	(4.8)
Attributable (loss)/profit for the year	**(6.0)**	135.2

[1] Refer to Group Income Statement for Non-GAAP measures.

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

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

	Year to 31 March 2009 Millions	Year to 31 March 2008 Millions
Weighted average number of ordinary shares in issue during the year	**431.3**	432.1
Dilutive effect of the share incentive schemes	**6.8**	10.7
Diluted weighted average number of ordinary shares in issue during the year	**438.1**	442.8

	Year to 31 March 2009 Pence	Year to 31 March 2008 Pence
Basic earnings per share before Non-GAAP measures[1]	**30.6**	32.4
Effect of Non-GAAP measures[1]	**(32.0)**	(1.1)
Basic (loss)/earnings per share	**(1.4)**	31.3

	Year to 31 March 2009 Pence	Year to 31 March 2008 Pence
Diluted earnings per share before Non-GAAP measures[1]	**30.2**	31.6
Effect of Non-GAAP measures[1]	**(31.6)**	(1.1)
Diluted (loss)/earnings per share	**(1.4)**	30.5

[1] Refer to Group Income Statement for Non-GAAP measures.

9. Dividends

	Year to 31 March 2009 £m	Year to 31 March 2008 £m
Prior year final dividend paid 8.65p per share (2008: 7.625p)	**37.2**	33.0
Interim dividend paid 3.35p per share (2008: 3.35p)	**14.5**	14.4
Total	**51.7**	47.4

A final dividend in respect of the year to 31 March 2009 of 8.65p (2008: 8.65p) per share, amounting to £37.5m (2008: £37.2m), has been proposed for approval by the shareholders at the Annual General Meeting subsequent to the balance sheet date. The final dividend has not been recognised as a liability at the year end and will be paid on 30 July 2009 to shareholders on the register at the close of business on 3 July 2009.

10. Intangible assets

Cost	Goodwill £m	Trademarks, trading licences and other £m	Computer software £m	Total £m
As at 1 April 2007	116.9	12.4	13.8	143.1
Effect of foreign exchange rate changes	13.2	2.0	0.6	15.8
Additions	–	1.3	4.4	5.7
As at 31 March 2008	130.1	15.7	18.8	164.6
Effect of foreign exchange rate changes	17.9	2.3	0.8	21.0
Additions	1.3	0.1	7.2	8.6
Impairment charge	(116.2)	–	–	(116.2)
As at 31 March 2009	**33.1**	**18.1**	**26.8**	**78.0**

Accumulated amortisation	Goodwill £m	Trademarks, trading licences and other £m	Computer software £m	Total £m
As at 1 April 2007	–	4.1	5.4	9.5
Effect of foreign exchange rate changes	–	0.7	0.2	0.9
Charge for the year	–	1.0	2.8	3.8
As at 31 March 2008	–	5.8	8.4	14.2
Effect of foreign exchange rate changes	–	0.9	0.6	1.5
Charge for the year[1]	–	1.3	3.5	4.8
As at 31 March 2009	**–**	**8.0**	**12.5**	**20.5**

Net book value	Goodwill £m	Trademarks, trading licences and other £m	Computer software £m	Total £m
As at 31 March 2009	**33.1**	**10.1**	**14.3**	**57.5**
As at 31 March 2008	130.1	9.9	10.4	150.4

[1] Included in the amortisation charge for the year is £0.3m of restructuring costs reported as a Non-GAAP measure.

Impairment testing of goodwill

The carrying value of the goodwill allocated to cash generating units at 31 March 2009 is:	**As at 31 March 2009 £m**	As at 31 March 2008 £m
Spain	**–**	101.1
Korea	**21.0**	21.0
Other	**12.1**	8.0
Total	**33.1**	130.1

At 31 March 2009 an impairment provision of £116.2m (2008: £nil) was recognised in respect of the carrying value of Spain goodwill.

At 30 September 2008 an impairment review was carried out and it was concluded that no impairment was necessary as the recoverable amount of goodwill, based on the value in use, exceeded its carrying value. The value in use at September was based on the future cashflows of the core Spanish business and the childrenswear division.

Following the significant restructuring of the Spanish operations, management no longer believes it appropriate to include the future cashflows of the Global childrenswear division when calculating the value in use. The value in use at 31 March 2009 has been based on the pre-tax cashflows for just the core Spanish business. As a result of the continuing challenging economic environment in Spain and based on management's estimates the recoverable amount of goodwill did not exceed the carrying value, and therefore an impairment has been recognised. The cashflows were discounted at a pre-tax rate of 13.7% (2008: 15.1%), based on the Burberry Group weighted average cost of capital adjusted for the country specific tax rates and risk.

No impairment was recognised in respect of the carrying value of the other goodwill as the recoverable amount of goodwill for each cash generating unit exceeded its carrying value. The recoverable amount of all cash generating units has been determined on a value in use basis. For Korea the value in use calculation was performed using pre-tax cash flow projections for 2009/10 based on financial plans approved by management. No growth has been assumed in the cashflow projections beyond this period (2008: nil). The cash flows were discounted at a pre-tax rate of 16.0% (2008: 14.1%), based on Burberry Group's weighted average cost of capital adjusted for the country specific tax rates and risk.

11. Property, plant and equipment

Cost	Freehold land and buildings £m	Leasehold improvements £m	Fixtures, fittings and equipment £m	Assets in the course of construction £m	Total £m
As at 1 April 2007	80.5	74.1	118.7	5.3	278.6
Effect of foreign exchange rate changes	5.1	1.5	9.6	0.3	16.5
Additions	–	13.9	24.4	6.2	44.5
Disposals	(8.7)	(0.3)	(7.5)	–	(16.5)
Reclassifications	–	1.5	1.8	(3.3)	–
As at 31 March 2008	76.9	90.7	147.0	8.5	323.1
Effect of foreign exchange rate changes	20.1	31.1	26.5	3.0	80.7
Additions	0.1	38.0	38.5	11.5	88.1
Disposals	–	(3.2)	(7.7)	(0.1)	(11.0)
Reclassifications	–	3.6	0.1	(3.7)	–
Acquisition of subsidiary (note 27)	–	0.7	–	0.9	1.6
As at 31 March 2009	**97.1**	**160.9**	**204.4**	**20.1**	**482.5**

Accumulated depreciation					
As at 1 April 2007	22.3	20.5	73.1	–	115.9
Effect of foreign exchange rate changes	2.1	0.7	5.8	–	8.6
Charge for the year	1.9	6.7	20.3	–	28.9
Net impairment charge/(release) on certain retail assets	–	0.5	(1.0)	–	(0.5)
Disposals	(2.3)	(0.3)	(4.7)	–	(7.3)
As at 31 March 2008	24.0	28.1	93.5	–	145.6
Effect of foreign exchange rate changes	6.2	9.4	16.0	–	31.6
Charge for the year[1]	2.0	12.6	30.2	–	44.8
Net impairment charge on certain retail assets	–	5.2	5.4	–	10.6
Disposals	–	(1.9)	(6.8)	–	(8.7)
As at 31 March 2009	**32.2**	**53.4**	**138.3**	**–**	**223.9**

Net book value					
As at 31 March 2009	**64.9**	**107.5**	**66.1**	**20.1**	**258.6**
As at 31 March 2008	52.9	62.6	53.5	8.5	177.5

(1) Accelerated depreciation of £4.2m (2008: £nil) and £0.2m (2008: £nil) loss on disposal of assets are included within restructuring costs as a Non-GAAP measure.

During the year to 31 March 2009 a net impairment charge of £10.6m (2008: £0.5m release) was identified as part of the annual impairment review as a result of trading conditions having become more challenging. Of the total charge, £5.4m (2008: £1.1m) relates to certain retail stores in the US, £4.0m (2008: £1.7m release) to certain retail stores in Europe and £1.2m (2008: £0.1m) in relation to certain retail stores in Spain.

The impairment charge was based on a review of the value of the assets in use and on pre-tax cash flow projections based on financial plans approved by management and extrapolated beyond the budget year to the lease exit dates using growth rates and inflation rates appropriate to each country's economic conditions. The pre-tax discount rates used in these calculations were between 11.3% and 14.6% (2008: 13.8%), based on Burberry Group's weighted average cost of capital adjusted for the country specific tax rates and risk.

Based on a valuation report prepared by Colliers Conrad Ritblat Erdman, dated 16 May 2006, the existing use value of Burberry Group's nine most significant freehold properties is £179.6m (2008: £136.9m) based on closing exchange rates at 31 March 2009. This valuation is higher than the net book value of these assets. The directors do not intend to incorporate this valuation into the accounts but set out the valuation for information purposes only.

12. Deferred taxation

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

	As at 31 March 2009 £m	As at 31 March 2008 £m
Deferred tax assets	**57.7**	29.5
Deferred tax liabilities	**(2.3)**	(4.3)
Net amount	**55.4**	25.2

The movement in the deferred tax account is as follows:

	As at 31 March 2009 £m	Year to 31 March 2008 £m
As at 1 April	**25.2**	14.4
Effect of foreign exchange rate changes	**2.4**	0.7
Credited to the income statement	**27.9**	11.4
Charged to equity	**(0.1)**	(1.3)
End of the year	**55.4**	25.2

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

Deferred tax liabilities

	Accelerated capital allowances £m	Unrealised inventory profit and other inventory provisions £m	Derivative instruments £m	Unused tax losses £m	Other £m	Total £m
As at 1 April 2007	13.6	(1.7)	0.1	(0.5)	(2.7)	8.8
Effect of foreign exchange rate changes	0.3	–	–	–	(0.2)	0.1
(Credited)/charged to the income statement	(1.1)	(0.3)	–	–	1.2	(0.2)
(Credited)/charged to equity	(0.2)	–	–	0.2	–	–
As at 31 March 2008	12.6	(2.0)	0.1	(0.3)	(1.7)	8.7
Effect of foreign exchange rate changes	4.1	(0.6)	–	(0.1)	(0.4)	3.0
Charged/(credited) to the income statement	7.9	(3.5)	–	(2.6)	11.8	13.6
As at 31 March 2009	**24.6**	**(6.1)**	**0.1**	**(3.0)**	**9.7**	**25.3**

12. Deferred taxation (continued)

Deferred tax assets

	Accelerated capital allowances £m	Unrealised inventory profit and other inventory provisions £m	Share schemes £m	Derivative instruments £m	Unused tax losses £m	Other £m	Total £m
As at 31 March 2007	0.9	6.8	12.7	(0.9)	0.1	3.6	23.2
Effect of foreign exchange rate changes	0.1	0.4	0.1	–	–	0.2	0.8
Credited/(charged) to the income statement	1.9	5.6	2.0	–	(0.1)	1.8	11.2
Credited/(charged) to equity	–	–	(4.7)	3.5	–	(0.1)	(1.3)
Other movements	–	0.2	–	–	–	(0.2)	–
As at 31 March 2008	2.9	13.0	10.1	2.6	–	5.3	33.9
Effect of foreign exchange rate changes	0.5	3.2	0.1	–	0.1	1.5	5.4
(Charged)/credited to the income statement	(1.4)	14.4	(3.3)	–	21.4	10.4	41.5
(Charged)/credited to equity	–	–	(2.8)	3.1	–	(0.4)	(0.1)
As at 31 March 2009	**2.0**	**30.6**	**4.1**	**5.7**	**21.5**	**16.8**	**80.7**

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related benefit through the future taxable profits is probable. The Group did not recognise deferred tax assets of £7.1m (2008: £4.4m) in respect of losses amounting to £23.1m (2008: £14.3m) that can be carried forward against the future taxable income. These losses have no set expiry date.

