



BY APPOINTMENT TO
HM QUEEN ELIZABETH II
WEATHERPROOFERS
BURBERRY LIMITED LONDON



BY APPOINTMENT TO
HRH THE PRINCE OF WALES
OUTFITTERS
BURBERRY LIMITED LONDON

BURBERRY

London, England

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2015/2016 Annual Review

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2015/2016 Annual Review

FINANCIAL HIGHLIGHTS

Revenue (Year to 31 March)

£2,515M

2016	2,515
2015	2,523
2014	2,330
2013	1,999
2012	1,857

Adjusted profit before tax (Year to 31 March)

£421M

2016	421
2015	456
2014	461
2013	428
2012	376

Adjusted profit before tax is stated before adjusting items.
Reported profit before tax £416m (2015: £445m)

Adjusted diluted EPS (Year to 31 March)

69.9P

2016	69.9
2015	76.9
2014	75.4
2013	70.0
2012	61.6

Adjusted diluted EPS is stated before adjusting items.
Reported diluted EPS 69.4p (2015: 75.1p)

Net cash (As at 31 March)

£660M

2016	660
2015	552
2014	403
2013	297
2012	338

Dividend per share (Year to 31 March)

37.0P

2016	37.0
2015	35.2
2014	32.0
2013	29.0
2012	25.0

Capital expenditure (Year to 31 March)

£138M

2016	138
2015	156
2014	154
2013	176
2012	153

Adjusted profit before tax and adjusted diluted EPS is defined in note 2 of the financial statements.

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*Strategic Report***INTRODUCTION**

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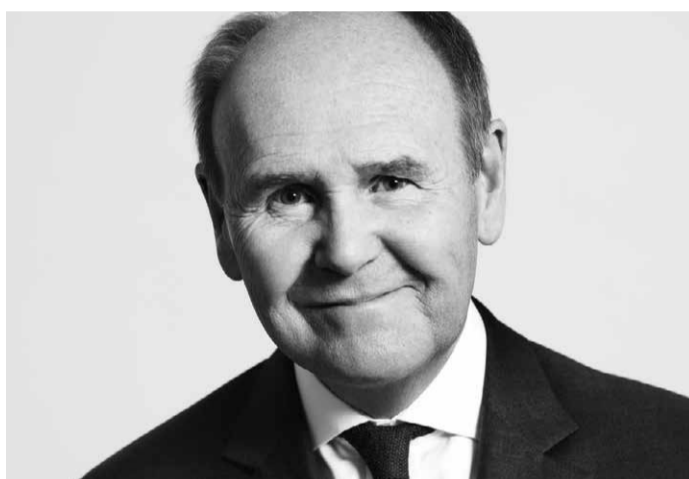
12 Senior Leadership Team

This is Burberry's Strategic Report for the financial year ending 31 March 2016. The Report sets out information on the Burberry brand, business operations, strategy, culture and its activities aimed at driving positive environmental and social impact. The following messages from Sir John Peace and Christopher Bailey highlight Burberry's performance during the year and the outlook for the Company.

Strategic Report – Introduction

CHAIRMAN'S LETTER

The Burberry brand remains strong.



Sir John Peace
Chairman

2015/16 has been a watershed year for the luxury sector – marked by a challenging global environment with the slowdown of the Chinese economy, increased geopolitical concerns in the Middle East and Russia, uncertainty in the Eurozone, currency volatility and a significant fall in commodity prices. All of these combined together to have a negative impact on the performance of the luxury sector as a whole, as demand slowed sharply in many of our key markets such as Hong Kong and Macau. These factors have also weighed heavily on investor sentiment and recent share price performance.

The luxury sector will continue to be affected by these factors in the short term, but the Board remains confident of the Group's compelling opportunities in the longer term.

Financial performance

Set against this challenging environment, Burberry has delivered 2015/16 revenues of £2.5bn and adjusted profit before tax of £421m (down 8% and 10% underlying respectively), in part impacted by a £19m decrease in licensing profit due to the planned expiry of our Japanese licences.

The Group ended the year with a strong cash balance of £660m, and consequently the Board has recommended a 5% increase in the full year dividend to 37.0p, resulting

in a 53% pay-out ratio based on adjusted earnings per share, in line with our plan. Having reached our dividend pay-out target, we are now moving to a progressive dividend policy and, as such, plan to hold the 2016/17 dividend per share at least in line with 2015/16. This reflects the Board's confidence in the future growth of the business.

Over the past five years, Burberry has returned around £640m to shareholders. Our capital allocation framework prioritises the investment needs of the business and regular dividend payments and then considers additional returns to shareholders, balancing capital efficiency with financial flexibility in what is a cyclical sector. Balancing these factors, we are commencing a share buyback programme of up to £150m starting in 2016/17. Future returns will be kept under regular review reflecting these factors. This underlines our commitment to increasing shareholder returns over time, which remains a key priority for the Board.

Future strategy

The Burberry brand has never been stronger. We have authentic, distinctive products with enormous future potential. Burberry remains a growth business, but following many years of out performance and investment in the brand and in the business, we are experiencing fundamental change in our industry and our consumer.

To stay ahead of these changes, we have been accelerating our productivity and efficiency agenda, particularly looking at our ways of working. We have also been addressing how to optimise future organic revenue growth opportunities and have identified significant growth opportunities across our existing channels, products and regions. The Board firmly believes that these initiatives will also create future value for our shareholders.

A great deal has been achieved over the past 12 months under Christopher Bailey's leadership in very challenging market conditions. This includes strengthening the senior management team by bringing in people with different experience and backgrounds throughout the year.

This report sets out further detail on the progress made during the year across all our core strategies and the Group's future plans.

*Strategic Report – Introduction***People and pay**

The successful execution of our strategy over the coming years will rely on the commitment and dedication of our staff, many of whom are highly sought after by our competitors. It is therefore important that we pay competitively while maintaining the discipline of only rewarding performance.

Our overall approach to incentive structures for all staff, including senior management, is based on performance – so when the business does not perform as well, this has an impact on what we pay to our staff. And when the share price falls as it has in the past year, this has a substantial impact on historical share awards.

Therefore:

- no pay rises this year for executive directors or senior management;
- no annual bonus will be paid to executive directors in view of the stretching nature of performance targets set at the beginning of the financial year; and
- previous awards granted under the Co-Investment Plan and Restricted Share Plan awarded in 2013 will not now vest.

Further information is set out in the Directors' Remuneration Report on pages 83 to 105.

Board and Committee changes

The composition of the Board has evolved significantly over the past three years with the appointment of four new non-executive directors and further changes planned over the coming year.

David Tyler stepped down from the Board on 31 December 2015, and I would like to thank David for his immense contribution to Burberry since its IPO in 2002.

The Board also keeps under review the composition of its Committees and tenure of the Committee Chairs. Following a review during the year, the Board has appointed Jeremy Darroch as Chair of the Audit Committee and Fabiola Arredondo as Chair of the Remuneration Committee, with effect from 1 August 2016. I would like to thank Philip Bowman and Ian Carter for their commitment as previous Chairs of these important Committees over a number of years.

Evolving away from the past practice of all non-executive directors sitting on all Committees, membership in the future will be changed to comprise different non-executives on each Committee.

Governance and diversity

As Chairman, I am committed to Burberry seeking to operate to the highest standards of corporate governance. The work of the Board and its Committees during the year along with the assessment of its performance is set out in the Corporate Governance Report on pages 68 to 82. This work included considering, with management, Burberry's plans for the future, which will be an important area of continuing focus for the Board in the coming year as we execute on our strategic and operational initiatives.

Burberry continues to support diversity in all its forms across the organisation including the Board. While all Board appointments are made on merit, the Board continues to believe in the importance of a diverse Board and has always had strong gender diversity amongst its membership, including at executive level. The Board will continue to monitor diversity and take such steps as it considers appropriate to maintain its position as a meritocratic and diverse business.

Looking ahead

Looking ahead to 2016/17, we are planning on the basis that the challenging macro-economic environment will continue to impact the luxury sector.

Against this background, we are accelerating our productivity and efficiency initiatives to mitigate the impact of these challenges and will focus even more intensely on optimising our future revenue growth opportunities.

Finally, I would like to thank all of our people and the Board for their hard work and commitment to Burberry, and to thank you, our shareholders, for your support over the past 12 months.

*Strategic Report – Introduction***CHIEF CREATIVE AND CHIEF
EXECUTIVE OFFICER'S LETTER***2015/16 was a challenging year for the luxury industry.*

Christopher Bailey
Chief Creative and Chief Executive Officer

With growth of 1-2%, from 7% just two years ago, sector performance was impacted by a number of factors, from slowing Chinese consumption and a sluggish Eurozone, to geopolitical tensions and volatile financial markets. And we saw some significant changes in the geographic dynamics of luxury consumption, not least the shifts in Chinese tourist flows that so dramatically impacted Hong Kong – one of the most profitable luxury markets in the world.

Given the shape of Burberry's global footprint, these negative trends had a disproportionate impact on our business during the year, and this was reflected in our overall financial performance. However, our global teams worked hard to mitigate declines in traffic across our major markets, as we focused on what we could control in a very difficult environment. And, near-term dynamics aside, we continued to make good operational and strategic progress from sound foundations.

Performance summary

Revenue for the year was £2.5bn, down 1% underlying, and adjusted profit before tax was down 10% underlying to £421m, in part impacted by a £19m decrease in licensing profit relating to the planned expiry of our Japanese licences. Net cash increased by £108m to £660m, and we increased the full year dividend by 5% to 37p, a 53% payout. Having met our payout target of 50%, we will now move to a progressive dividend policy going forward,

holding the FY 2017 dividend at least in line with FY 2016. In addition, we plan to commence a share buyback programme of up to £150m starting in FY 2017. Both these actions reflect our confidence in the growth prospects for the business, and our commitment to balancing financial efficiency and flexibility.

Our headline financial performance masks some more positive aspects that give confidence for the future. Within retail, while comparable sales decreased by 1% overall they were up 3% when excluding the significantly impacted markets of Hong Kong and Macau. Improved conversion globally reflected an intense focus on driving retail disciplines in the face of deteriorating store traffic. And we were pleased that digital again grew in all regions, reflecting our sustained focus on, and investment in, this channel.

More broadly, continued progress within our four key themes of Brand First, Famous for Product, Customer Centric and Productive & Responsible demonstrates the underlying health of our business – even in difficult times.

Brand first

At the heart of this is our emphasis on – and investment in – our brand, which continued to resonate strongly with customers around the world.