Deferred tax has not been recognised in respect of temporary differences of £180.7m (2008: £111.0m) relating to the unremitted earnings of subsidiaries in lower tax jurisdictions on the grounds that no remittance of profits retained at 31 March 2009 is required or intended in such a way that incremental tax would arise.

13. Trade and other receivables

	As at 31 March 2009 £m	As at 31 March 2008 £m
Non-current		
Deposits and prepayments	9.5	7.4
Total non-current trade and other receivables	9.5	7.4
Current		
Trade receivables	154.1	141.3
Provision for doubtful debts	(7.6)	(5.0)
Net trade receivables	146.5	136.3
Other receivables	13.7	13.3
Prepayments and accrued income	27.0	19.6
Total current trade and other receivables	187.2	169.2
Total trade and other receivables	196.7	176.6

The principal non-current receivable of £7.5m is due within five years from the balance sheet date, with the remainder due at various stages after this. The entire balance is non-interest bearing.

As at 31 March 2009, trade receivables of £8.3m (2008: £7.1m) were impaired. The amount of the provision was £7.6m as of 31 March 2009 (2008: £5.0m). The individually impaired receivables relate to balances with trading parties which have passed their payment due dates. It was assessed that in some instances a portion of the receivables is expected to be recovered. The ageing of these overdue receivables is as follows:

	As at 31 March 2009 £m	As at 31 March 2008 £m
Less than 1 month overdue	1.6	0.2
1 to 3 months overdue	1.4	3.5
Over 3 months overdue	5.3	3.4
	8.3	7.1

As at 31 March 2009, trade receivables of £13.2m (2008: £19.7m) were overdue but not impaired. The ageing of these overdue receivables is as follows:

	As at 31 March 2009 £m	As at 31 March 2008 £m
Less than 1 month overdue	5.9	5.3
1 to 3 months overdue	4.7	14.4
Over 3 months overdue	2.6	–
	13.2	19.7

Movement on the provision for doubtful debts is as follows:

	Year to 31 March 2009 £m	Year to 31 March 2008 £m
At 1 April	5.0	3.5
Increase in provision for doubtful debts	4.2	2.2
Receivables written off during the year as uncollectable	(0.8)	(0.6)
Unused provision reversed	(0.8)	(0.1)
As at 31 March	7.6	5.0

13. Trade and other receivables (continued)

Within the other classes of trade and other receivables there are £0.8m (2008: £5.1m) impaired receivables. The maximum exposure to credit risk at the reporting date with respect to trade receivables is the carrying amount on the Balance Sheet. The Group does not hold any collateral as security.

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

	Year to 31 March 2009 £m	Year to 31 March 2008 £m
Sterling	66.6	26.9
US Dollar	33.0	21.1
Euro	66.0	109.0
Other currencies	31.1	19.6
	196.7	176.6

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

14. Inventories

	As at 31 March 2009 £m	As at 31 March 2008 £m
Raw materials	12.9	25.0
Work in progress	3.2	5.5
Finished goods	246.5	238.1
Total inventories	262.6	268.6

The cost of inventories recognised as an expense and included in cost of sales amounted to £519.4m (2008: £361.8m).

The Group reversed £nil (2008: £0.2m) of a previous inventory writedown in the year to 31 March 2009. The cost of inventories physically destroyed in the year is £0.7m (2008: £1.6m).

15. Derivative financial instruments

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

Cash flow hedges

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

Derivative financial assets	As at 31 March 2009 £m	As at 31 March 2008 £m
Forward foreign exchange contracts – cash flow hedges at beginning of year	9.2	3.2
Effect of foreign exchange rate changes	0.1	(0.1)
Arising during the year and taken directly to equity	29.3	13.3
Matured during the year and remaining in equity	5.7	(0.6)
Released from equity to the income statement during the year	(24.2)	(6.6)
Forward foreign exchange contracts – cash flow hedges at end of year	20.1	9.2
Forward foreign exchange contracts – held for trading	3.1	1.4
Equity swap contracts – held for trading	–	0.4
Total current position	23.2	11.0

Total cash flow hedge gains of £20.1m (2008: £9.2m) are expected to be recognised within 12 months.

15. Derivative financial instruments (continued)

Derivative financial liabilities	As at 31 March 2009 £m	As at 31 March 2008 £m
Forward foreign exchange contracts – cash flow hedges at beginning of year	(17.1)	(0.2)
Effect of foreign exchange rate changes	(0.1)	(0.1)
Arising during the year and taken directly to equity	(66.8)	(21.2)
Released from equity to the income statement during the year	48.2	4.4
Forward foreign exchange contracts – cash flow hedges at end of year	(35.8)	(17.1)
Interest rate swap contracts – cash flow hedges at beginning of year	–	–
Arising during the year and taken directly to equity	(1.6)	–
Interest rate swap contracts – cash flow hedges at end of year	(1.6)	–
Total cash flow hedges at end of year	(37.4)	(17.1)
Forward foreign exchange contracts – held for trading	(18.5)	(1.1)
Equity swap contracts – held for trading	(1.6)	–
Total position	(57.5)	(18.2)
Comprising of:		
Total non-current position	(0.4)	–
Total current position	(57.1)	(18.2)

Total cash flow hedge losses of £37.0m (2008: £17.1m) are expected to be recognised within 12 months.

The current portion of the financial instruments matures at various dates within one month to one year from the balance sheet date. The interest rate swap contract matures in September 2010 and hence a portion of the liability is recognised as non-current.

Net derivative financial instruments	As at 31 March 2009 £m	As at 31 March 2008 £m
– book value	(34.3)	(7.2)
– fair value	(34.3)	(7.2)

15. Derivative financial instruments (continued)

The fair value of foreign currency contracts is based on a comparison of the contractual and market rates after discounting using the prevailing interest rates at the time.

Additional information	As at 31 March 2009 £m	As at 31 March 2008 £m
Notional principal amounts of the outstanding forward foreign exchange contracts	**626.6**	677.7
Notional principal amounts of the outstanding interest rate swap contracts	**45.4**	–
Notional principal amounts of the outstanding equity swap contracts	**4.8**	4.2
Ineffective portion of cash flow hedges released from equity to the Income Statement during the year	**(4.4)**	–
Movement on the non-designated hedges for the year recognised within net operating costs in the Income Statement	**(1.3)**	(0.4)
Movement on the non-designated hedges for the year recognised within net finance charge in the Income Statement (note 6)	**1.0**	(0.7)

During the year £4.4m (2008: £nil) of cash flow hedges were considered to be ineffective and were recognised immediately in the Income Statement within net operating costs. This arose from changes to ‘highly probable’ forecast transactions during the year.

16. Cash and cash equivalents

	As at 31 March 2009 £m	As at 31 March 2008 £m
Cash at bank and in hand	**249.6**	127.6
Short term deposits	**2.7**	–
Total	**252.3**	127.6

The effective interest rate on short term deposits during the year was 2.6% (2008: 5.1%). These deposits had an average maturity of 19 days (2008: 9 days). The effective interest rate is the weighted average annual interest rate for the Group based on local market rates on short term deposits.

The fair value of short term deposits approximates the carrying amount because of the short maturity of this instrument.

17. Trade and other payables

	As at 31 March 2009 £m	As at 31 March 2008 £m
Non-current		
Other creditors, accruals and deferred income	**23.8**	13.3
Total non-current trade and other payables	**23.8**	13.3
Current		
Trade creditors	**54.8**	62.5
Other taxes and social security costs	**7.8**	5.2
Other creditors	**16.4**	19.1
Accruals and deferred income	**83.4**	87.5
Total current trade and other payables	**162.4**	174.3
Total trade and other payables	**186.2**	187.6

17. Trade and other payables (continued)

The maturity of non-current trade and other payables, all of which do not bear interest, is as follows:

	As at 31 March 2009 £m	As at 31 March 2008 £m
Between one and two years	**2.2**	2.6
Between two and three years	**0.9**	1.5
Between three and four years	**2.0**	1.3
Between four and five years	**2.5**	1.4
Over five years	**16.2**	6.5
Total	**23.8**	13.3

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

18. Retirement benefit obligations

Burberry Group provides post-retirement arrangements for its employees in the UK and its overseas operations, which are either defined benefit or defined contribution in nature. Where arrangements are funded, assets are held in independently administered trusts.

The Balance Sheet obligations in respect of Burberry Group's post-retirement arrangements, assessed in accordance with IAS 19, were:

Defined benefit schemes	As at 31 March 2009 £m	As at 31 March 2008 £m
Retirement Indemnities France	**0.3**	0.2
Burberry (Taiwan) Co Ltd retirement scheme	**0.3**	0.2
Total obligation	**0.6**	0.4

No prepayments or obligations exist in respect of defined contributions schemes at 31 March 2009 (2008: £nil).

The pension costs charged to the Group Income Statement in respect of the main plans were:

	Year to 31 March 2009 £m	Year to 31 March 2008 £m
Defined benefit schemes		
Experian Pension Plan	**–**	(0.3)
Supplemental Executive Retirement Plan US	**–**	0.1
Defined contribution schemes		
Burberry stakeholder plan UK	**2.7**	2.4
Burberry money purchase plan US	**1.4**	0.8
Burberry Asia Limited retirement scheme	**0.2**	0.2
Total pension costs	**4.3**	3.2

18. Retirement benefit obligations (continued)

Defined benefit schemes

Experian Pension Plan

Prior to the demerger of Burberry from GUS plc on 13 December 2005, it was agreed that Burberry Limited would continue to participate in the GUS defined benefit scheme (renamed the 'Experian Pension Scheme') in respect of existing employees who were members of the scheme until 31 December 2007 or such earlier date as required by HM Customs & Revenue or by Burberry. On 31 December 2007 Burberry Limited ceased to participate in the Experian Pension Scheme. Burberry was liable and in April 2008 has paid the debt of £1.25m due under Section 75 or 75A of the Pensions Act 1995.

The following disclosures regarding the Experian defined benefit scheme have been included for completeness of prior year disclosures as required by IAS 19 which were based on valuation assumptions at the beginning of that year and the cash flows for the nine months to 31 December 2007. A full actuarial valuation of the Experian Pension Scheme was carried out every three years by independent qualified actuaries, Watson Wyatt Limited, with interim reviews in the intervening years. This valuation separately identified the underlying assets and liabilities which related to the Burberry Group. In previous years the assets were restricted in accordance with the standard as it was anticipated that Burberry would not be able to benefit from the surplus. The Group recognised all gains/losses immediately through the SORIE.

On exit from the scheme on the 31 December 2007 the net assets attributable to the Burberry Group were £6.4m. These assets were restricted in accordance with the standard as the Group will not benefit from the surplus. The additional restriction of the assets of £0.7m in the prior year has been recognised through the SORIE.