A key highlight in the year was our announcement in November that we will move to one Burberry label during 2016, phasing out our Prorsum, London and Brit lines while retaining our breadth of price points and attitudes – from casual to high fashion. Together with our ongoing streamlining of assortments, this is an important step in ensuring an ever-more coherent brand expression globally, while making the shopping experience simpler and more intuitive for our customer, better reflecting the way they shop and think about the brand today.

Another key milestone in our pursuit of greater brand consistency was the full launch of the global collection in Japan, marking the end of a 35-year licence and the last major step in the structural integration of our global business over the past decade. With excellent early momentum and significant headroom for growth, we see real potential over the coming years in this, the second-largest luxury market in the world.

Strategic Report – Introduction

Building on last year's intense focus on Burberry's unique British heritage, we continued to celebrate and develop our distinctive brand story, both on and offline. This included the introduction of new customer events that highlight the craftsmanship behind our iconic products with live in-store demonstrations; the extension of our 'Art of the Trench' initiative to the creative communities of the Middle East and Seoul; and our 'London in Los Angeles' event which marked the opening of our new Rodeo Drive flagship with a runway show featuring the Queen's Grenadier Guards, as we continue to elevate our brand positioning in the US market.

In all brand activity we maintained our focus on digital engagement, developing richer and more personalised experiences for our customers, and we saw record engagement with our content online. Partnerships with creative innovation leaders globally played an important role here, and we collaborated with companies including Apple, Google, DreamWorks, Snapchat, LINE, Kakao and WeChat during the year. Finally, we regained our leading position in the prestigious annual L2 Digital IQ: Fashion index in a year that saw our social media following increase by almost a third, to over 40 million people globally.

Famous for product

Alongside this commitment to the concept of Brand First, our enhanced emphasis on being Famous for Product gained momentum through a twin focus on our iconic UK-made products and fashion innovation.

Following the re-launch of our heritage trench offer last year, our cashmere scarf moved to the fore with the launch of the Scarf Bar in stores and online. Offering our classic check scarf in over 30 colours and with extended monogramming services, this drove strong results over the year. We also saw outperformance from ponchos as we continued to grow this emerging business following 2014's runway success, as well as a continued focus on heritage trenches, supported by new colours, fabrications and the introduction of monogramming.

Further underpinning our commitment to the British provenance of key iconic products, we announced in November a £50m initial investment in a new trench coat weaving and manufacturing facility, to be located in Leeds, Yorkshire. The new facility will bring increased capacity and greater efficiency, securing the future production of the trench and offering scope to develop and produce other products in the future.

Elsewhere in product, our accessories business recorded some notable successes in bags during the year, reflecting a more focused approach to core replenishment and

fashion styles, and supported by dedicated marketing and service strategies worldwide. Standout performers were our Banner bag, now our most successful style following its introduction just last year, and the monogrammable runway rucksack, which enjoyed an exceptional editorial and customer response following the September runway show. Both styles contributed to outperformance from accessories over the year.

Meanwhile, our Beauty business continued to build, always with a strong link back to fashion. Following its launch in September 2014, we cemented My Burberry as the core pillar in our women's fragrance business through the introduction of further products and a continued marketing focus, while making preparations for the April 2016 launch of Mr. Burberry, our most significant men's fragrance to date. Mirroring My Burberry's alignment with our broader heritage relaunch, Mr. Burberry will provide a platform to focus attention on our menswear business overall. With the announcement of several major partnerships in the year, including Shiseido and Sephora, and numerous industry awards for our key products, we remain excited about the brand's potential in the beauty category.

Customer centric

Within our third theme, Customer Centric, we made further progress in developing and enhancing our retail practices to meet the needs of a fast-evolving customer in an increasingly digital world.

In an environment of reduced store traffic globally, we maintained our focus on driving loyalty and conversion through great service, underpinned by our ongoing investment in data and insight. We also enlarged our Burberry Private Client teams and expanded the coverage of our Customer Value Management tool to provide a more personalised service to more of our customers globally. Both drove strong results in the year.

Consistent with our broader focus on merging the physical and digital, we made further investments to ensure our customers have a seamless experience of the brand, wherever and however they shop. This included the expansion of our single pool of inventory to increase available options to customers in all of our 44 online markets, following its introduction in China last year; the continued enhancement of our relaunched mobile platform, which drove a threefold increase in mobile penetration year-on-year; the introduction of new payment options including China Union Pay and Apple pay; and preparations for the launch in April 2016 of our new China website, which will dramatically improve site performance in one of the world's most significant online markets.

Strategic Report – Introduction

Finally, in February we announced our plans to reshape our runway show calendar with twice-yearly presentations, bringing womenswear and menswear together and making the full collection available for purchase in-store and online immediately following the show. Beginning in September 2016, this new approach reframes long-established industry norms through a customer lens, allowing those who purchase our products to have them when they want them – not when the traditional fashion calendar dictates they can.

Productive and responsible

Under our fourth theme of Productive and Responsible, we again sharpened our focus on productivity during the year – not least given the testing external context.

While realising our true potential here is a multi-year programme of work, we saw progress across its key dimensions: in retail, where an intense focus on conversion drove continued improvement globally; in product, where we drove a further reduction in assortments and where embedding lean disciplines in our internal supply chain resulted in a lead time reduction of 75% and a productivity improvement of more than 15%; and in processes, where we completed the first phase of our core IT system upgrade and began to see immediate improvements in the responsiveness of decision making across the business.

Alongside this focus on productivity, we redoubled efforts to drive efficiency throughout the organisation. In the near-term, this included realising significant savings on discretionary spending to mitigate trading challenges, but we are also planning to embed longer-term improvements through a significant evolution of our ways of working, the implementation of which will begin in 2016/17.

We also enhanced our commitment to greater sustainability across our global operations. Linked to our broader emphasis on culture, a key dimension of this was human – with notable achievements in the year including becoming a Principal Partner to the UK Living Wage Foundation and the launch of our Burberry Apprentices scheme, with participants joining our retail, internal manufacturing and distribution teams in the UK ahead of a rollout to the wider business over the coming years. In addition, we were proud to support OUTstanding and Open For Business, two organisations dedicated to highlighting the positive business case for equality of opportunity and the promotion of LGBT communities within the workforce. In the environmental space, we made further advances in ensuring sustainable practices in our supply chain and extended our Ethical Trading Programme to cover key raw material, beauty and leather suppliers. In recognition of the

progress we have made in the field of sustainability, we were proud to be named to the Dow Jones Sustainability Indices for the first time.

Looking ahead

While the scale and duration of current trading challenges is unclear, the outlook for the luxury sector as a whole is subdued. In this context, we will continue to respond dynamically to near-term realities as they unfold. However, as a growth business, we will always keep near-term responsiveness in balance with the longer-term horizon. And we see many opportunities ahead. We are on the path to becoming a more productive business, but we have further to go and more benefits to realise, not least in retail. We have authentic, distinctive products, with significant future potential to unlock through greater focus and clarity in our assortments and marketing. We have tremendous brand momentum and positioning globally, but still with scope for greater consistency – including in some of our key markets. And we have a real competitive advantage in our digital mindset as we enter an increasingly omnichannel world.

This is an important moment in Burberry's evolution. Following many years of outperformance and a multi-year programme of investment in the brand and the business, we are experiencing fundamental change in the industry and our consumer. And just as we have done in the past, we want to stay ahead of this change and unlock its potential.

So we begin 2016/17 with an intense focus on how we position ourselves for success in the coming years.

As set out in the coming pages, we have considered in detail what we need to amplify and evolve – strategically and operationally – to secure the next phase of our growth, and to be the company we want to be in a changing world. Through a programme of new initiatives to enhance productivity and efficiency across product, retail and processes, we are confident that Burberry will again outperform the sector in this new context over the coming years. And we will become a more effective organisation in the process, because we will have to think differently and work differently to capture the significant revenue and cost opportunities we have identified. This will bring change and challenge, but it will also energise our whole organisation anew around the extraordinary global potential of a 160-year-old British company uniquely placed for the future.

We are excited for this next phase.



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London, England

THE KENSINGTON
Made in England



Senior Leadership Team pictured left to right:

Back row:

Stephen Gilbert Senior Vice President, Architecture
Simona Cattaneo Senior Vice President, Beauty
Fabrizio Fabbro Senior Vice President, Creative Operations
Matt McEvoy Chief of Strategy and New Business Development
Fumbi Chima Chief Information Officer
Roberto Canevari Chief Supply Chain Officer
Steve Sacks Chief Customer Officer
Paul Price Chief Merchandising Officer
Sarah Manley Chief Marketing Officer
Pascal Perrier Chief Executive Officer, Asia Pacific
Luc Goidadin Chief Design Officer

Front row:

Andrew Maag Chief Executive Officer, EMEA and Americas
John Smith Chief Operating Officer
Carol Fairweather Chief Financial Officer
Christopher Bailey Chief Creative and Chief Executive Officer
Greg Stogdon Senior Vice President, Creative Media
Donald Kohler President, Americas
Leanne Wood Chief People and Corporate Affairs Officer

Strategic Report

BURBERRY GROUP OVERVIEW

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Burberry is a global British luxury brand with a heritage of design, innovation and craftsmanship. The following pages set out the Company's business and operating models and information relating to its sales channels, regional presence, products and the external market in which it operates.



Strategic Report – Burberry Group Overview

BUSINESS MODEL: A DISTINCTIVE GLOBAL LUXURY BRAND

Founded in 1856, Burberry is a global luxury brand with a distinctive British identity. Since then, the brand has built a reputation for design, innovation and craftsmanship. With the invention of gabardine by Thomas Burberry more than 130 years ago, outerwear has been at the core of the business and remains so today – best expressed through the iconic Burberry trench coat.

The Company designs, develops, makes and sells products under the Burberry brand. Product design and development are centred in Burberry's London headquarters. Fabrics and other materials are bought from, and finished products manufactured at, both Company-owned facilities in the UK and through an external supplier network, predominantly located in Europe. Creative and marketing content and programmes are developed internally to engage and

connect the brand and its products with consumers. Burberry products are sold globally through its stores and online at Burberry.com, as well as through third-party wholesale customers, both offline and online. In a few selected areas, Burberry uses the product and distribution expertise of licensing partners. These activities are executed by a global team of almost 11,000 employees.

Four key themes underpin the Company's strategic agenda, shaping and connecting its global activities. These key themes are set out below.

Brand first

The business is led by the brand, with decisions taken in its best long-term interests.

- Authentic British heritage with rich cultural and historical associations.
- Craftsmanship, innovation, design and creativity are key characteristics.
- Broad global appeal across genders and generations.
- Global engagement driven by innovative creative content and experiences, supported by digital, social and traditional media.