The amounts recognised in the Group Income Statement are as follows:

	Year to 31 March 2009 £m	Year to 31 March 2008 £m
Current service cost (included in net operating costs)	**–**	(0.5)
Past service cost (included in net operating costs)	**–**	–
Interest cost (included in net finance charge)	**–**	(1.5)
Expected return on plan assets (included in net finance charge)	**–**	2.3
Total recognised in the income statement	**–**	0.3

The amount recognised in the Group Statement of Recognised Income and Expense (SORIE) is as follows:

	Year to 31 March 2009 £m	Year to 31 March 2008 £m
Gain/(loss) on liabilities	**–**	–
Gain on assets	**–**	–
Total gain	**–**	–
Restricted recognition of assets	**–**	(0.7)
Total loss included in the SORIE in the year	**–**	(0.7)
Cumulative actuarial loss included in the SORIE	**–**	(2.0)

18. Retirement benefit obligations (continued)

Changes in the present value of the defined benefit obligation are as follows:

	As at 31 March 2009 £m	As at 31 March 2008 £m
Opening defined benefit obligation	–	(37.8)
Current service cost	–	(0.5)
Interest cost	–	(1.5)
Employee contributions	–	(0.2)
Benefits paid	–	1.8
Exit from scheme	–	38.2
Closing defined benefit obligation	–	–

Changes in the fair value of the plan assets are as follows:

	As at 31 March 2009 £m	As at 31 March 2008 £m
Opening fair value of plan assets	–	43.5
Expected return	–	2.3
Contributions paid by employer	–	0.4
Contributions paid by employee	–	0.2
Benefits paid	–	(1.8)
Exit from scheme	–	(44.6)
Closing fair value of plan assets	–	–

The actual return on the plan assets in the prior year was £2.3m.

Retirement indemnities France

Burberry France SASU offers lump sum benefits at retirement to all employees that are employed by the company based on the length of service and salary. There are no assets held by Burberry Group companies in relation to this commitment.

Burberry (Taiwan) Co Ltd retirement scheme

Burberry (Taiwan) Co Ltd offers lump sum benefits at retirement to employees transferred from one of the previous operators based on the length of service up to date of transfer (i.e. 1 August 2005) and salary at retirement. There are no assets held by Burberry Group companies in relation to this commitment. From 1 August 2005, all employees of the company joined the defined contribution scheme operated under local labour ordinance.

Defined contribution schemes

Burberry stakeholder plan UK

This plan was introduced on 1 April 2006 when the Experian money purchase pension plan UK closed for Burberry employees. All UK employees are eligible to participate in this scheme. The assets of this scheme are held separately in an independently administered fund.

Burberry money purchase plan US

Burberry Group administers a money purchase plan in the US (a 401(k) scheme), which covers all eligible full-time employees who have reached the age of 21 and have completed one full year of service. The assets of the scheme are held separately from those of Burberry Group in an independently administered fund.

Burberry Asia Limited retirement scheme

Burberry Group administers a money purchase plan in Hong Kong, which covers all eligible full-time employees. The assets of the scheme are held separately from those of Burberry Group in an independently administered fund.

19. Provisions for other liabilities and charges

	Property obligations £m	Restructuring costs[1] £m	Total £m
Balance as at 1 April 2007	–	–	–
Created during the year	3.7	–	3.7
Balance as at 31 March 2008	3.7	–	3.7
Created during the year	10.7	27.5	38.2
Utilised during the year	(0.5)	–	(0.5)
Balance as at 31 March 2009	**13.9**	**27.5**	**41.4**

[1] Refer note 4.

	As at 31 March 2009 £m	As at 31 March 2008 £m
Analysis of total provisions:		
Non-current	**7.9**	3.7
Current	**33.5**	–
Total	**41.4**	3.7

The non-current provisions relate to provisions for onerous leases which are expected to be utilised within 5 years.

20. Bank overdrafts and borrowings

	As at 31 March 2009 £m	As at 31 March 2008 £m
Unsecured:		
Bank overdrafts	**199.3**	82.8
Bank borrowings	**45.4**	109.0
Total	**244.7**	191.8

Included within bank overdrafts is £199.2m (2008: £82.8m) representing balances on cash pooling arrangements in the Group. The effective interest rate for the overdraft balances is 2.5% (2008: 3.2%).

A £200m multi-currency revolving credit facility was agreed with a syndicate of third party banks commencing on 16 March 2009. At 31 March 2009, the amount drawn down was £45.4m (2008: £109.0m). This drawdown was made in US dollars (2008: Sterling). Interest is charged on this loan at LIBOR plus 2.00%. The facility matures on 30 June 2012. The undrawn facility at 31 March 2009 was £154.6m (2008: £91.0m). The facility replaces the £200m five year multi-currency revolving facility in place as at 30 June 2008 which was due to mature on 30 March 2010.

During the year, bilateral multi-currency revolving credit facilities, totalling £60m (2008: £nil), were agreed with two banks. At 31 March 2009, there were no outstanding drawings. Interest is charged on each of these facilities at LIBOR plus 0.95% on drawings less than 50% of the loan principal and at LIBOR plus 1.05% on drawings over 50% of the loan principal. The facilities mature on 13 June 2011.

Refer to note H on page 129 for details of the guarantees associated with these facilities.

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

21. Share capital and reserves

Authorised share capital	2009 £m	2008 £m
1,999,999,998,000 (2008: 1,999,999,998,000) Ordinary Shares of 0.05p (2008: 0.05p) each	**1,000.0**	1,000.0
1,600,000,000 redeemable preference shares of 0.05p (2008: 0.05p) each	**–**	0.8
Total	**1,000.0**	1,000.8

The authorised but unissued preference shares were cancelled by a resolution of the shareholders at the Annual General Meeting in 2008.

Allotted, called up and fully paid share capital	Number	£m
Ordinary shares of 0.05p (2008: 0.05p) each		
As at 1 April 2008	432,662,279	0.2
Allotted on exercise of options during the year	475,151	–
As at 31 March 2009	**433,137,430**	**0.2**

21. Share capital and reserves (continued)

Statement of changes in shareholders' equity

	Ordinary share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Total £m	Minority interest £m	Total equity £m
Balance as at 1 April 2007	0.2	167.3	21.6	207.8	396.9	–	396.9
Cash flow hedges – losses deferred in equity	–	–	(8.9)	–	(8.9)	–	(8.9)
Foreign currency translation	–	–	41.0	–	41.0	–	41.0
Restriction of asset on defined benefit pension scheme	–	–	–	(0.7)	(0.7)	–	(0.7)
Tax on items taken directly to equity	–	–	5.6	–	5.6	–	5.6
Net income/(expense) recognised directly in equity	–	–	37.7	(0.7)	37.0	–	37.0
Cash flow hedges – losses transferred to the income statement	–	–	(2.2)	–	(2.2)	–	(2.2)
Tax on items transferred from equity	–	–	0.9	–	0.9	–	0.9
Profit for the year attributable to equity holders	–	–	–	135.2	135.2	–	135.2
Total recognised income/(expenses) for the year	–	–	36.4	134.5	170.9	–	170.9
Employee share option scheme							
– value of share options granted	–	–	–	14.3	14.3	–	14.3
– tax on share options granted	–	–	–	(3.2)	(3.2)	–	(3.2)
– exercise of share options	–	7.0	–	–	7.0	–	7.0
– price differential on exercise of shares	–	–	–	(6.5)	(6.5)	–	(6.5)
Share buy back costs	–	–	–	(39.6)	(39.6)	–	(39.6)
Sale of shares by ESOP trusts	–	–	–	4.4	4.4	–	4.4
Purchase of shares by ESOP trusts	–	–	–	(1.5)	(1.5)	–	(1.5)
Transfer between reserves	–	–	0.6	(0.6)	–	–	–
Dividends paid in the year	–	–	–	(47.4)	(47.4)	–	(47.4)
Balance as at 31 March 2008	0.2	174.3	58.6	262.2	495.3	–	495.3
Cash flow hedges – losses deferred in equity	–	–	(27.4)	–	(27.4)	–	(27.4)
Foreign currency translation	–	–	116.7	–	116.7	0.1	116.8
Tax on items taken directly to equity	–	–	3.5	–	3.5	–	3.5
Net income/(expense) recognised directly in equity	–	–	92.8	–	92.8	0.1	92.9
Cash flow hedges – gains transferred to the income statement	–	–	16.7	–	16.7	–	16.7
Tax on items transferred from equity	–	–	(4.7)	–	(4.7)	–	(4.7)
(Loss)/profit for the year attributable to equity holders	–	–	–	(6.0)	(6.0)	0.9	(5.1)
Total recognised income/(expenses) for the year	–	–	104.8	(6.0)	98.8	1.0	99.8
Employee share option scheme							
– value of share options granted	–	–	–	4.5	4.5	–	4.5
– tax on share options granted	–	–	–	(2.4)	(2.4)	–	(2.4)
– exercise of share options	–	1.6	–	–	1.6	–	1.6
– price differential on exercise of shares	–	–	–	(1.6)	(1.6)	–	(1.6)
Minority share of acquisition	–	–	–	–	–	3.6	3.6
Sale of shares by ESOP trusts	–	–	–	0.2	0.2	–	0.2
Purchase of shares by ESOP trusts	–	–	–	(5.4)	(5.4)	–	(5.4)
Transfer between reserves	–	–	0.6	(0.6)	–	–	–
Dividends paid in the year	–	–	–	(51.7)	(51.7)	–	(51.7)
Balance as at 31 March 2009	**0.2**	**175.9**	**164.0**	**199.2**	**539.3**	**4.6**	**543.9**

21. Share capital and reserves (continued)

During the year to 31 March 2009, no ordinary shares were repurchased and subsequently cancelled by the Company. A share repurchase programme commenced in January 2005 and since then a total of 79,063,397 ordinary shares have been repurchased and subsequently cancelled. This represents 15.8% of the original issued share capital at a total cost of £351.8m. The nominal value of the shares was £39,532 and has been transferred to a capital redemption reserve and the retained earnings have been reduced by £351.8m since this date. No shares were repurchased in the year to 31 March 2009.

The cost of own shares held in the Burberry Group ESOP Trusts has been offset against the profit and loss account, as the amounts paid reduce the profits available for distribution by the Burberry Group and the Company. As at 31 March 2009 the amounts offset against this reserve are £4.5m (2008: £4.9m). In the year to 31 March 2009 the Burberry Group plc ESOP trust has waived its entitlement to dividends of £0.3m (2008: £0.3m).

During the year profits of £0.6m (2008: £0.6m) have been transferred to capital reserves due to statutory requirements of subsidiaries. The capital reserve consists of non-distributable reserves and the capital redemption reserve arising on the purchase of own shares.