Customer-centric

The customer is central to the Company's activities. Burberry aims to be sector-leading in understanding, engaging and serving its customers, both online and offline.

- A culture of continuous improvement in the design and execution of customer-facing initiatives and services.
- Online and in-store innovations which work together to create a seamless experience wherever customers encounter the brand.

Famous for product

Burberry is committed to the creation of authentic and distinctive products and continuous innovation in design and manufacturing.

- Globally recognised iconic products, including the British-made heritage trench coat and cashmere scarf.
- Product divisions are Womens, Mens and Childrens apparel, Accessories, and Beauty (which includes fragrance and make-up).

Productive and responsible

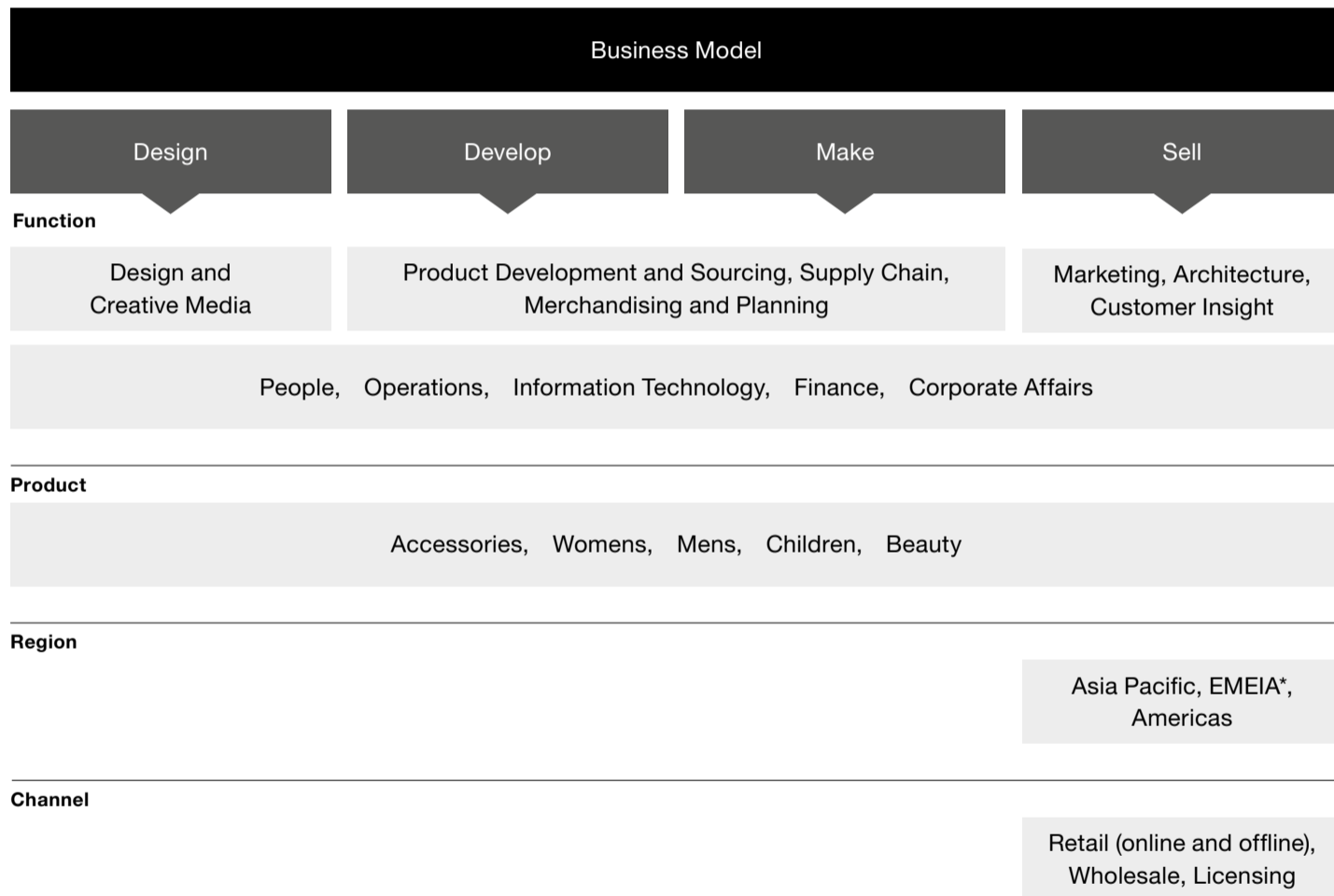
More productive and efficient ways of working are a priority across the organisation, together with ensuring a culture of responsibility.

- Committed to sustainable business practices.
- Driving efficiency and productivity across the organisation through the effective use of technology and resources.
- A team-orientated approach, empowering a highly connected organisation.

Strategic Report – Burberry Group Overview

OPERATING MODEL

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



* Europe, Middle East, India and Africa.

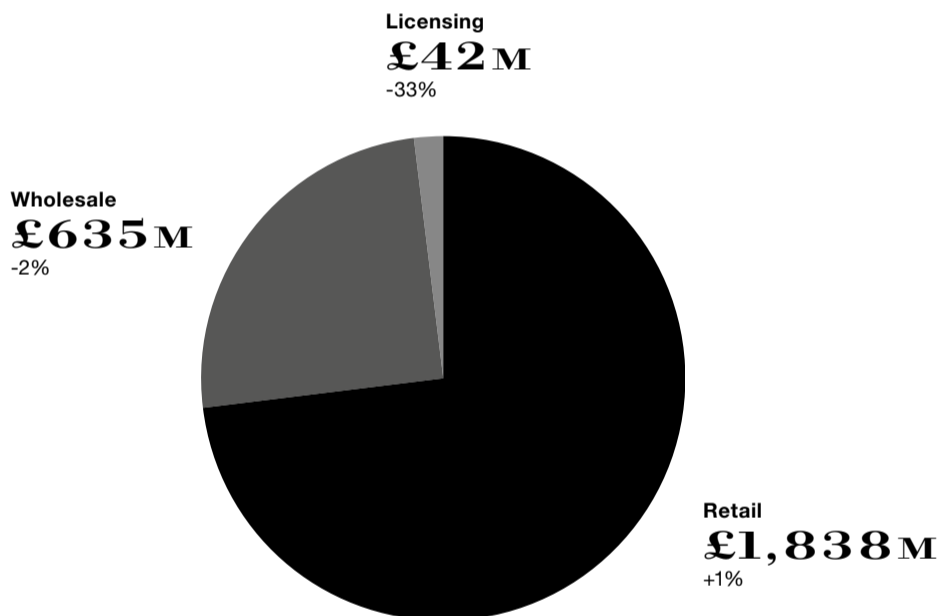
Strategic Report – Burberry Group Overview

CHANNEL MIX

Burberry sells its products through retail (online and offline) and wholesale channels. For 2015/16, retail accounted for 73% of revenue and wholesale for 25%. Burberry also has licensing agreements globally, leveraging the local and technical expertise of its licence partners.

Revenue by channel

Growth is presented underlying and is calculated at constant exchange rates



Retail

Includes 215 mainline stores, 214 concessions within department stores, digital commerce and 58 outlets

- 1% underlying growth
- Comparable sales down 1% but up 3% excluding Hong Kong and Macau
- 18 mainline store openings, including in flagship cities such as Tokyo, Seoul and New York

Wholesale

Includes sales to department stores, multi-brand specialty accounts, travel retail and franchisees who operate 62 Burberry stores, and Beauty to around 80 distributors globally

- Revenue down 2% underlying. Excluding Beauty, down 6% underlying
- Beauty wholesale revenue of £191m, up 8% underlying

Licensing

Includes income from Burberry’s licensees, approximately 60% from Japan with the balance from global product licences (eyewear and watches) and the European wholesale childrens licence

- Underlying revenue was down 33%
- £24m of royalty income from Japan
- Global product licences (watches* and eyewear) delivered double-digit percentage increase

The Japan licences expired during the year. For information on plans for Burberry in Japan see ‘Unlock Market Opportunity’ on page 40.

* The Watches licence will not be renewed in December 2017.

Strategic Report – Burberry Group Overview

REGIONAL MIX

Burberry operates in three regions. For 2015/16, Asia Pacific represented 38% of retail/wholesale revenue, Europe, Middle East, India and Africa ('EMEIA') 35% and Americas 27%.

Retail/wholesale revenue by destination

Growth is presented underlying and is calculated at constant exchange rates



Americas

- Revenue down 2% underlying
- Retail accounted for nearly 70% of revenue
- Comparable sales unchanged year-on-year
- Digital as a percentage of retail sales in the Americas was more than twice the global average and showed good growth

EMEIA

- Revenue up 5% underlying
- Retail accounted for two-thirds of revenue
- Comparable sales increased by a mid single-digit percentage
- About half of mainline retail sales were made to travelling luxury customers

Asia Pacific

- Revenue down 2% underlying
- Retail accounted for over 85% of revenue
- Comparable sales declined by a mid single-digit percentage
- Hong Kong was impacted by a significantly lower footfall

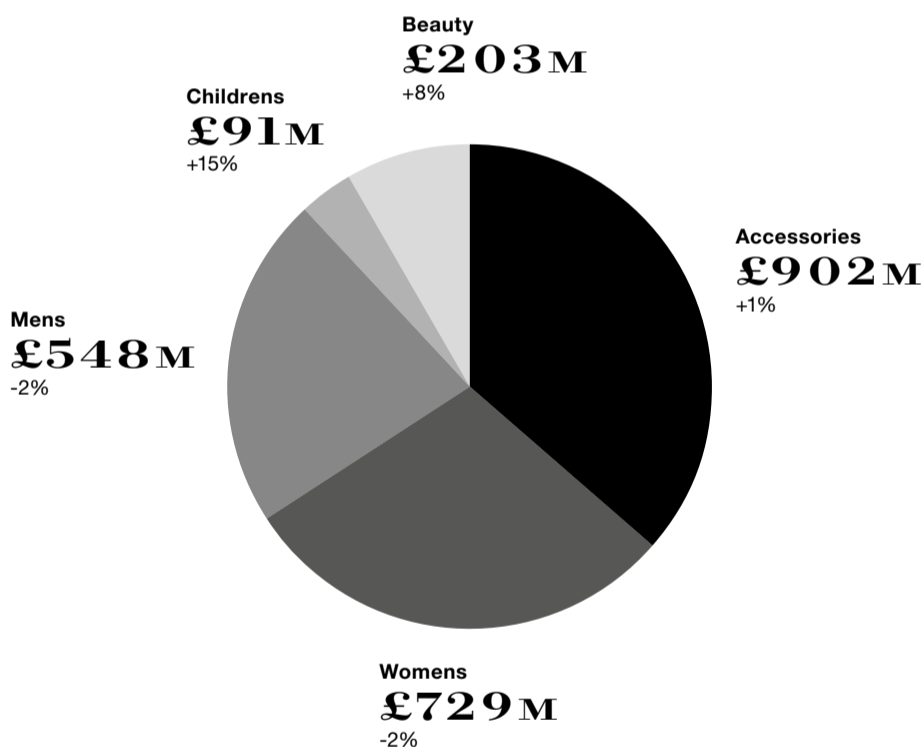
Strategic Report – Burberry Group Overview

PRODUCT MIX

Burberry has a diversified product offering across apparel, accessories and beauty. For 2015/16, accessories represented 36% of retail/wholesale revenue, womens 30%, mens 22%, childrens 4% and Beauty 8%.