	Other reserves			
	Hedging reserve £m	Foreign currency translation reserve £m	Capital reserve £m	Total £m
Balance as at 1 April 2007	1.8	(6.2)	26.0	21.6
Cash flow hedges – losses deferred in equity	(8.9)	–	–	(8.9)
Foreign currency translation	–	41.0	–	41.0
Tax on items taken directly to equity	2.6	3.0	–	5.6
Net (expense)/income recognised directly in equity	(6.3)	44.0	–	37.7
Cash flow hedges – transferred to the income statement	(2.2)	–	–	(2.2)
Tax on items transferred from equity	0.9	–	–	0.9
Total recognised (expense)/income for the year	(7.6)	44.0	–	36.4
Transfer between reserves	–	–	0.6	0.6
Balance as at 31 March 2008	(5.8)	37.8	26.6	58.6
Cash flow hedges – losses deferred in equity	(27.4)	–	–	(27.4)
Foreign currency translation	–	116.7	–	116.7
Tax on items taken directly to equity	7.8	(4.3)	–	3.5
Net (expense)/income recognised directly in equity	(19.6)	112.4	–	92.8
Cash flow hedges – transferred to the income statement	16.7	–	–	16.7
Tax on items transferred from equity	(4.7)	–	–	(4.7)
Total recognised (expense)/income for the year	(7.6)	112.4	–	104.8
Transfer between reserves	–	–	0.6	0.6
Balance as at 31 March 2009	**(13.4)**	**150.2**	**27.2**	**164.0**

22. Financial commitments

Burberry Group has commitments relating to future minimum lease payments under non-cancellable operating leases as follows:

	As at 31 March 2009			As at 31 March 2008		
	Land and buildings £m	Other £m	Total £m	Land and buildings £m	Other £m	Total £m
Amounts falling due:						
Within one year	**47.0**	**–**	**47.0**	38.9	0.2	39.1
Between two and five years	**133.7**	**–**	**133.7**	112.7	0.2	112.9
After five years	**115.9**	**–**	**115.9**	167.5	–	167.5
Total	**296.6**	**–**	**296.6**	319.1	0.4	319.5

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

Where rental agreements include a contingent rental, this contingent rent is generally calculated as a percentage of revenue. Escalation clauses increase the rental to either open market rent, a stipulated amount in the rental agreement, or by an inflationary index percentage. There are no significant restrictions imposed by these lease agreements.

The total of future minimum sublease payments to be received under non-cancellable subleases is as follows:

	Land and buildings	
	As at 31 March 2009 £m	As at 31 March 2008 £m
Amounts falling due:		
Within one year	**–**	0.1
Between two and five years	**–**	–
After five years	**–**	–
Total	**–**	0.1

23. Capital commitments

	As at 31 March 2009 £m	As at 31 March 2008 £m
Capital commitments contracted but not provided for:		
– property, plant and equipment	**1.2**	1.5
– intangible assets	**0.5**	0.1
Total	**1.7**	1.6

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

24. Contingent liabilities

Since 31 March 2008 the following changes to material contingent liabilities have occurred:

During the year ended 31 March 2009, Burberry Group has not provided any guarantee letters to raw material suppliers. The total value of these guarantees at 31 March 2008 amounted to £0.4m, which all expired during the period to 30 September 2008.

Other material contingent liabilities reported at 31 March 2008 remain unchanged and were:

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

Burberry (Spain) S.A. is liable for certain salary and social security contributions left unpaid by its sole contractors where the amounts are attributable to the period in which subcontracting activity is undertaken on behalf of Burberry (Spain) S.A. It is not feasible to estimate the amount of contingent liability, but such expense has not been material in prior years.

25. Financial risk management

The Group's principal financial instruments, other than derivatives, comprise cash and short term deposits, external borrowings, as well as trade debtors and creditors, arising directly from operations.

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

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

Market risk

Foreign exchange risk

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

Burberry Group's Income Statement is affected by transactions denominated in foreign currency. To reduce exposure to currency fluctuations, Burberry Group has a policy of hedging foreign currency denominated transactions by entering into forward exchange contracts (see note 15). The Group's accounting policy in relation to derivative instruments is set out in note 2.

The Group's Treasury risk management policy is to hedge anticipated cash flows in each major foreign currency that qualify as 'highly probable' forecast transactions for hedge accounting purposes.

Burberry Group monitors the desirability of hedging the net assets of the overseas subsidiaries when translated into Sterling for reporting purposes. It has not entered into any specific transactions for this purpose. It has designated foreign currency borrowings in a net investment hedge of the assets of overseas subsidiaries.

At 31 March 2009 the Group has performed sensitivity analysis to determine the effect of non-Sterling currencies strengthening/weakening by 20% (2008: 5%) against Sterling with all other variables held constant. The effect of translating foreign currency denominated net debt, receivables, payables and financial instruments at fair value through profit or loss would have increased/decreased post-tax profit for the year by £7.0m (2008: £1.1m). The effect of translating forward exchange contracts designated as cash flow hedges and Sterling denominated loans held in overseas subsidiaries would have decreased/increased equity by £20.0m (2008: £6.4m).

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

25. Financial risk management (continued)

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

	Year to 31 March 2009 £m	Year to 31 March 2008 £m
Sterling	0.2	1.6
US dollar	(47.8)	14.5
Euro	(0.8)	(1.5)
Other currencies	(0.5)	(40.4)
Total	**(48.9)**	(25.8)

Price risk

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

To reduce exposure to fluctuations in the employer's national insurance liability due to movements in the Group's share price, the Group has a policy of entering into equity swaps at the time of granting share options and awards. The Group does not seek hedge accounting treatment for equity swaps. The Group monitors its exposure to fluctuations in the employer's national insurance liability on an ongoing basis to ensure it remains immaterial.

Cash flow interest rate risk

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

The external borrowings are linked to the LIBOR rate, while cash and short term borrowings are affected by local market rates around the Group. The borrowings at variable rates expose the Group to cash flow interest rate risk. To manage interest rate risk Burberry Group manages its proportion of fixed and floating rate borrowings to within limits approved by the Board using interest rate swap derivatives. The Group has entered into an interest rate swap, with a notional principal of USD 65m, to convert floating rate borrowings into fixed rate borrowings, at a fixed interest rate of 3.545%.

The interest rate risk profile of Burberry Group's fixed and floating rate financial liabilities by currency, after taking into consideration interest rate swaps, is as follows:

As at 31 March 2009	Floating rate financial liabilities £m	Fixed rate financial liabilities £m
Sterling	0.1	–
US dollar	–	45.4
Total financial liabilities	**0.1**	**45.4**

As at 31 March 2008		
Sterling	109.3	–
US dollar	1.4	–
Other currencies	2.4	–
Total financial liabilities	113.1	–

The floating rate financial liabilities at 31 March 2009 and 2008 exclude cash pool overdraft balances of £199.2m (2008: £78.7m). No interest is payable on all other non-derivative financial liabilities.

At 31 March 2009, if interest rates on Sterling denominated borrowings had been 200 basis points higher/lower (2008: 10 basis points) with all other variables held constant, post-tax profit for the year would have been £1.7m (2008: £0.1m) lower/higher, as a result of higher/lower interest expense on floating rate borrowings.

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

Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that wholesale sales of products are made to customers with an appropriate credit history. Sales to retail customers are made in cash or via major credit cards. In addition, receivables balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant and default rates have historically been very low. An ageing of overdue receivables is included in note 13. The maximum credit risk exposure of the Group's financial assets at the end of the period is represented by the amounts reported under the corresponding balance sheet headings.

25. Financial risk management (continued)

With respect to credit risk arising from other financial assets, which comprise cash and short term deposits and certain derivative instruments, the Group's exposure to credit risk arises from the default of the counter party with a maximum exposure equal to the carrying value of these instruments. The Group has policies that limit the amount of credit exposure to any financial institution.

The Group has deposited €2.5m (2008: €2.0m) and CHF 0.3m (2008: CHF 0.3m) which is held as collateral at a number of European banks.

Liquidity risk

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

All short term trade creditors, accruals, bank overdrafts and borrowings and derivative financial liabilities mature within one year or less. The maturity profile of the carrying amount of non-current financial liabilities, are as follows:

As at 31 March 2009	Non-current portion of interest rate swap contracts £m	Other non-current financial liabilities £m	Total £m
In more than one year, but not more than two years	0.4	0.9	1.3
In more than two years, but not more than three years	–	0.3	0.3
In more than three years, but not more than four years	–	0.4	0.4
In more than four years, but not more than five years	–	0.5	0.5
In more than five years	–	7.9	7.9
Total financial liabilities	0.4	10.0	10.4

As at 31 March 2008	£m	£m	£m
In more than one year, but not more than two years	–	1.0	1.0
In more than two years, but not more than three years	–	0.3	0.3
In more than three years, but not more than four years	–	0.1	0.1
In more than four years, but not more than five years	–	0.3	0.3
In more than five years	–	3.5	3.5
Total financial liabilities	–	5.2	5.2

Other financial liabilities principally relate to accrued lease liabilities £6.6m (2008: £3.3m), property related accruals £0.9m (2008: £1.0m), and provisions for certain property obligations £nil (2008: £0.9m) all of which are included in other creditors falling due after more than one year.

The Group is in compliance with the financial and other covenants within its committed bank credit facilities.

Capital risk

The Group's objectives when managing capital (defined as net debt plus equity) are to safeguard the Group's ability to continue as a going concern in order to provide returns to shareholders and benefits for other stakeholders, while maintaining a strong credit rating and headroom whilst optimising return to shareholders through an appropriate balance of debt and equity funding. The Group manages its capital structure and makes adjustments to it in light of changes to economic conditions and the strategic objectives of the Group.

26. Employee costs

Staff costs, including directors' emoluments, incurred during the year are as shown below. The directors' emoluments are separately disclosed in the Report on Directors' Remuneration and related matters on pages 64 to 71, which includes gains arising on the exercise of share options and awards and which form part of these financial statements.

	Year to 31 March 2009 £m	Year to 31 March 2008 £m
Wages and salaries	**170.1**	154.3
Social security costs	**23.8**	17.9
Share based compensation (all awards and options settled in shares)	**4.5**	14.3
Other pension costs (see note 18)	**4.3**	3.2
Total	**202.7**	189.7

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

	Number of employees	
	Year to 31 March 2009	Year to 31 March 2008
EMEA	**2,382**	2,369
Spain	**1,211**	1,203
Americas	**1,616**	1,339
Asia Pacific	**999**	749
Total	**6,208**	5,660

Share options granted to directors and employees

The share option and award schemes have been valued using the Black-Scholes option pricing model. The Senior Executive Restricted Share Plan and the Exceptional Performance Share Plan, both of which have market based performance conditions attached, have been valued using the Black-Scholes option pricing model with a discount applied to this value, based on information obtained by running a Monte Carlo simulation model on the scheme.

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

SAYE share option scheme

In the financial year ended 31 March 2007 a Save As You Earn (SAYE) share option scheme offering Burberry Group plc ordinary shares was introduced for employees.

On 26 June 2008 further options were granted under this scheme. These options are ordinarily exercisable from 1 September 2011 and are dependent on continued employment, as well as a saving obligation over the vesting period. The exercise price for these options is calculated at a 20% discount to market price over the three dealing days preceding the invitation date. Three day averages are calculated by taking middle market quotations of a Burberry Group plc share from the London Stock Exchange.

The fair value of the options granted in the year has been calculated using a risk-free rate of 4.4% (2008: 5.3%), expected volatility of 31.6% (2008: 28.5%) and an expected dividend yield of 3.5% (2008: 2.4%). The fair value per option for the grant was determined as £1.11. The Burberry share price at the date of grant was £4.48.