Retail/wholesale revenue by product

Growth is presented underlying and is calculated at constant exchange rates



Accessories

- 1% underlying revenue growth
- Launched the Scarf Bar (both online and in-store) in September 2015
- Scarves in mainline retail outperformed other accessories
- The new season runway rucksack saw good growth

Womens

- Revenue declined by 2% underlying
- Outerwear hit by unseasonably warm weather. Lightweight cashmere trench coats outperformed
- New fashion category, dresses, saw good growth

Mens

- Revenue down 2% underlying
- Outerwear is about 40% of menswear

Childrens

- 15% underlying revenue growth
- Helped by the transition of European childrenswear to direct operation, following the licence expiry
- Taken direct control of ten childrenswear stores in Japan

Beauty

- 8% underlying revenue growth
- Building pillar fragrance of My Burberry with brand extensions
- Successful launch of new male fragrance pillar, Mr. Burberry, in April 2016

*Strategic Report – Burberry Group Overview***MARKET
OVERVIEW****Macro environment**Economic

In the 2015 calendar year, the global economy grew by 3.1%, a slight deceleration versus 2014. Notable factors over the year were the slowdown of the Chinese economy, increased geopolitical concerns in the Middle East and Russia, and uncertainty in the Eurozone. In addition, commodity prices fell significantly during the year, notably oil, leading to low inflation in EMEA and the US.

Across the major economies, the US grew by 2.4%, with robust domestic consumer spending buoyed by high employment rates, partially offset by lower exports due to the strength of the dollar. In Asia, China's economy grew by 6.9%, a continued deceleration from 7.3% in 2014 and the slowest growth in 25 years, driven by weaker investment and manufacturing activity and turbulence in the Chinese stock market. Hong Kong was more stable with GDP growth of 2.4% in line with 2014, with resilient domestic demand but declining exports. The Japanese economy returned to growth at 0.5% for the year, however, trends were uneven with growth moderating after a strong start to the year. Korea GDP growth was lower in 2015 at 2.6% compared with 3.3% in 2014 impacted by the MERS epidemic. The Eurozone improved to 1.6% with rising growth rates in Spain, Italy and France but a slight slowdown in Germany. In the UK GDP growth fell to 2.2% in 2015 from 2.9% in 2014. Across key developing markets, growth continued to be weak most notably in Russia and Brazil. The Middle East economy also slowed due to depressed oil prices.

Socioeconomic and environmental

The year was marked by a number of socioeconomic and environmental events including the migrant crisis in the Eurozone, geopolitical concerns in the Middle East, the terrorist attacks in Paris and Brussels, MERS epidemic in Korea and the El Niño weather phenomenon which made 2015 one of the warmest years on record.

Luxury sector*Markets

This challenging global backdrop had a significant impact on the performance of the luxury sector. At constant exchange rates, sector sales grew 1 to 2%, a slowdown versus the 3% growth experienced in 2014. The key drivers of sector growth were Japan and Europe, which grew at 9% and 5% at constant exchange rates respectively. The performance of these markets offset decelerating growth in Mainland China** and the rest of Asia, and flat growth in the Americas. In Japan, the weak Yen fuelled inbound tourism mainly from China, with visitors favouring Japan over Hong Kong. It was a similar story in Europe where strong Chinese tourist flows, attracted by the weak Euro, drove luxury consumption in Germany, France and Italy, alongside recovering local demand in these markets. The UK was robust but negatively impacted by a strong GBP. Eastern Europe was weak, notably in Russia due to the volatile macro environment.

Strategic Report – Burberry Group Overview

Mainland China experienced a second year of declines, driven mainly by unfavourable price differentials compared with other global markets and decreasing local consumer confidence impacted by the turbulent Chinese stock market. Despite the slowdown in Mainland China, the Chinese travelling consumer continued to drive luxury growth globally. Hong Kong, one of the most profitable luxury markets in the world, was down 25%, a significant deceleration from 2014, due to its decreasing popularity as a travelling destination for Chinese tourists. South Korea grew by 4% at constant exchange rates with a strong first half of the year driven by Chinese tourism partially offset by MERS in the third-quarter. Finally, the US market underperformed, driven by soft local demand and the strengthening US dollar, which impacted tourist flows.

In addition, the behaviours and preferences of luxury customers continued to evolve as they seek more experiences, newness, and story telling, as well as increased service-driven personalised contact in a time-efficient way.

Channels

Globally, the retail channel continued to outperform wholesale, and now accounts for 34% of luxury consumption. This channel grew by low single-digit percentage driven by like-for-like store sales as space growth decelerated with a slowdown in store openings for the second consecutive year. Digital commerce remained the fastest growing channel, up 22% at constant exchange rates, moderating slightly from the 30% growth experienced in the prior year. Key drivers of this digital commerce growth included the emergence of direct shopping on social platforms and the continued momentum of mobile commerce. Travel retail continued to outperform the sector and grew by 18%, driven by increasing passenger flows and infrastructure improvements expanding and enhancing the retail space available. Wholesale continued to decline, driven by the ongoing rationalisation across the channel.

Products

For the sector, accessories was the fastest growing product category, at 3% growth, with strong momentum from shoes and leather goods. The apparel category grew by 2%, with similar trends across both mens and womens. Within mens, the outerwear and cashmere categories outperformed, however, outerwear in Q4 was significantly impacted by the unseasonably warm weather. Within womens, denim and outerwear were the key growth drivers. Beauty grew by 1% driven by increasing Chinese and Middle Eastern demand.

Outlook

Industry analysts forecast that the luxury sector will grow by low single-digit percentage in the medium term at constant exchange rates, driven by the continued growth of the Chinese consumer. Japan is expected to remain strong with both tourists and locals driving luxury consumption. The outlook in Hong Kong continues to be uncertain. Long term, the luxury market should benefit from evolving global demographics, continued urbanisation, increased centralisation of wealth in global destination key cities, improving macro and socio-economic trends, strong luxury consumer travel flows and the continued increasing penetration of digital commerce.

Note:

References are to calendar years, unless otherwise stated.
* Bain & Company and Fondazione Altagamma 2015
Luxury Goods Worldwide Market Report (October 2015).
** Mainland China excludes Hong Kong, Taiwan and Macau.

*Strategic Report***CORE STRATEGIES**

23 Driving Future Growth and Productivity

25 Key Performance Indicators

27 Inspire with the Brand

29 Realise Product Potential

31 Optimise Channels

33 Unlock Market Opportunity

35 Pursue Operational Excellence

37 Build our Culture

Against a challenging macro-environment, Burberry has focused on delivering against its strategies during the year and has identified significant growth opportunities for the future across its existing channels, products and regions. Burberry's future plans and strategic progress are set out on the following pages.

Strategic Report – Core Strategies

DRIVING FUTURE GROWTH AND PRODUCTIVITY

Burberry has identified significant growth opportunities across its existing channels, products and regions.

The external environment for the luxury sector has remained challenging and underlying cost inflation pressures persist (see Market Overview on page 26). In this context, Burberry has been accelerating its productivity and efficiency agenda, especially looking at its ways of working. Burberry has also been addressing how to optimise future organic revenue growth opportunities and the resulting investment plans.

The Burberry brand is strong, driven by a blend of heritage and innovation, expressed through its iconic products and fashion newness. Looking ahead, there is opportunity to enhance this existing brand strength through greater consistency and clarity across customer groups and markets.

Burberry has identified significant growth opportunities across its existing channels, products and regions. Central to this are plans to enhance growth and to improve productivity in the following areas:

- Product;
- Retail, including targeting omni-channel excellence; and
- Process, including changing the Group's ways of working.

The key output from this work is summarised below.

Product: clear opportunity in product

Great product is the foundation of Burberry's growth and productivity goals. Burberry has a broad product offer, with strength in both heritage and fashion, across genders and age groups. However, the assortment is generally wider than its peers and there is an opportunity to simplify this to give greater visibility to fashion and newness, while tailoring it more effectively for local needs. To address this, Burberry is introducing end-to-end category management for key products. Following the successful re-launch of Burberry's heritage trench coat and cashmere scarves, the next area of focus is bags, where Burberry is under-penetrated compared to its peers. In 2016/17, the collection will be re-invented around a new pillar and shape strategy, with marketing targeted around the Patchwork and Banner bags and the Rucksack, ahead of major new product launches in 2017/18. Burberry will employ a phased approach to other core product categories.

Retail: driving retail productivity online and offline

Burberry's business model has evolved from licensing, to wholesale to retail, which now accounts for 73% of Group revenue. There is a significant opportunity to improve Burberry's end-to-end retail disciplines as part of a broader push towards omni-channel excellence as the next stage of its evolution. This includes a greater focus on local customers with the aim of driving loyalty by leveraging Burberry's customer insight capabilities, with investment prioritised in selected cities. Improving sales densities, conversion and customer retention will be among the key measures of success.

Priority retail initiatives will include the following.

- **Retail excellence** – The implementation of a major retail excellence programme centred on all aspects of service and training, customer cultivation and retention, in-store operations and targeted product offering. In 2016/17, this will include increased investment in training, the development of an improved digital selling tool for sales associates and the aim to increase by 20% the number of private client sales associates.
- **Extending digital prowess into e-commerce leadership** – While Burberry is recognised as a digital leader in the luxury sector, it plans to ensure that digital remains the clear point of differentiation for Burberry with scope to be even more ambitious commercially. The focus will be on continuing to grow Burberry.com through increasing conversion, particularly mobile, driving penetration of e-commerce, particularly in Asia, while integrating and improving customer experiences across online and offline. Burberry will also actively grow with third-party digital players. In 2016/17, this will include the re-launch of Burberry.com (improving content and functionality), the introduction of a customer app and further investment in localisation of sites in Asia.