26. Employee costs (continued)

Expected volatility was determined by calculating the historic annualised standard deviation of the continuously compounded rates of return on the shares over a period of time, prior to the grant, equivalent to the life of the option. As share price information was only available for Burberry Group plc from July 2002 an average of a comparator group of companies was used prior to this date. The average expected volatility over the life of the option was used.

Movements in the number of SAYE share options in Burberry Group plc shares outstanding and their weighted average exercise prices are as follows:

	Weighted average exercise price	**Number of shares under option as at 31 March 2009**	Weighted average exercise price	Number of shares under option as at 31 March 2008
Outstanding at 1 April	**409.1p**	**989,717**	354.9p	762,568
Granted during the year	**399.0p**	**273,308**	505.0p	370,021
Lapsed during the year	**427.6p**	**(253,219)**	370.5p	(126,916)
Exercised during the year	**350.5p**	**(2,368)**	350.5p	(15,956)
Outstanding at 31 March	**401.8p**	**1,007,438**	409.1p	989,717
Exercisable at 31 March	**–**	**–**	–	–

SAYE share options in Burberry Group plc shares outstanding at the end of the year have the following expiry dates and exercise prices:

Option term	**Exercise price**	**Number of shares under option as at 31 March 2009**	Number of shares under option as at 31 March 2008
23 June 2006 – 28 February 2010	**350.5p**	**438,267**	548,798
30 March 2007 – 30 September 2010	**384.5p**	**84,060**	84,060
24 August 2007 – 28 February 2011	**505.0p**	**152,171**	225,154
28 September 2007 – 31 March 2011	**505.0p**	**86,911**	131,705
26 June 2008 – 28 February 2012	**399.0p**	**246,029**	–
Total		**1,007,438**	989,717

Share options and awards

Burberry Senior Executive Restricted Share Plan (the 'RSP')

In June 2008 awards over 1,522,064 ordinary shares were made to management under the RSP (2008: 2,425,728). No such awards were made either to directors or senior management.

In accordance with the rules of the RSP the awards vest in three stages, 50% are exercisable after three years, 25% are exercisable after four years and 25% are exercisable after five years, subject to the achievement of a specified performance condition.

The performance condition for the awards at the time of the grant was based on three year growth in profit before taxation ("PBT"). 25% of the awards vest if PBT growth exceeds 5% per annum over three years rising to 100% if PBT growth is equal to or exceeds 15% per annum over three years to 31 March 2011. The vesting of the award was also dependent on continued employment over the vesting period. The exercise price of these share awards is £nil.

In March 2009 the Remuneration Committee approved a modification to the performance condition for this award, on the basis that in the current exceptional economic environment the June 2008 award would no longer provide an incentive to management. The performance condition has been modified by setting the PBT target for the year ending 31 March 2011 to achieve growth of between 5% and 15% on budgeted PBT for the year ending 31 March 2010. All other conditions remain unchanged.

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

26. Employee costs (continued)

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

	Number of awards as at 31 March 2009	Number of awards as at 31 March 2008
Outstanding at 1 April	**6,747,078**	5,893,023
Granted during the year	**1,522,064**	2,425,728
Lapsed during the year	**(1,315,138)**	(1,228,109)
Exercised during the year	**(475,152)**	(343,564)
Outstanding at 31 March	**6,478,852**	6,747,078
Exercisable at 31 March	**277,738**	122,305

The weighted average share price at the respective exercise dates in the year was £3.48.

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

Term of the award	Number of awards as at 31 March 2009	Number of awards as at 31 March 2008
2 August 2004 – 1 August 2014	**330,860**	506,301
21 July 2005 – 20 July 2015	**350,301**	1,281,835
31 January 2006 – 30 January 2016	**254,237**	508,474
10 August 2006 – 9 August 2016	**1,820,819**	2,035,248
1 September 2006 – 31 August 2016	**20,000**	20,000
27 November 2006 – 26 November 2016	**48,709**	48,709
11 June 2007 – 10 June 2017	**1,868,126**	2,041,440
21 November 2007 – 20 November 2017	**298,541**	305,071
25 June 2008 – 24 June 2018	**1,487,259**	–
Total	**6,478,852**	6,747,078

For the awards made on 25 June 2008 the fair value for those restricted shares with the PBT performance condition was determined as £4.62 by applying the Black-Scholes option pricing model.

As dividends accrue during the vesting period, expected dividends were not incorporated into the measurement of fair value. The key factors used in determining the fair value of the awards were as follows:

	25 June 2008
Weighted average share price at grant date	£4.62
Exercise price	£nil
Life of award	Equivalent to vesting period
Expected volatility	31.6%
Risk free interest rate	5.2%

Expected volatility was determined by calculating the historic annualised standard deviation of the continuously compounded rates of return on the shares over a period of time, prior to the grant, equivalent to the life of the option. As share price information was only available for Burberry Group plc from July 2002 an average of a comparator group of companies was used prior to this date. The average expected volatility over the life of the award was used.

26. Employee costs (continued)

Burberry Restricted Share Reinvestment Plan

On 21 July 2005 awards in respect of a total of 782,500 Ordinary Shares were made to senior management under the Restricted Share Reinvestment Plan.

The awards vest in two stages, 50% were exercisable after three years and the remaining 50% becomes exercisable after four years. The vesting of these share awards is dependent on the employee continuing to hold the original IPO RSP shares which were awarded and which vested on 11 July 2005. The vesting of these share awards is also dependent on continued employment over the vesting period. The exercise price of these share awards is £nil.

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

	Number of awards as at 31 March 2009	Number of awards as at 31 March 2008
Outstanding at 1 April	**567,500**	782,500
Lapsed during the year	**–**	(80,000)
Exercised during the year	**(288,750)**	(135,000)
Outstanding at 31 March	**278,750**	567,500
Exercisable at 31 March	**–**	–

The weighted average share price at the respective exercise dates in the year was £4.61.

Share awards outstanding at the end of the year have the following expiry date:

Term of the award	**Number of awards as at 31 March 2009**	Number of awards as at 31 March 2008
21 July 2005 – 21 July 2015	**278,750**	567,500
Total	**278,750**	567,500

The Burberry Senior Executive IPO Share Option Scheme (the 'IPO Option Scheme')

On 11 July 2002 options in respect of a total of 5,955,198 ordinary shares were made to directors and senior management under the IPO Option Scheme. Participants' options were made in the form of options with an exercise price equal to the price on flotation, £2.30 per ordinary share.

The options vested in three stages, 33% were exercisable after one year, 33% were exercisable after two years and the remaining 33% were exercisable after three years. Obligations under this scheme will be met by the issue of ordinary shares of the Company.

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

	Weighted average exercise price	**Number of shares under option as at 31 March 2009**	Weighted average exercise price	Number of shares under option as at 31 March 2008
Outstanding at 1 April	**230.0p**	**392,086**	230.0p	597,086
Exercised during the year	**–**	**–**	230.0p	(205,000)
Outstanding at 31 March	**230.0p**	**392,086**	230.0p	392,086
Exercisable at 31 March	**230.0p**	**392,086**	230.0p	392,086

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

Option term	**Exercise price**	**Number of shares under option as at 31 March 2009**	Number of shares under option as at 31 March 2008
11 July 2002 – 11 July 2012	**230.0p**	**392,086**	392,086
Total		**392,086**	392,086

26. Employee costs (continued)

The Burberry Group plc Executive Share Option Scheme 2002

During the previous financial years options were granted to directors and senior management in respect of ordinary shares in the Company under the Executive Share Option Scheme.

The options vest in three stages, 33% were exercisable after one year, 33% were exercisable after two years and the remaining 33% were exercisable after three years. The vesting of these share options is dependent on continued employment over the vesting period.

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

	Weighted average exercise price	**Number of shares under option as at 31 March 2009**	Weighted average exercise price	Number of shares under option as at 31 March 2008
Outstanding at 1 April	**321.1p**	**891,928**	357.6p	2,021,849
Exercised during the year	**258.0p**	**(54,166)**	386.4p	(1,129,921)
Outstanding at 31 March	**325.2p**	**837,762**	321.1p	891,928
Exercisable at 31 March	**325.2p**	**837,762**	321.1p	891,928

The weighted average share price at the respective exercise dates in the year was £4.14.

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

Option term	**Exercise price**	**Number of shares under option as at 31 March 2009**	Number of shares under option as at 31 March 2008
13 June 2003 – 12 June 2013	**258.0p**	**368,583**	422,749
2 August 2004 – 1 August 2014	**378.0p**	**469,179**	469,179
21 July 2005 – 20 July 2015	**423.0p**	**–**	–
Total		**837,762**	891,928

All Employee Share Plan

In previous financial years all employees were offered awards over ordinary shares in the Company at a nil exercise price under an All Employee Share Plan. All awards vest after three years and the vesting of these share awards is dependent on continued employment over the vesting period.

These ordinary shares are held in two trusts, being the Burberry Group Share Incentive Plan Trust and the Burberry Group plc ESOP Trust.

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

	Number of awards as at 31 March 2009	Number of awards as at 31 March 2008
Outstanding at 1 April	**360,200**	694,970
Granted during the year	**–**	–
Lapsed during the year	**(27,560)**	(47,970)
Exercised during the year	**(190,810)**	(286,800)
Outstanding at 31 March	**141,830**	360,200
Exercisable at 31 March	**141,830**	123,800

26. Employee costs (continued)

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

Term of the award	Number of awards as at 31 March 2009	Number of awards as at 31 March 2008
12 July 2002 – 18 July 2082[1]	**20,650**	23,600
30 August 2003 – 18 July 2082[1]	**26,300**	38,050
20 August 2004 – 18 July 2082[1]	**52,800**	62,150
10 June 2005 – 10 June 2008	**–**	155,640
1 September 2005 – 18 July 2082[1]	**42,080**	80,760
Total	**141,830**	360,200

[1] No date has been specified when awards lapse. The cessation date of the trust in which the awards are held is 18 July 2082.

Co-Investment Plan

In previous financial years executive directors and certain senior management were able to defer receipt of all or part of their annual bonus and invest it in ordinary shares in the Company with up to a 2:1 match based on individual and Group performance during the year. The matching share awards do not vest for three years and are forfeited if the executive leaves due to resignation within that period. The exercise price of these share awards is £nil. During the year to 31 March 2009 1,726,131 awards were awarded (2008: 1,227,414).

The fair value of the awards was determined as £4.95 by applying the Black-Scholes option pricing model. The key factors used in determining the fair value were as follows:

	3 June 2008
Weighted average share price at grant date	£4.95
Exercise price	£nil
Life of award	Equivalent to vesting period
Expected volatility	31.6%
Risk free interest rate	5.0%

Expected volatility was determined by calculating the historic annualised standard deviation of the continuously compounded rates of return on the shares over a period of time, prior to the grant, equivalent to the life of the award. As share price information was only available for Burberry Group plc from July 2002 an average of a comparator group of companies was used prior to this date. The average expected volatility over the life of the award was used.

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

	Number of awards as at 31 March 2009	Number of awards as at 31 March 2008
Outstanding at 1 April	**1,729,589**	1,071,473
Granted during the year	**1,726,131**	1,227,414
Lapsed during the year	**(26,867)**	(223,303)
Exercised during the year	**(213,844)**	(345,995)
Outstanding at 31 March	**3,215,009**	1,729,589
Exercisable at 31 March	**339,721**	83,695

The weighted average share price at the respective exercise dates in the year was £4.50.

26. Employee costs (continued)

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

Term of the award	Number of awards as at 31 March 2009	Number of awards as at 31 March 2008
29 July 2004 – 29 July 2009	**39,173**	83,695
21 July 2005 – 21 July 2010	**300,548**	469,870
20 June 2007 – 20 June 2012	**1,149,157**	1,176,024
3 June 2008 – 3 June 2013	**1,726,131**	–
Total	**3,215,009**	1,729,589

Exceptional Performance Share Plan

In the previous financial year awards in respect of a total of 4,210,000 ordinary shares were made to directors and senior management under the Exceptional Performance Share Plan introduced as a one-off long-term incentive plan.

The awards vest in two stages, 50% are exercisable after three years and 50% are exercisable after four years. The vesting of these share awards is dependent on two performance conditions. The award is based 50% on relative Total Shareholder Return ('TSR') performance and 50% on growth in profits over the three and four year performance periods to 2010 and 2011. No awards vest unless Burberry's TSR exceeds the median of the comparator group or growth in profit before tax and amortisation of goodwill per share ('PBT') exceeds 50% over the four year performance period to 2010 or 75% over the five year performance period to 2011. The vesting of these share awards is also dependent on continued employment over the vesting period. The exercise price of these share awards is £nil.

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

	Number of awards as at 31 March 2009	Number of awards as at 31 March 2008
Outstanding at 1 April	**4,210,000**	–
Granted during the year	**–**	4,210,000
Lapsed during the year	**(275,000)**	–
Outstanding at 31 March	**3,935,000**	4,210,000
Exercisable at 31 March	**–**	–

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

Term of the award	Number of awards as at 31 March 2009	Number of awards as at 31 March 2008
26 July 2007 – 25 July 2012	**3,850,000**	4,125,000
21 November 2007 – 25 July 2012	**85,000**	85,000
Total	**3,935,000**	4,210,000

27. Business combinations

On 30 September 2008 the Group formed Burberry Middle East LLC, a company registered in the United Arab Emirates, with its longstanding franchisee in the Middle East, The Jashanmal Group. Burberry Middle East will manage all Burberry retail and wholesale distribution within the United Arab Emirates markets of Dubai and Abu Dhabi, as well as Qatar, Oman and Kuwait.

Burberry has a 49% interest in the issued share capital of the company and a 59% interest in profits generated by this business. Burberry has the power to appoint the majority of the directors. Burberry Middle East LLC has been consolidated as a subsidiary as at 31 March 2009. The minority interest in the consolidated net assets of this company has been identified as a separate component of equity. This business contributed revenues of £11.7m and profit of £3.2m to the Group for the period from acquisition to 31 March 2009.

On 30 August 2008, the Group also terminated its franchisee agreement in Guam, an island in the Western Pacific Ocean, and incorporated a new company Burberry Guam Inc which acquired the Burberry retailing business from the terminated franchisee in Guam. This business contributed revenues of £0.7m and profit of £0.1m to the Group for the period from acquisition to 31 March 2009.

If both the business combinations had occurred on 1 April 2008, these acquisitions would have contributed £22.2m to revenue and £4.6m to operating profit for the full year to 31 March 2009.

In November 2008, Burberry entered into an arrangement with its longstanding licensing partners, Sanyo Shokai and Mitsui & Co., in Japan. This venture, Burberry International KK, is owned 51% by Burberry and will develop the retail distribution of Burberry's international non-apparel products in Japan, the largest luxury accessories market in the world. At 31 March 2009, the shareholders had contributed capital of £3.0m. The venture plans to be operational in 2009/10.

Details of the net assets acquired and goodwill are as follows:

	£m
Cash paid	2.9
Direct costs relating to the acquisitions	0.4
Total purchase consideration	3.3
Fair value of net identifiable assets acquired	(3.7)
Goodwill	(0.4)
Goodwill is represented by:	
– Negative goodwill	(1.7)
– Positive goodwill	1.3

The negative goodwill of £1.7m arising on the Burberry Middle East LLC combination has been recognised within Non-GAAP measures for the period and is attributable to the excess of the net assets acquired over the cost of the acquisition. Positive goodwill of £1.3m arose on Burberry Guam Inc combination and is included in intangible assets. This is attributable to the acquisition of the distribution rights and the benefits expected from further expansion in this region.

27. Business combinations (continued)

The assets and liabilities arising from the acquisitions are as follows:

	Acquiree's carrying amount £m	Fair value £m
Cash and cash equivalents	3.0	3.0
Inventories	4.6	4.6
Property, plant and equipment	1.6	1.5
Receivables	1.0	1.1
Payables	(2.9)	(2.9)
Net identifiable assets	7.3	7.3
Minority interest (note 21)		(3.6)
Net identifiable assets acquired		3.7

Outflow of cash to acquire businesses, net of cash acquired:

	£m
Cash consideration	2.9
Direct costs relating to acquisitions	0.4
Cash and cash equivalents in subsidiaries acquired	(3.0)
Cash outflow on acquisitions	0.3

28. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. The only related party transactions relate to total compensation paid to key management, who are defined as the Board of Directors and certain members of senior management. The total compensation paid during the year was as follows:

	Year to 31 March 2009 £m	Year to 31 March 2008 £m
Salaries and short term benefits	**4.7**	8.4
Post-employment benefits	**0.4**	0.4
Share based compensation	**1.8**	4.5
Total	**6.9**	13.3

In addition, aggregate gains on the exercise of share options and awards in the year to 31 March 2009 were £1.5m (2008: £4.4m).

29. Principal subsidiaries

Company	Country of incorporation	Nature of business
EMEA		
Burberry Limited	UK	Luxury goods retailer, wholesaler and licensor
Burberry Italy Retail Limited	UK	Luxury goods retailer
The Scotch House Limited(1)	UK	Luxury goods brand and licensor
Woodrow-Universal Limited(1)	UK	Textile manufacturer
Burberry France SASU	France	Luxury goods retailer and wholesaler
Burberry (Suisse) SA(1)	Switzerland	Luxury goods retailer
Burberry Italy SRL(1)	Italy	Luxury goods wholesaler
Burberry (Deutschland) GmbH	Germany	Luxury goods retailer and wholesaler
Burberry (Austria) GmbH	Austria	Luxury goods retailer
Burberry Antwerp N.V.	Belgium	Luxury goods retailer
Burberry Czech Republic s.r.o.	Czech Republic	Luxury goods retailer
Burberry Hungary Kft.	Hungary	Luxury goods retailer
Burberry Ireland Limited	Ireland	Luxury goods retailer
Burberry Netherlands BV	Netherlands	Luxury goods retailer
Burberry Middle East LLC (49%)	United Arab Emirates	Luxury goods retailer and wholesaler
Spain		
Burberry (Spain) S.A.	Spain	Luxury goods retailer and wholesaler
Burberry (Spain) Retail SL	Spain	Luxury goods retailer
Americas		
Burberry Limited	USA	Luxury goods retailer
Burberry (Wholesale) Limited	USA	Luxury goods wholesaler
Burberry Canada Inc	Canada	Luxury goods retailer
Asia Pacific		
Burberry Asia Limited	Hong Kong	Luxury goods retailer and wholesaler
Burberry (Singapore) Distribution Company Pte Ltd	Singapore	Luxury goods retailer and wholesaler
Burberry Pacific Pty Ltd	Australia	Luxury goods retailer and wholesaler
Burberry Korea Limited	Republic of Korea	Luxury goods retailer and wholesaler
Burberry (Taiwan) Co Ltd	Taiwan	Luxury goods retailer
Burberry (Malaysia) Sdn. Bhd	Malaysia	Luxury goods retailer
Burberry Japan K.K.	Japan	Luxury goods retailer, wholesaler and licensor
Burberry International K.K. (51%)	Japan	Luxury goods retailer
Burberry Guam, Inc	Guam	Luxury goods retailer

(1) Held directly by Burberry Group plc.

As at 31 March 2009 all principal subsidiary undertakings are wholly owned except where indicated differently above and operate in the country in which they are incorporated with the exception of Burberry Italy Retail Limited, which operates principally in Italy. All the subsidiary undertakings have been consolidated as at 31 March 2009. Burberry has a 59% share in profits of Burberry Middle East LLC and has the power to appoint the majority of directors. Non-operating intermediate holding and financing companies are excluded from the list above.

Year to 31 March

Revenue by product	2005 £m	2006 £m	2007 £m	2008 £m	**2009 £m**
Womenswear	242.1	249.3	305.5	345.2	**412.8**
Menswear	194.5	206.2	227.0	247.8	**298.4**
Non-apparel	185.0	189.2	211.2	289.7	**366.3**
Childrenswear/Other	15.5	17.1	20.5	27.9	**41.4**
Licensing	78.4	81.1	86.1	84.8	**82.6**
Total	715.5	742.9	850.3	995.4	**1,201.5**
Revenue by destination	£m	£m	£m	£m	**£m**
Europe	186.4	191.5	229.8	291.8	**379.8**
Spain	150.0	134.1	151.8	161.6	**144.5**
Americas	164.1	177.9	196.5	234.8	**304.7**
Asia Pacific	130.0	144.6	167.5	189.1	**240.0**
Rest of World	6.6	13.7	18.6	33.3	**49.9**
Retail/wholesale	637.1	661.8	764.2	910.6	**1,118.9**
Licensing	78.4	81.1	86.1	84.8	**82.6**
Total	715.5	742.9	850.3	995.4	**1,201.5**
Revenue by channel	£m	£m	£m	£m	**£m**
Retail	265.2	318.5	410.1	484.4	**629.7**
Wholesale	371.9	343.3	354.1	426.2	**489.2**
Licensing	78.4	81.1	86.1	84.8	**82.6**
Total	715.5	742.9	850.3	995.4	**1,201.5**
Profit by channel	£m	£m	£m	£m	**£m**
Retail/wholesale	94.3	96.2	111.7	135.6	**110.1**
Licensing	67.0	69.4	73.4	70.6	**70.7**
Operating profit before Non-GAAP measures	161.3	165.6	185.1	206.2	**180.8**
Net interest income/(expense)	4.9	2.5	(0.7)	(6.0)	**(6.2)**
Restructuring costs	–	–	–	–	**(54.9)**
Goodwill impairment	–	–	–	–	**(116.2)**
Store impairments and onerous lease provisions	–	–	–	–	**(13.4)**
Negative goodwill	–	–	–	–	**1.7**
Relocation of headquarters	–	–	–	15.1	**(7.9)**
Project Atlas costs	–	(11.1)	(21.6)	(19.6)	**–**
Treorchy closure costs	–	–	(6.5)	–	**–**
Profit/(loss) on ordinary activities before taxation	166.2	157.0	156.3	195.7	**(16.1)**
Tax on profit/(loss) on ordinary activities	(54.3)	(50.6)	(46.1)	(60.5)	**11.0**
Profit/(loss) on ordinary activities after taxation	111.9	106.4	110.2	135.2	**(5.1)**
Margin analysis	%	%	%	%	**%**
Gross margin as percentage of revenue	59.3	60.0	61.3	62.1	**55.4**
Retail/wholesale adjusted operating profit(1) as a percentage of revenue	14.8	14.5	14.6	14.9	**9.8**
Licensing adjusted operating profit(1) as a percentage of revenue	85.5	85.6	85.2	83.3	**85.6**
Total adjusted operating profit(1) as a percentage of revenue	22.5	22.3	21.8	20.7	**15.0**

(1) Adjusted for Non-GAAP measures.