Strategic Report – Core Strategies

Process: improving efficiency through changes in ways of working

To capitalise on the opportunities set out above Burberry plans to change its ways of working, its processes and cost base. Burberry has undertaken an in-depth review of its operating model, including benchmarking, to ensure that the organisation is fit to deliver its ambitious plans and can fund growth. In this regard Burberry will do the following.

- Reduce complexity and inefficiency by simplifying processes.
- Improve both global consistency and local insight, by removing duplication across Group functions and between the regions and corporate centre.
- Prioritise investment behind the biggest growth opportunities.

Financial ambition to FY 2019

Looking forward, Burberry believes that these initiatives will enable Burberry to again outperform sector growth in the £200bn global luxury market, creating further shareholder value.

It is expected that these product and retail initiatives will deliver strong organic growth, with outperformance accelerating over time including the following.

- Improvements in mainline retail productivity which are expected to drive about half the revenue growth over the three-year period.
- E-commerce initiatives which are expected to account for about another third of revenue growth.
- The continued improvement of the quality of Burberry's business, further rationalising traditional wholesale distribution while growing with key partners and reducing the weight of outlet stores.
- To drive this outperformance, Burberry will invest about £10m in FY 2017 and then about £20m – £25m per annum for the next two years in retail, digital and enhancing critical capabilities.

Burberry has also identified a programme of actions to deliver at least £100m of annualised cost savings by FY 2019. This is equivalent to about 10% of the Group's operating expenses excluding fixed rent and depreciation.

- Broadly half of the cost savings are expected to come from significant changes in the Group's ways of working, by reducing complexity, simplifying processes and eliminating duplication.
- The plan is to deliver around £20m of cost savings in FY 2017.
- The associated one-off costs, which are largely cash, are expected to total about £60m across the first two years.

Assuming these ambitious targets for growth are met, Burberry will also start to rebuild the charge for new performance-related pay, at a cost of about £20m, in addition to the existing charge of about £20m in FY 2017.

Strategic progress during 2015/16

Progress on the Group's core strategies during 2015/16 is set out in the following pages.

Strategic Report – Core Strategies

KEY PERFORMANCE INDICATORS



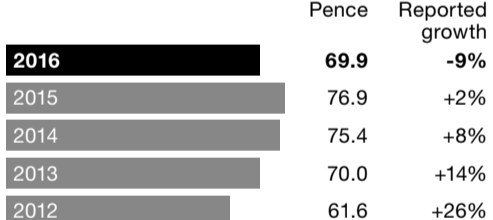
The Company assesses its performance against a wide range of measures. These key performance indicators (KPIs) help management measure progress against the Company's core strategies.

Financial measures

The Board believes it is important to ensure alignment between executive management's strategic focus and the long-term interests of shareholders. Certain elements of executive remuneration are based on performance against the following measures: revenue growth, adjusted PBT growth and adjusted retail/wholesale return on invested capital, which are linked to core strategies as shown. For details of the Group's remuneration policy, see pages 83 to 105.

KPI	Performance	Measure																		
<p>Revenue growth*</p> <p>This measures the appeal of the Burberry brand to customers, however its products are sold.</p> <p>For more detail on the Company's revenue performance see pages 50 to 55.</p> <p>Strategic link All core strategies</p>	<p>Revenue in FY 2016 declined by 1% at constant exchange rates, with retail revenue up 1%. Wholesale declined by 2% underlying while Licensing declined by 33% underlying, both in line with guidance.</p>	<table border="1"> <thead> <tr> <th></th> <th>£m</th> <th>Underlying growth</th> </tr> </thead> <tbody> <tr> <td>2016</td> <td>2,515</td> <td>-1%</td> </tr> <tr> <td>2015</td> <td>2,523</td> <td>+11%</td> </tr> <tr> <td>2014</td> <td>2,330</td> <td>+17%</td> </tr> <tr> <td>2013</td> <td>1,999</td> <td>+8%</td> </tr> <tr> <td>2012</td> <td>1,857</td> <td>+23%</td> </tr> </tbody> </table> <p>■ Retail ■ Wholesale ■ Licensing</p>		£m	Underlying growth	2016	2,515	-1%	2015	2,523	+11%	2014	2,330	+17%	2013	1,999	+8%	2012	1,857	+23%
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<p>Adjusted PBT growth*#</p> <p>Adjusted PBT growth is a key measure used by investors to assess the underlying performance of the Company.</p> <p>Strategic link All core strategies</p>	<p>Adjusted PBT in FY 2016 reached £421m, down 10% at constant exchange rates. Retail/wholesale operating profit at constant exchange rates was down 8% and licensing down 29% underlying.</p>	<table border="1"> <thead> <tr> <th></th> <th>£m</th> <th>Underlying growth</th> </tr> </thead> <tbody> <tr> <td>2016</td> <td>421</td> <td>-10%</td> </tr> <tr> <td>2015</td> <td>456</td> <td>+7%*</td> </tr> <tr> <td>2014</td> <td>461</td> <td>+8%*</td> </tr> <tr> <td>2013</td> <td>428</td> <td>+13%*</td> </tr> <tr> <td>2012</td> <td>376</td> <td>+24%*</td> </tr> </tbody> </table>		£m	Underlying growth	2016	421	-10%	2015	456	+7%*	2014	461	+8%*	2013	428	+13%*	2012	376	+24%*
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<p>Adjusted retail/wholesale return on invested capital ('ROIC')~</p> <p>Adjusted retail/wholesale ROIC measures the efficient use of capital to deliver attractive returns on incremental investment, which is important given the Group's investment in new projects. It is calculated as the post-tax adjusted operating profit divided by average operating assets over the period for the retail/wholesale segment.</p> <p>Strategic link All core strategies</p>	<p>Adjusted retail/wholesale ROIC in FY 2016 was 14.8% impacted by decline in operating profit and ongoing investment in the business including the evolution of the retail store portfolio.</p>	<table border="1"> <thead> <tr> <th></th> <th>%</th> </tr> </thead> <tbody> <tr> <td>2016</td> <td>+14.8</td> </tr> <tr> <td>2015</td> <td>+17.9</td> </tr> <tr> <td>2014</td> <td>+19.6</td> </tr> <tr> <td>2013</td> <td>+19.0</td> </tr> <tr> <td>2012</td> <td>+20.0</td> </tr> </tbody> </table>		%	2016	+14.8	2015	+17.9	2014	+19.6	2013	+19.0	2012	+20.0						
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Strategic Report – Core Strategies

KPI	Performance	Measure																		
<p>Comparable sales growth</p> <p>This measures the growth in productivity of existing stores. It is calculated as the annual percentage increase in sales from retail stores that have been open for more than 12 months, adjusted for closures and refurbishments and includes all digital revenue.</p> <p><u>Strategic link</u> Optimise Channels, Pursue Operational Excellence</p>	<p>Comparable sales in FY 2016 were down 1%, with a mid single-digit percentage increase from EMEA, unchanged in Americas and mid single-digit percentage decline in Asia Pacific.</p>	 <table border="1"> <thead> <tr> <th>Year</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>2016</td> <td>-1</td> </tr> <tr> <td>2015</td> <td>+9</td> </tr> <tr> <td>2014</td> <td>+12</td> </tr> <tr> <td>2013</td> <td>+5</td> </tr> <tr> <td>2012</td> <td>+14</td> </tr> </tbody> </table>	Year	%	2016	-1	2015	+9	2014	+12	2013	+5	2012	+14						
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2016	-1																			
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2012	+14																			
<p>Adjusted retail/wholesale operating margin^{#†}</p> <p>This measures how the business balances operational leverage and disciplined cost control, with thoughtful investment for future growth, building the long-term value of the brand.</p> <p><u>Strategic link</u> Optimise Channels, Pursue Operational Excellence</p>	<p>Operating margin in FY 2016 was 15.4%, reflecting a modest benefit from gross margin expansion, offset by a mid single-digit percentage underlying increase in operating expenses.</p>	 <table border="1"> <thead> <tr> <th>Year</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>2016</td> <td>15.4</td> </tr> <tr> <td>2015</td> <td>16.3</td> </tr> <tr> <td>2014</td> <td>17.5</td> </tr> <tr> <td>2013</td> <td>17.8</td> </tr> <tr> <td>2012</td> <td>16.4</td> </tr> </tbody> </table>	Year	%	2016	15.4	2015	16.3	2014	17.5	2013	17.8	2012	16.4						
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<p>Adjusted diluted EPS growth^{#‡}</p> <p>Growth in EPS reflects the increase in profitability of the business and is a key valuation metric for Burberry's shareholders.</p> <p><u>Strategic link</u> All core strategies</p>	<p>Adjusted diluted EPS in FY 2016 was 69.9p, down 9%, reflecting a reduction in Group profit and a higher tax rate.</p>	 <table border="1"> <thead> <tr> <th>Year</th> <th>Pence</th> <th>Reported growth</th> </tr> </thead> <tbody> <tr> <td>2016</td> <td>69.9</td> <td>-9%</td> </tr> <tr> <td>2015</td> <td>76.9</td> <td>+2%</td> </tr> <tr> <td>2014</td> <td>75.4</td> <td>+8%</td> </tr> <tr> <td>2013</td> <td>70.0</td> <td>+14%</td> </tr> <tr> <td>2012</td> <td>61.6</td> <td>+26%</td> </tr> </tbody> </table>	Year	Pence	Reported growth	2016	69.9	-9%	2015	76.9	+2%	2014	75.4	+8%	2013	70.0	+14%	2012	61.6	+26%
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Non-financial measures

Non-financial measures have a useful role alongside financial measures to inform decision making and to evaluate Group performance. Burberry is evolving the way it evaluates performance in areas such as people, corporate responsibility and customers, and will aim to disclose non-financial measures in the future. For detail on Burberry's efforts to drive positive social and environmental impact globally see pages 44 to 46, and for progress against 2017 environmental targets, see page 108.

Note:

For definition of underlying growth see page 50.

* At constant exchange rates.

For definition of Adjusted see page 50.

~ For a reconciliation of Return on Invested Capital see the Five Year Summary.

† For details of Adjusted retail/wholesale operating margin see page 53.

‡ For details of Adjusted diluted EPS growth see page 50.

*Strategic Report – Core Strategies***INSPIRE WITH
THE BRAND**

Speak to consumers with one equally authentic and inspiring brand voice, wherever they encounter the brand.

As a ‘young, old’ company Burberry has always embraced innovation and responded to new technologies and opportunities while staying true to its 160 year old heritage. This way of thinking underpins how Burberry connects with its customers globally, whether through its runway shows, marketing innovations, campaign talent or music, using digital and customer insight to enhance customer experiences. In the year, Burberry continued to focus on the brand, which further resonated strongly with customers around the world, placing Burberry among the top five luxury brands globally for unaided awareness.