Year to 31 March Earnings and dividends	2005 pence per share	2006 pence per share	2007 pence per share	2008 pence per share	**2009 pence per share**
Earnings per share – basic	22.7	22.9	25.2	31.3	**(1.4)**
Adjusted earnings per share – basic[1]	n/a	24.7	29.7	32.4	**30.6**
Earnings per share – diluted	22.2	22.3	24.7	30.5	**(1.4)**
Adjusted earnings per share – diluted[1]	n/a	24.1	29.1	31.6	**30.2**
Dividend per share (on a paid basis)	5.0	7.0	8.4	11.0	**12.0**
Diluted weighted average number of ordinary shares in issue during the year (millions)	504.5	477.6	446.1	442.8	**438.1**
Dividend cover (on a paid basis)[2]	4.5	3.4	3.5	2.9	**2.5**

As at 31 March Balance sheet	2005 £m	2006 £m	2007 £m	2008 £m	**2009 £m**
Fixed assets, investments and other intangible assets	165.6	181.2	179.5	197.8	**283.0**
Working capital (excluding cash and borrowings)	79.6	121.7	136.1	260.0	**221.2**
Other long term liabilities	(10.1)	(19.2)	(12.2)	(13.7)	**(24.4)**
Net operating assets	235.1	283.7	303.4	444.1	**479.8**
Goodwill	114.0	121.2	116.9	130.1	**33.1**
Deferred consideration for acquisitions	(32.7)	(11.5)	(10.0)	–	**–**
Cash at bank, net of overdraft and borrowings	169.9	12.5	(2.8)	(64.2)	**7.6**
Taxation (including deferred taxation)	(14.0)	(19.3)	(10.6)	(14.7)	**23.4**
Net assets	472.3	386.6	396.9	495.3	**543.9**

Year to 31 March Cash flow	2005 £m	2006 £m	2007 £m	2008 £m	**2009 £m**
Adjusted operating profit[1]	161.3	165.6	185.1	206.2	**180.8**
Restructuring costs	–	–	–	–	**(54.9)**
Goodwill impairment	–	–	–	–	**(116.2)**
Store impairments and onerous lease provisions	–	–	–	–	**(13.4)**
Negative goodwill	–	–	–	–	**1.7**
Relocation of headquarters	–	–	–	15.1	**(7.9)**
Project Atlas costs	–	(11.1)	(21.6)	(19.6)	**–**
Treorchy closure costs	–	–	(6.5)	–	**–**
Operating profit/(loss)	161.3	154.5	157.0	201.7	**(9.9)**
Depreciation, impairment, amortisation and negative goodwill	24.4	24.9	26.7	32.2	**174.7**
Loss/(profit) on disposal of fixed assets and similar non-cash charges	(1.1)	(1.6)	1.1	(19.1)	**2.0**
Fair value (gains)/losses on derivative instruments	–	–	–	(0.5)	**10.7**
Charges in respect of employee share incentive schemes	9.5	7.4	10.8	14.3	**4.5**
(Increase)/decrease in inventories	(12.9)	(17.8)	(33.4)	(122.6)	**55.7**
(Increase)/decrease in receivables	(7.3)	2.2	(33.8)	(29.1)	**2.1**
Increase/(decrease) in payables	1.5	(21.2)	32.8	28.8	**2.2**
Net cash inflow from operations before capital expenditure	175.4	148.4	161.2	105.7	**242.0**
Purchase of tangible and intangible fixed assets	(37.2)	(30.7)	(34.3)	(48.5)	**(89.9)**
Proceeds from sale of property, plant and equipment	3.1	3.6	0.1	28.3	**0.1**
Net cash inflow from operations adjusted for capital expenditure	141.3	121.3	127.0	85.5	**152.2**

(1) Adjusted for Non-GAAP measures.

(2) Based on adjusted diluted earnings per share or diluted earnings per share in 2005.

We have audited the parent Company financial statements of Burberry Group plc for the year ended 31 March 2009 which comprise the Balance Sheet and the related notes. These parent Company financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Report on Directors' Remuneration and related matters that is described as having been audited.

We have reported separately on the Group financial statements of Burberry Group plc for the year ended 31 March 2009.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report, the Report on Directors' Remuneration and related matters and the parent Company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the parent Company financial statements and the part of the Report on Directors' Remuneration and related matters to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the parent Company financial statements give a true and fair view and whether the parent Company financial statements and the part of the Report on Directors' Remuneration and related matters to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the parent Company financial statements. The information given in the Directors' Report includes that specific information presented in the Business and Financial Review that is cross referred from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited parent Company financial statements. The other information comprises only the Financial Highlights, Chairman's Letter, Chief Executive Officer's Letter, Group overview, Strategy, Business and Financial Review, Risks, Corporate Responsibility, Board of Directors, Directors' Report, Corporate Governance, the unaudited part of the Report on Directors' Remuneration and related matters, the five year summary, Shareholder information and Executive directors and senior management.

We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent Company financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the parent Company financial statements and the part of the Report on Directors' Remuneration and related matters to be audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the parent Company financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the parent Company financial statements and the part of the Report on Directors' Remuneration and related matters to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the parent Company financial statements and the part of the Report on Directors' Remuneration and related matters to be audited.

Opinion

In our opinion:

- the parent Company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 March 2009;
- the parent Company financial statements and the part of the Report on Directors' Remuneration and related matters to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the parent Company financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London, 18 May 2009

	Note	As at 31 March 2009 £m	As at 31 March 2008 £m
Fixed assets			
Investments in Group companies	C	**1,613.6**	1,197.4
		1,613.6	1,197.4
Current assets			
Debtors receivable within one year	D	**743.5**	755.5
Debtors receivable after one year	D	**1.5**	20.0
Derivative assets		**–**	0.6
Cash and cash equivalents	E	**0.4**	0.2
		745.4	776.3
Current liabilities			
Creditors payable within one year	F	**(1,731.8)**	(1,328.4)
Derivative liabilities		**(1.6)**	–
Net current liabilities		**(988.0)**	(552.1)
Total assets less current liabilities		**625.6**	645.3
Net assets		**625.6**	645.3
EQUITY			
Share capital	G	**0.2**	0.2
Share premium	G	**175.9**	174.3
Capital reserve	G	**0.9**	0.9
Hedging reserve	G	**3.9**	(0.1)
Profit and loss account	G	**444.7**	470.0
Total equity	G	**625.6**	645.3

The financial statements on pages 124 to 129 were approved by the Board on 18 May 2009 and signed on its behalf by:

John Peace
Chairman

Stacey Cartwright
Executive Vice President, Chief Financial Officer

A. Basis of preparation

Burberry Group plc ('the Company') is the parent Company of the Burberry Group. Burberry Group plc is listed on the London Stock Exchange and its principal business is investment.

Burberry Group is a luxury goods manufacturer, wholesaler and retailer in Europe, the Middle East, the Americas and Asia Pacific; licensing activity is also carried out, principally in Japan. All of the companies, which comprise Burberry Group, are owned by the Company directly or indirectly.

These financial statements have been prepared on a going concern basis under the historical cost convention with the exception of financial instruments which are included in the financial statements at fair value and in accordance with applicable accounting standards in the United Kingdom and the Companies Act 1985.

B. Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Share schemes

Employees in Burberry Group (including directors) receive certain share incentives, relating to Burberry Group plc shares.

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

The cost of the share based incentives are recharged and recognised as an expense over the vesting period of the awards in the entity employing the relevant employees receiving the share awards. A corresponding increase in equity is recognised.

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

Full disclosures are presented in note 26 of the consolidated financial statements.

Dividend distribution

Dividend distributions to Burberry Group plc's shareholders are recognised as a liability in the period in which the dividends are approved by the shareholders for the final dividend or paid in respect of the interim dividend.

Investments in Group companies

Investments in Group companies are stated at cost, less any provisions to reflect impairment in value.

Loans to Group companies are considered to be part of the net investment in the subsidiary and any foreign exchange gain or losses made on these loans are recognised in the profit and loss account.

Impairment of assets

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

Taxation including deferred tax

Deferred taxation is recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more taxation in future, or a right to pay less taxation in future. An asset is not recognised to the extent that the realisation of economic benefits in the future is uncertain. Deferred tax assets and liabilities are not discounted.

Share capital

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

B. Accounting policies (continued)

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

Financial instruments

Financial instruments are reported and measured in accordance with FRS 25 and FRS 26 respectively. The Company used the exemption not to present FRS 25 disclosures in the notes to the entity financial statements as full equivalent disclosures are presented within the consolidated financial statements.

Foreign currency transactions

Transactions denominated in foreign currencies are translated into sterling at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies, which are held at the year end, are translated into sterling at the exchange rate ruling at the balance sheet date. Exchange differences on monetary items are recognised in the profit and loss account in the period in which they arise.

Cash flow statement

The Company is exempt from the requirement to prepare a cash flow statement under FRS 1 (revised 1996) 'Cash flow statements', as it is a part of Burberry Group and the cash flow for the Group is included in the consolidated financial statements of Burberry Group.

Related party transactions

FRS 8, 'Related Party Disclosures' requires the disclosure of the details of material transactions and balances between the reporting entity and related parties. The Company has taken advantage of the exemption under the terms of FRS 8, not to disclose details of transactions with entities that are part of Burberry Group.

C. Investments in Group companies

Cost	£m
As at 31 March 2007	1,154.0
Additions	43.4
As at 31 March 2008	1,197.4
Additions	557.2
Impairment	(141.0)
As at 31 March 2009	**1,613.6**

The principal subsidiaries of the Burberry Group are listed in note 29 of the Group financial statements. During the year the investments in certain holding companies were impaired in accordance with Financial Reporting Standard 11 'Impairment of Fixed Assets and Goodwill'. The sum of £141.0m (2007: £nil) has been charged to the profit and loss account for the year being the difference between the cost of the investment held less the carrying value of the net assets or the recoverable amount based on the value in use. This impairment charge includes the effect of the reduction in the value in use attributable to the Spanish business. Details of the assumptions used in the value in use calculation for the Spanish business are set out in note 10 on page 92. For other investments, the value in use is calculated using pre-tax cash flow projections based on financial plans approved by management and extrapolated beyond the budget year using growth rate appropriate to each country's economic conditions. The pre-tax discount rates used in these calculations were between 11.4% and 13.0% based on the Burberry Group weighted average cost of capital adjusted for country specific tax rates and risk.