Key focus areas during 2015/16:

Unified Burberry label

To provide customers with a more consistent brand experience and to reinforce its distinct British identity, Burberry announced plans to unify its Prorsum, London and Brit collections under a new single ‘Burberry’ label. The transition is being phased in during 2016/17. The move to a single Burberry label reflects the way luxury customers shop, blending formal and informal styles and designs into one wardrobe.

Runway Shows

Burberry runway shows continued to inspire with critically acclaimed collections, innovative digital partnerships and live musical performances. The global reach of the shows was further extended with live-streaming on new digital channels. Over the year, show content received over 700 million views across ten global platforms.

- In September, Burberry followers on Snapchat were able to see a preview of the womenswear collection the day before the official runway show. Looks from the collection were shared live as finishing touches were being made in Burberry’s headquarters in London, generating 200 million views on Snapchat.
- Burberry also launched on the Korean social media platform Kakao for the September womenswear show and offered Korean audiences the chance to purchase runway inspired beauty sets immediately after the show.

- Music remained central to the expression of the brand, with live performances at Burberry shows featuring emerging British talent. In September, Burberry became the first global luxury brand to launch a dedicated channel on Apple Music.
- In January, Burberry became the first luxury brand to stream its fashion show live on Apple TV by giving the platform access to its menswear show.
- In February, Burberry announced changes to its runway calendar. From September 2016, we will move from four runway shows a year to two. These shows will be in September and February in London, will combine both the womenswear and menswear collections, and be seasonless, designed with a global audience in mind, as about a third of Burberry’s stores are now in warm/hot climates. The runway collections which are about 5% of Burberry’s retail revenue, will be available to purchase in-store and online directly following the show, responding to customers’ desire for newness and immediacy.

Celebrating Heritage

Over the year, Burberry celebrated its heritage of craftsmanship and innovation in key flagship markets with city-wide events and extensive marketing and social media campaigns.

- In October, Burberry launched a new format for the openings of the new Shinjuku and Seoul stores with live demonstrations of the craft skills involved in the making of the brand’s most iconic products.
- Through its digital platform Art of the Trench, Burberry celebrated the creative communities in a number of key flagship markets. During the year, Burberry launched Art of the Trench Middle East and Art of the Trench Seoul. Since its launch in 2010, the Art of the Trench platform has been viewed over 28 million times globally.
- The brand’s global flagship store, 121 Regent Street, was extended to feature an exclusive area dedicated to gifting and Thomas’s, a British café. Personalisation is a key focus in the new gifting space with in-store monogramming services offered.

Strategic Report – Core Strategies

Marketing Innovation

Burberry's digital mindset is a fundamental and integral part of the brand and way of thinking across the organisation. Burberry again finished the year as one of the most followed luxury platforms on social media, with a 30% increase in followers for the year reaching over 40 million across all the brand's social platforms.

Festive

- Burberry launched its global festive campaign with the 'Burberry Festive Film', paying tribute to the BAFTA-winning British film, Billy Elliot, and featuring a cast of actors, musician and models. The Festive film was viewed over 37 million times across YouTube, Facebook, LINE and Youku.
- The distribution of the Burberry Book of Gifts was also expanded with the introduction of two physical formats, an online version, increased store distribution and partner outreach, leading to a threefold increase in circulation year-on-year.

Campaigns

- Burberry became the first brand to shoot and publish its advertising campaign live through Snapchat. The campaign was shot in October by Mario Testino, providing viewers with unprecedented access to the creative process behind a campaign.
- In February, Burberry was the first brand to shoot its advertising campaign live on Instagram. The latest campaign for the Brit fragrance collection was photographed and published live by Brooklyn Beckham throughout the day as part of his takeover of Burberry's Instagram account. The content was also shared across Burberry's Twitter, Sina Weibo, Facebook, Google+, LINE, WeChat and Kakao accounts.

Technology partnerships

- To generate further excitement and connect audiences with the Festive campaign, Burberry partnered with Google, creating an interactive film experience using real-time video technology. 'The Burberry Booth' enabled customers to star in the 'Burberry Festive Film' alongside the cast members in a personalised edit which was shareable on YouTube, via Twitter or by email.
- As the first luxury brand to partner with DreamWorks Animation's newly formed technology company NOVA, Burberry launched an interactive marketing campaign featuring new 3D visualisation technology. Burberry provided audiences with the opportunity to personalise and engage with computer-generated versions of its iconic heritage scarf on the largest digital screen in Piccadilly Circus, London.

External recognition

Burberry was recognised externally for both its creative, digital and commercial leadership in the sector. Key accolades include the following:

- Ranked first in L2's 2015 Digital IQ: Fashion.
- Creative Campaign of the year at the 2015 British Fashion Awards.
- Listed in Interbrand 'Top 100 Global Brands' for the seventh consecutive year, and ranked as the strongest UK luxury brand globally.

*Strategic Report – Core Strategies***REALISE PRODUCT
POTENTIAL**

Reinforce Burberry's outerwear leadership while continuing to realise the brand's potential across all apparel and accessory categories.

Burberry celebrates its British heritage of craftsmanship and innovation in everything it does, from the British-made heritage trench coats and cashmere scarves to the runway collections. Burberry's focus on accessories in recent years has contributed to the growth of this product category, which will be an important future growth driver.

During the year, Burberry reinforced its strong position in cashmere with the introduction of the Scarf Bar and lightweight cashmere trench coats. Heritage remained a key focus, and new product launches in the large leather goods category were well received by customers.

Key focus areas during 2015/16:

Outerwear

- Following the successful Heritage relaunch last year, Burberry introduced new colours and lengths to the British-made heritage trench coat range, together with a new monogramming offer. Lightweight cashmere trench coats were also introduced in 14 colours.

Scarf Bar

- Celebrating the British-made icon, the Scarf Bar initiative was launched both online and in-store in September. The service offers over 30 colours across both signature and lightweight cashmere fabrications, all available for monogramming online and in-store via iPads. The launch was supported with new visual merchandising in-store and online, and a dedicated personalised marketing strategy, including online scarf styling tutorials. In mainline retail, scarves outperformed other accessories, posting double-digit percentage sales growth.

Fashion

- Burberry responded to demand for women's fashion product with dresses and ponchos delivering strong growth for the year.
- The launch of the monogrammable runway rucksack, which featured in the September womenswear show, was an immediate success and sold out on Runway Made to Order within 24 hours of the show, generating a waiting list globally.
- The replenishment of best-sellers, such as the Banner bag, further drove growth in the category and Burberry introduced new shapes for large and small leather goods, including the Bucket bag and Barrow bag.

Beauty

Continuously linking Beauty and fashion, Burberry developed increasingly personalised and interactive ways to engage customers globally. Beauty delivered 8% underlying growth in the year.

- Beauty distribution was expanded through global partnerships with Sephora in 13 markets and with Shiseido in Japan. Burberry make-up launched on Sephora.com in August and was subsequently rolled out to an initial 39 Sephora stores and six online platforms. The global launch included online Beauty tutorials viewed over 1.5 million times to date, engaging new audiences on one of the most important global beauty platforms.
- Three Burberry Beauty Box counters were opened in Japan with Shiseido, and a new stand-alone Burberry Beauty store opened in Hong Kong.
- Burberry continued to focus on building fragrance pillars with product extensions such as the My Burberry Eau de Toilette. Momentum in the category was further supported with the April 2016 launch of Mr. Burberry, a new fragrance, with the first advertising campaign by Oscar and Turner Prize winning director Steve McQueen. The marketing campaign also highlights mens tailoring and outerwear.
- During the year, Burberry won a number of prestigious Beauty awards including the following:
 - FiFi D'Or Award for Best Female Fragrance (My Burberry) – France.
 - Marie Claire Prix du Parfum France (My Burberry) – Marie Claire France.



Strategic Report – Core Strategies

OPTIMISE CHANNELS

Optimise all routes to market, both online and offline, owned and third-party, with a clear emphasis on enhancing retail productivity and service.

During the year as customer traffic to stores softened, Burberry intensified its focus on driving performance in its retail stores through increasing loyalty and conversion, enhancing the service offering and more effectively leveraging customer data.

Key focus areas during 2015/16:

Driving retail productivity

With the customer at the centre of all activity, Burberry continued to focus on improving service and productivity online and in-store. Comparable sales were down -1%, as the business invested in customer insight to drive product and service initiatives, helping an increase in conversion.

- To better understand and connect with the core luxury customer, the use of data and analytics was further embedded throughout the organisation. The customer database increased by 10% in the year.
- The Customer Value Management ('CVM') programme – a loyalty and retention tool enabling more targeted, relevant and personalised contact with key customers – was extended to just under 400 stores globally, contributing to increased conversion.
- The Burberry Private Client ('BPC') teams grew by 30% to provide an enhanced service to more customers globally, and increased the number of BPC appointments in the year.
- Data and analytics were leveraged to inform marketing decisions and refine merchandising activities, helping to ensure that Burberry provides a compelling product assortment offering.

Investing in digital

Burberry's digital first approach runs throughout the organisation. Focusing on offering a seamless and personalised experience wherever customers encounter the brand, Burberry refined how online and in-store innovations worked together. Digital outperformed during the year, delivering strong growth in all regions.

- Burberry.com was the fastest growing retail channel, servicing over 40 countries in 11 languages.

- To further improve the user experience, Burberry continued to invest in Burberry.com. The improved mobile platform launched last year and delivered strong growth for the year.
- Burberry increased the availability of stock in all 44 online countries by rolling out the single pool of inventory model in EMEIA and the US following a successful implementation in China. This provided customers and store associates with full visibility of all stock within the country, and improved product availability online and in-store, and meaningfully reduced delivery times, enhancing the customer shopping experience.
- To complement Burberry.com, Burberry continued to partner with third-party digital leaders, to provide an authentic, consistent brand experience and to enable Burberry products to reach a wider audience. Burberry launched an online presence on over 18 different platforms for both fashion and beauty, with existing wholesale partners as well as pure digital and social commerce players.

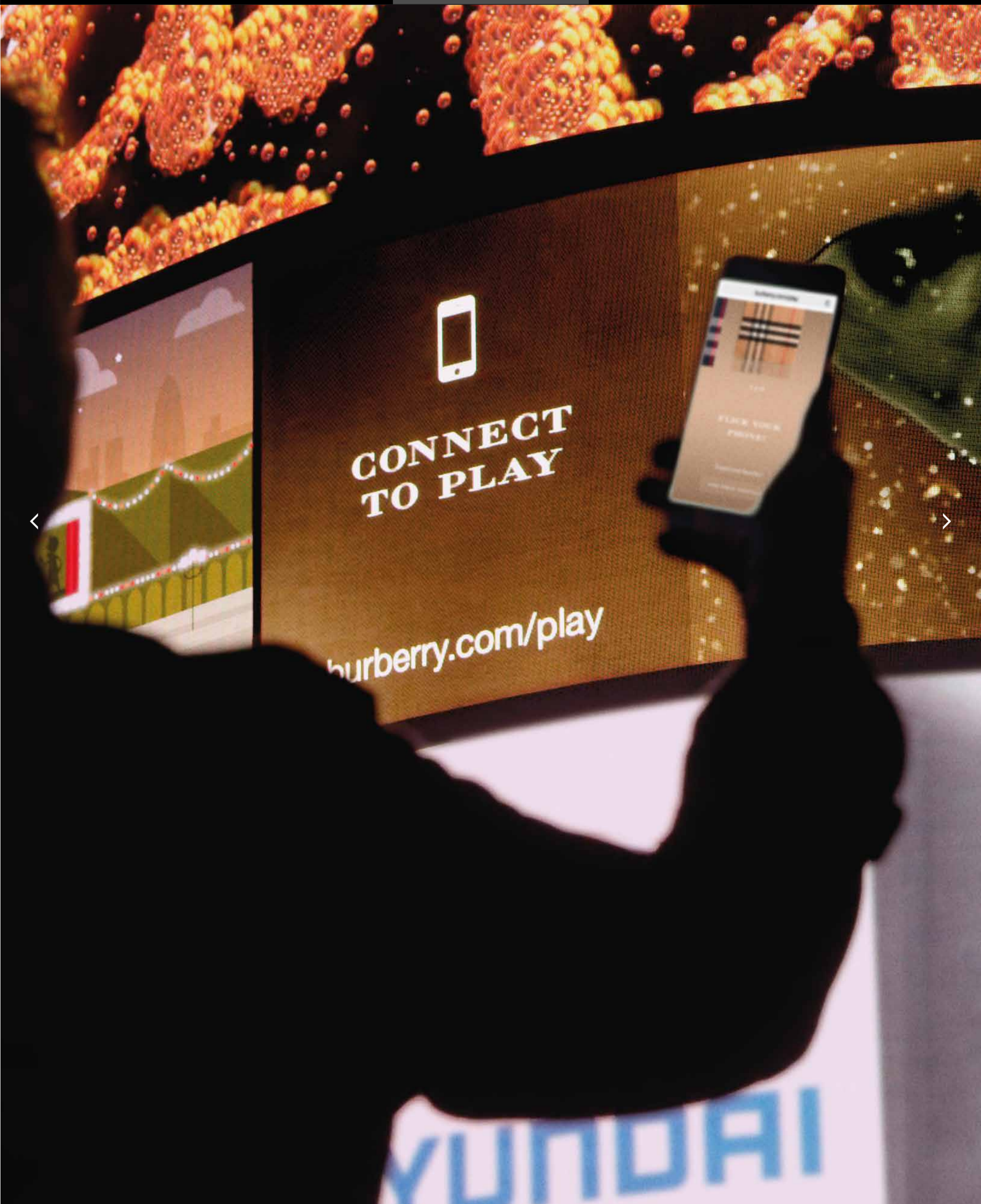
Store investment

Burberry focused on strengthening its store network through openings in key locations, as well as the optimisation of the existing portfolio through relocations, renovations and some closures.

- Burberry opened 18 mainline stores and closed 17 during the year. Openings included stores in Dubai, London, Moscow, New York, Seoul and Tokyo.

Wholesale

- Burberry continued to elevate its department store presence, with over 175 dedicated spaces at year end in US department stores.
- Burberry continued to elevate distribution in EMEIA, while growing with key accounts.
- The EMEIA Childrenswear licence expired in December and Burberry began servicing those wholesale customers directly.



CONNECT TO PLAY

burberry.com/play



YUNDAI

*Strategic Report – Core Strategies***UNLOCK MARKET
OPPORTUNITY**

*Fully realise Burberry's opportunities among key consumer groups
and geographic markets – developed, young and newly opened.*

Burberry is continually evolving its footprint and positioning in both developed and younger markets. Future opportunities for the brand in China and Japan are an important part of this, along with other areas of geographic focus including the travel retail strategy and continued elevation of the business in the US.

Key focus areas for 2015/16:

Engaging the Chinese luxury consumer

Burberry continued to focus on engaging and improving the service offering to the Chinese luxury customer both in China and while shopping abroad, helping to drive brand recognition and desirability consistent with core luxury peers. In Mainland China, which accounts for about half of the retail spend of Burberry's Chinese customers, growth for the year was weighted towards the second half. Conversion improved as Burberry invested in sales associate training to improve service in-store.

- Consistent with the luxury sector trend, comparative sales in the Hong Kong market decreased by over 20% in the year as footfall continued to decline. However, all stores in this important market remained profitable as Burberry focused on ongoing initiatives to drive conversion, marketing, product and customer service, while evolving the store portfolio and controlling costs.
- Burberry continued to evolve and elevate its store portfolio in China, to ensure the best representation of the brand. Closing a net five stores in the year, the portfolio currently consists of 63 stores. Looking ahead to 2016/17, Burberry is planning about a net three store openings in China, with square footage remaining broadly flat, with a particular focus on Beijing, Burberry's largest market in China.
- To celebrate Lunar New Year and Golden Week, Burberry launched festive campaigns and bespoke product assortments in China, key tourist destinations and on Burberry.com. The campaigns were supported by social media initiatives, including an exclusive WeChat messaging experience that resulted in the highest level of content engagement on the platform for a Burberry campaign to date.

Transforming Japan

2015/16 was a significant year for Burberry in Japan with the expiry of the Burberry Japanese licences in June. Burberry opened its sixth free-standing store in Shinjuku, Tokyo and a further seven department store concessions, bringing the total to six stores and 30 concessions including ten childrenswear concessions. The business serves a predominantly domestic luxury customer base and doubled its retail revenue in the year off a small base.

- From September, the global collection became the only Burberry branded product available in the mainline channel across Japan, through the directly operated stores, concessions and Burberry.com. This was complemented by Burberry Beauty, distributed by Shiseido.
- Burberry built strong brand awareness and digital engagement in Japan through targeted marketing, PR and digital activity. Burberry continued to develop its partnership with LINE, the country's leading social platform, offering users access to real-time content such as the livestreaming of shows and key brand moments. In September, Burberry was the first luxury brand to launch on LINE Mall, LINE's shopping channel.
- Burberry began its new Beauty distribution partnership with Shiseido in Japan. Burberry Beauty was introduced in September with the opening of the first three Burberry Beauty Box counters in department stores in Tokyo and Osaka. Shiseido will continue to open additional counters in Japan, helping to build the Beauty business and expand the brand momentum in this market.

Elevating Americas presence

Burberry continued to elevate the brand across its distribution channels and leveraged the strong digital opportunities in this market.

- In the US, Burberry invested in elevating its retail footprint in the key New York city market.
- Burberry reinforced its department store presence in the rapidly developing Canadian luxury market, supported by new space in Toronto and Vancouver.

Advancing Travel retail

The travel retail channel remained a key focus for Burberry as global tourist travel continues to grow.

- Burberry continued to expand its footprint in key airports, opening a new retail store in Dubai, and wholesale stores in Paris CDG and Amsterdam.
- Marketing initiatives continued to target travelling luxury customers in key transport hubs and global tourist destinations.

Building young markets

Burberry continued to build its presence in early stage growth markets.

- Burberry moved to direct operations in Russia and Bahrain, opening three mainline stores in Moscow and one in Bahrain and closing the franchise stores in these markets. An additional franchise store was opened in South Africa.



*Strategic Report – Core Strategies***PURSUE OPERATIONAL
EXCELLENCE***Drive greater efficiency and productivity through the business.*

Burberry's productivity agenda is focused on opportunities in product, retail and processes. This continues to be a key priority for the next phase of growth, as Burberry leverages the investments made in recent years.

Key focus areas during 2015/16:

Supply chain

- In November 2015, as part of its commitment to UK manufacturing, Burberry announced plans to relocate its existing manufacturing to a new facility in Leeds in 2019. The proposal represents an initial investment of over £50 million in the heart of Yorkshire. The proposed site will allow Burberry to continue to produce its most iconic product, the heritage trench coat, in Yorkshire where the brand has been manufacturing for over half a century. The new facility will offer increased capacity and more sustainable and efficient ways of manufacturing, and the potential to develop and produce other products at the site.
- Key investments made in product engineering and sustainable manufacturing continued to drive greater end-to-end control of the Burberry supply chain.
- Burberry continued investing in sustainability across the supply chain, evolving its sourcing model to reflect a transparent and collaborative approach, and positioning Burberry as a recognised leader in the industry.
- Burberry has been on a journey to embed LEAN disciplines across the internal supply chain to shorten lead times, and increase the value delivery for customers. Burberry drove LEAN implementation in the UK's internal manufacturing sites, delivering 15% productivity improvements and 75% lead-time reduction.

Planning

- In the year, Burberry fully implemented the global product buying and allocation activities with the roll-out of a store profiling initiative to provide a more customer-centric product range by store. This was incorporated into the 'Brand Buy' to provide greater product consistency across Burberry's retail stores based on key design inspiration, optimising product assortments and core product replenishment whilst also allowing a degree of flexibility to reflect local customer needs.
- Burberry also further evolved its inventory management and commercial analysis processes to optimise retail execution, driving nearly a 10% reduction in assortments.

Leveraging technology

- The first phase of the upgrade to Burberry's core IT systems was completed. The real-time, faster-in-database processing will enable enhanced and more responsive decision-making throughout the business.

Organisational efficiency

- Decisive action during the year resulted in around £25 million of savings against planned spend, from areas including travel, hiring and other expenses. In addition to these tactical measures, Burberry continued to strategically assess all dimensions of its cost base for the future.
- The unification of Burberry's Prorsum, London and Brit collections under a new single Burberry label was a significant move to reduce complexity for customers and internally. The single collection will be introduced into Burberry's own stores and those of Burberry's wholesale customers worldwide by the end of the calendar year 2016. This move will offer customers a more consistent and intuitive experience across existing product assortments, while reducing internal complexity across product and processes.



*Strategic Report – Core Strategies***BUILD OUR
CULTURE**

*Build and nurture a culture that strengthens
our brand through its purpose and values, globally.*

As the Burberry business continues to evolve in an ever-changing environment, building and nurturing its authentic culture is ever more important. Guided by its core values – Protect, Explore, Inspire – Burberry is dedicated to fostering a distinct culture with a global team mindset and a pioneering spirit, underpinned by a commitment to responsibility.