D. Debtors

	As at 31 March 2009 £m	As at 31 March 2008 £m
Corporation tax	**–**	9.6
Amounts receivable from Group companies	**742.7**	745.9
Prepayments and other debtors	**0.8**	–
Total debtors receivable within one year	**743.5**	755.5
Amounts receivable from Group companies	**–**	20.0
Prepayments	**1.5**	–
Total debtors receivable after one year	**1.5**	20.0
Total debtors	**745.0**	775.5

As of 1 April 2008, UK Group companies no longer charge/pay for group tax relief from other UK companies. As such from 1 April 2008 onwards, Burberry Group plc will not recognise a tax (credit)/charge for any (losses)/profits to the extent that there are sufficient profits/(losses) within other UK Group companies to fully offset Burberry Group plc's results.

Included in amounts receivable from Group companies are loans of £93.1m (2008: £765.9m) which are interest bearing. The interest rate earned is based on relevant national LIBOR equivalents.

The maturity of debtors due after one year is as follows:

	As at 31 March 2009 £m	As at 31 March 2008 £m
Between 1 and 2 years	**0.7**	–
Between 2 and 3 years	**0.6**	–
Between 3 and 4 years	**0.2**	20.0
Total debtors	**1.5**	20.0

E. Cash and cash equivalents

	As at 31 March 2009 £m	As at 31 March 2008 £m
Cash and cash equivalents	**0.4**	0.2

Cash at bank and in hand earns interest based on the relevant LIBOR equivalents.

F. Creditors payable within one year

	As at 31 March 2009 £m	As at 31 March 2008 £m
Unsecured:		
Trading balances payable to Group companies	**65.4**	59.2
Loan balances payable to Group companies	**1,664.8**	1,269.0
Accruals and deferred income	**1.6**	0.2
Total	**1,731.8**	1,328.4

G. Equity

	2009 £m	2008 £m
Authorised share capital		
1,999,999,998,000 (2008: 1,999,999,998,000) Ordinary Shares of 0.05p (2008: 0.05p) each	**1,000.0**	1,000.0
1,600,000,000 redeemable preference shares of 0.05p (2008: 0.05p) each	**–**	0.8
Total	**1,000.0**	1,000.8

The authorised but unissued preference shares were cancelled by a resolution of the shareholders at the Annual General Meeting in 2008.

Allotted, called up and fully paid share capital	Number	£m
Ordinary Shares of 0.05p (2008: 0.05p) each		
As at 1 April 2008	432,662,279	0.2
Allotted on exercise of options during the year	475,151	–
As at 31 March 2009	**433,137,430**	**0.2**

Reconciliation of movement in Company shareholders' funds

	Share capital £m	Share premium £m	Capital reserve £m	Profit and loss account £m	Hedging reserve £m	Total equity £m
As at 1 April 2007	0.2	167.3	0.9	444.5	–	612.9
Retained profit for the year before dividends paid	–	–	–	95.3	–	95.3
Dividends paid	–	–	–	(47.4)	–	(47.4)
Total recognised income for the year	–	–	–	47.9	–	47.9
Employee share option scheme						
– value of share options granted	–	–	–	14.3	–	14.3
– exercise of share options	–	7.0	–	–	–	7.0
Share buy back costs	–	–	–	(39.6)	–	(39.6)
Cash flow hedge loss deferred in equity	–	–	–	–	(0.1)	(0.1)
Purchase of shares by ESOP trusts	–	–	–	(1.5)	–	(1.5)
Sale of shares by ESOP trusts	–	–	–	4.4	–	4.4
As at 31 March 2008	0.2	174.3	0.9	470.0	(0.1)	645.3
Retained profit for the year before dividends paid	–	–	–	27.1	–	27.1
Dividends paid	–	–	–	(51.7)	–	(51.7)
Total recognised loss for the year	–	–	–	(24.6)	–	(24.6)
Employee share option scheme						
– value of share options granted	–	–	–	4.5	–	4.5
– exercise of share options	–	1.6	–	–	–	1.6
Cash flow hedge loss deferred in equity	–	–	–	–	4.0	4.0
Purchase of shares by ESOP trusts	–	–	–	(5.4)	–	(5.4)
Sale of shares by ESOP trusts	–	–	–	0.2	–	0.2
As at 31 March 2009	**0.2**	**175.9**	**0.9**	**444.7**	**3.9**	**625.6**

Profit on ordinary activities, but before dividends payable, was £27.1m (2008: profit of £95.3m). As permitted by section 230 of the Companies Act 1985, the Company has not presented its own profit and loss account. Dividend disclosures are provided in note 9 of the Group accounts. Audit fee disclosure is provided in note 5 and is borne by a subsidiary.

G. Equity (continued)

The cost of own shares held in the Burberry Group ESOP Trusts has been offset against the profit and loss account, as the amounts paid reduce the profits available for distribution by the Burberry Group and the Company. As at 31 March 2009 the amounts offset against this reserve are £4.5m (2008: £4.9m).

The capital reserve consists of non-distributable reserves and the capital redemption reserve arising on the purchase of own shares.

H. Contingent liabilities

Burberry Group plc, together with Burberry Limited, Burberry Treasury, Burberry Spain SA, Burberry Asia Limited, Burberry (Wholesale) Limited (US) and Burberry Limited (US) make up the Guarantor Group for a £200m multi currency revolving facility agreement which commenced 16 March 2009 and matures 30 June 2012. The facility was co-ordinated by Lloyds Bank plc (Co-ordinator and Agent) and the mandated lead arrangers were Lloyds TSB Bank plc and Societe General S.A. both of which had a £40m commitment. The remaining commitment was provided by Royal Bank of Scotland plc, Abbey National Treasury Services plc, Unicredit SpA and Caixa D'Estalvis I Pensions De Barcelona, each with a £30m commitment. Interest is currently charged on this loan at LIBOR plus 2.00% per annum.

The same Guarantor Group supports the £60m multi currency revolving credit facility provided by HSBC Bank plc, £30m, and Lloyds TSB Bank plc, £30m, which commenced on 13 June 2008 and matures on 13 June 2011. Interest is charged on each of these facilities at LIBOR plus 0.95% on drawings less than 50% of the loan principal and at LIBOR plus 1.05% on drawings over 50% of the loan principal.

A potential liability may arise in the future if one of the Group members defaults on the loan facility. Each guarantor, including Burberry Group plc would be liable to cover the amounts outstanding, including principal and interest elements.

I. Employee costs

No employees were employed by the Company during the year to 31 March 2009 (2008: nil).

Registrar
Any enquiries relating to your shareholding, for example transfers of shares, change of name or address, amalgamation of share accounts, lost share certificates or dividend cheques, should be referred to the Company's Registrar, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, telephone: 0871 384 2839 (or +44 121 415 7047 from outside the UK).

In addition, Equiniti offer a range of shareholder information online at www.shareview.co.uk. A textphone facility for those with hearing difficulties is available by calling: 0871 384 2266 (or +44 121 415 7028 from outside the UK).

Share dealing
Equiniti Limited offer a telephone and internet dealing service. Terms and conditions and details of the commission charges are available on request.

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

ShareGift
Shareholders with a small number of shares, the value of which makes them uneconomic to sell, may wish to consider donating their shares to charity through ShareGift, a donation scheme operated by The Orr Mackintosh Foundation (registered charity 1052686). A ShareGift donation form can be obtained from Equiniti Limited. Further information is available at www.sharegift.org or by telephone on +44 (0) 20 7930 3737.

Amalgamating share accounts
Shareholders who have more than one account due to inconsistency in the name and address details may avoid duplicate mailings by asking the Registrar to amalgamate their holdings.

Share price information
The latest Burberry Group plc share price is available on the Group's website at www.burberryplc.com.

Dividend Reinvestment Plan
The Group's Dividend Reinvestment Plan (DRIP) enables shareholders to use their cash dividends to buy further shares in the Company. Full details of the DRIP can be obtained from the Registrars. If you would like your final and future dividends to qualify for the DRIP completed application forms must be returned to the Registrars by 16 July 2009.

Dividends payable in foreign currencies
The Registrar is able to pay dividends to shareholders in over 30 countries worldwide through the Overseas Payment Service. An administrative fee will be deducted from each dividend payment. Contact the Registrar for further information.

Demerger from GUS plc – capital gains tax
Following the demerger of Burberry, and the GUS plc share consolidation, the base cost (for UK capital gains tax purposes) of Burberry shares is calculated by reference to the base cost of any old GUS plc shares held at 7.00am on 13 December 2005. The base cost of a Burberry share is 13.103% of the base cost of old GUS shares.

Electronic communication
Shareholders may at any time choose to receive all shareholder documentation in electronic form via the internet, rather than through the post in paper format. Shareholders who decide to register for this option will receive an email each time a statutory document is published on the internet. Shareholders who wish to receive documentation in electronic form should register at www.shareview.co.uk.

Company website
This Annual Report and other information on Burberry including share price information and results announcements, is available via the internet on the Group's website at www.burberryplc.com

Financial calendar

First quarter trading update	15 July 2009
Annual General Meeting	16 July 2009
First half trading update	14 October 2009
Interim results announcement	17 November 2009
Third quarter trading update	January 2010
Second half trading update	April 2010
Preliminary results announcement	May 2010

Dividends

Record date	3 July 2009
Final date for return of DRIP mandate forms	16 July 2009
Payment date and DRIP purchase	30 July 2009
Interim dividend payable	Expected January 2010

An interim dividend of 3.35p per share was paid on 29 January 2009. A final dividend of 8.65p per share has been proposed and, subject to approval at the Annual General Meeting on 16 July 2009, will be paid on 30 July 2009 to shareholders on the register at the close of business on 3 July 2009.

Dividends can be paid by BACS directly into a UK bank account, with the tax voucher being sent to the shareholders address. A dividend mandate form is available from the Registrar or at www.shareview.co.uk.

Unauthorised brokers (boiler room scams)

Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports. These are typically from overseas based 'brokers' who target UK shareholders offering to sell them what often turn out to be worthless or high risk shares in US or UK investments.

More detailed information can be found on the FSA website, at www.moneymadeclear.fsa.gov.uk.

If you receive unsolicited investment advice:

- Make sure you get the correct name of the person and organisation
- Check that they are properly authorised by the FSA before getting involved. You can check this at www.fsa.gov.uk/register
- The FSA also maintains a list of unauthorised overseas firms who are targeting, or have targeted, UK investors. This list can be found at http://www.fsa.gov.uk/pages/doing/regulated/law/alerts/index.shtml
- Any approach from such organisations should be reported to the FSA using the online form so that this list can be kept up to date and any other appropriate action can be considered
- Inform the Registrar

If you deal with an unauthorised firm, you would not be eligible to received payment under the Financial Services Compensation Scheme.

Details of any sharedealing facilities that the Company endorses will only be included in Company mailings.

Registered office

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Chief Executive Officer

Stacey Cartwright
Executive Vice President
Chief Financial Officer

Senior management

Christopher Bailey
Creative Director

John Douglas
Senior Vice President
Information Technology

Emilio Foa
Senior Vice President
Emerging Markets

Joy Frommer
President
Europe

Stephen Gilbert
Senior Vice President
Retail Development

Andy Janowski
Senior Vice President
Supply Chain

Andrew Maag
Senior Vice President
Menswear

Michael Mahony
Senior Vice President
Commercial Affairs and General Counsel

Sarah Manley
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