Alongside a continued focus on engaging and cultivating our talent, this year saw enhanced emphasis on sustainability and the pursuit of positive social and environmental change. Burberry will be establishing Key Performance Indicators for the Build our Culture strategy in the future.

Key focus areas for 2015/16 included:

Nurturing and rewarding talent

Burberry believes that its people are fundamental to the success of its business. The Company continued to focus on nurturing and rewarding teams, fostering a culture of recognition to support high performance and retention of talent.

- With a focus on cultivating high potential talent, the Burberry Leadership Council contributed to the growth and strength of the Company's globally connected network of leaders through dedicated training, mentoring and networking opportunities. Since 2012, the Council has supported the development of about 250 employees.
- To support the development of talent in merchandising and planning, Burberry recruited graduates from key universities to participate in an 18-month trainee programme.

- Exceptional employee performance across retail, offices, manufacturing and distribution was recognised through the annual Burberry Icon Awards. Live streamed on the Company's internal communications platform for the first time, the events brought employees together globally in celebration of contributions to the brand, business and culture.
- Burberry was listed by LinkedIn as the 12th most sought-after employer in the United Kingdom and 29th in Europe, Middle East and Africa.

Connecting and engaging teams globally

Burberry enhanced communications and ways of working, building stronger connections amongst global teams, and increasing engagement.

- Burberry explored new digital ways to connect teams and share information in real-time, hosting its first digital annual strategic offsite. Replacing previously held regional conferences, the Company leveraged technology to connect different areas of the business more effectively and engage employees globally.
- 'Chat Live' video broadcasts featuring Christopher Bailey and members of the Senior Leadership Team took place each month. With over 50,000 views globally, the interactive question and answer broadcasts increased employee connectivity and engagement around the brand.
- Burberry continued to enhance communications with retail teams, implementing a weekly global Retail Update to streamline and consolidate key information.
- Enhancing connectivity with internal manufacturing teams, the Company implemented interactive engagement methods with employees, to regularly gather and incorporate feedback on development plans for its new trench coat manufacturing and weaving facility.

Strategic Report – Core Strategies

Promoting fair and responsible employment practices

Burberry is committed to supporting diversity and equal opportunities within the Company, as well as improving employment practices and working conditions at manufacturing sites.

- Burberry employees span 34 countries, representing over 112 different nationalities and with an age range of 16 to 74 years. As at 31 March 2016, of a global employee population of 10,613, approximately 67% (7,164) were female and 33% (3,449) male, with women occupying 40% of senior management roles.
- Supporting the importance of diversity in business and society, Burberry proudly became a corporate member of OUTstanding, a not-for-profit professional network for lesbian, gay, bisexual and transgender executives in the UK.
- The Company's trading activities are guided by its Responsible Business Principles, which are underpinned by the United Nations Universal Declaration of Human Rights, the Fundamental Conventions of the International Labour Organization and the Ethical Trading Initiative Base Code. Targets to promote and build fair and responsible employment practices have been set and integrated into the performance objectives of the Company's sourcing teams as well as at an individual level.
- Burberry became a Principal Partner of The Living Wage Foundation, increasing its support for the initiative as it grows and develops.
- In order to reach and benefit more workers, the Company's Ethical Trading Programme – comprising of announced and unannounced audits, monitoring and improvement programmes – was extended to cover key raw material, Beauty, fragrance, make-up and leather suppliers.
- Results of the 2015/16 audit programme showed an overall positive shift in ethical trading performance by the Company's apparel and non-apparel vendors. For more information, please see www.burberryplc.com.
- Improvement programmes have been implemented across the supply chain to support factories in building stronger human resource management systems, increase individual productivity, reduce working hours and sustain and enhance unique knowledge, skills and expertise. Where access to grievance mechanisms was a particular challenge, confidential non-governmental organisation run hotlines were introduced, providing almost 20,000 workers across 33 factories with confidential support.

Investing in our communities

Burberry remains committed to supporting the communities where its employees live and work by giving financial support, employee time and in-kind donations, with a particular focus on helping young people achieve their potential.

- Burberry continued to donate 1% of Group Adjusted Profit Before Tax* (£4.2 million in 2015/16) to charitable causes, for example supporting innovative youth charities through the Burberry Foundation (UK registered charity number 1154468) and nurturing emerging creative talent through the Burberry Design Scholarship at the Royal College of Art and an apprenticeship programme at the British Fashion Council.
- The Company launched 'Burberry Apprentices' with a vision to support the development of young people globally through apprenticeships and work-based training opportunities. The first phase saw participants join retail, internal manufacturing and distribution teams in the UK.
- The Company encouraged employees to take part in impactful community projects during working hours, believing that volunteering strengthens teams, enhances workplace skills and contributes to motivation and fulfilment. Activities included career inspiration events, employability workshops, long-term mentoring programmes and community revitalisation projects. In total, 2,300 employees in 74 cities dedicated nearly 12,000 hours.
- In-kind donations ranged from one-off gifts of non-trademark fabric and materials to assist young people enrolled in creative courses, to donations of business clothing supporting over 1,000 people enrolled in employability programmes.

* For definition of Adjusted Profit Before Tax see note 2 of the Financial Statements.

Strategic Report – Core Strategies

Driving environmental sustainability

Burberry is strongly committed to reducing its environmental impact globally through its supply chain and internal operations. Following an independent baseline assessment of the Company in 2012, key targets were developed to reduce environmental impacts arising from materials, energy, water, chemicals and waste. For further detail of these targets and progress made to date, see pages 108 and 109.

- Cotton, leather and cashmere are three of the Company's key raw materials, representing around 30% of its greenhouse gas ('GHG') emissions. Burberry focused on improving the traceability and sourcing of these materials, partnering closely with supply chain and industry stakeholders. Key steps included joining the Better Cotton Initiative to promote sustainable cotton farming beyond Burberry's farmer engagement programme in Peru, spearheading an initiative to engage key industry stakeholders in sustainable grassland management in cashmere farming communities in Mongolia, and actively promoting environmental best practice and innovation at leather tanneries.
- To drive further environmental improvements in its supply chain, Burberry increased efforts to engage over 100 of its manufacturing partners and benchmark their environmental performance. In addition, 20 key partners were supported to identify and manage their resource consumption. The Company also continued to work with its partners to eliminate the release of chemicals that may have an adverse environmental impact by improving chemical management practices in the supply chain and supporting extensive research into new technology.
- Recognising that waste plays a key role in resource depletion and climate change, Burberry is prioritising the reduction and repurposing of waste. Examples include recycling pre-consumer textile waste into new yarns in Italy, repurposing damaged garment waste into insulation and using textile waste for home furnishings in the UK. Additionally, over 85% of construction waste from major projects globally was recycled.
- Committed to improving its operational efficiencies, Burberry has taken a holistic approach to energy management. For example, all new builds and modern concept refurbishments are fitted with LED lighting. 37% of electricity is generated on site or sourced through green tariffs. Burberry distribution centres achieved an absolute energy reduction of 17% from 2014/15 levels and energy reductions have been realised at over 75 retail locations.

External recognition

Burberry was recognised externally for its sustainability performance and desirability as an employer.

Key accolades included the following:

- Included in the 2015 Dow Jones Sustainability Indices ('DJSI') for the first time, Burberry was listed as one of the top performing companies in the world for sustainability in the 'Consumer Durables & Apparel' sector.
- Recognised in RobecoSAM's 2016 Sustainability Yearbook as 'Industry Mover, Bronze Class' in the Textiles, Apparel and Luxury Goods category, for having achieved the largest proportional improvement in its sustainability performance.



Strategic Report



PERFORMANCE



42 Group Financial Review

The following pages set out the highlights of the Group financial performance during the year to 31 March 2016 and the outlook for the coming financial year. The principal risks facing the Group during the year, including the nature and extent of these risks, are also set out in this section.

Strategic Report – Performance

GROUP FINANCIAL REVIEW

Total revenue
(2015: £2,523m)

£2,515M

Capital expenditure
(2015: £156m)

£138M

Adjusted profit before tax
(2015: £456m)

£421M

Year-end net cash
(2015: £552m)

£660M

Adjusted diluted EPS
(2015: 76.9p)

69.9P

Full year dividend per share
(2015: 35.2p)

37.0P

£ million	Year to 31 March		% change	
	2016	2015	reported FX	underlying
Revenue	2,514.7	2,523.2	–	(1)
Cost of sales	(752.0)	(757.7)	1	
Gross margin	1,762.7	1,765.5	–	
Operating expenses [#]	(1,344.9)	(1,310.3)	(3)	
Adjusted operating profit	417.8	455.2	(8)	(11)
Net finance credit [#]	2.8	0.6	–	
Adjusted profit before taxation	420.6	455.8	(8)	(10)
Adjusting items	(5.0)	(11.2)		
Profit before taxation	415.6	444.6	(7)	
Taxation	(101.0)	(103.5)		
Non-controlling interest	(5.1)	(4.8)		
Attributable profit	309.5	336.3		
Adjusted EPS (pence)[~]	69.9	76.9	(9)	
EPS (pence) [~]	69.4	75.1	(8)	
Weighted average number of ordinary shares (millions) [~]	446.1	447.8		

Underlying performance is presented as, in the opinion of the Directors, it provides additional understanding of the ongoing performance of the Group. Underlying performance is calculated before adjusting items and removes the effect of changes in exchange rates compared to the prior period. This takes into account both the impact of the movement in exchange rates on the translation of overseas subsidiaries' results and on foreign currency procurement and sales through the Group's UK supply chain.

Adjusted measures exclude adjusting items. Details of adjusting items are contained in note 6 of the financial statements.

Excludes adjusting items, which are:

- A charge of £14.9m in reported operating expenses being the amortisation of the fragrance and beauty licence intangible asset (2015: £14.9m).
- Put option liability finance income of £9.9m in reported net finance income relating to the third party 15% economic interest in the Chinese business (2015: income of £3.7m).

~ EPS is presented on a diluted basis.

Strategic Report – Performance

Revenue analysisRevenue by channel

£ million	Year to 31 March		% change	
	2016	2015	reported FX	underlying
Retail	1,837.7	1,807.4	2	1
Wholesale	634.6	648.1	(2)	(2)
Licensing	42.4	67.7	(37)	(33)
Revenue	2,514.7	2,523.2	–	(1)

Retail

73% of revenue (2015: 71%); with 215 mainline stores, 214 concessions within department stores, digital commerce and 58 outlets.

- Retail sales up 1% underlying.
- Comparable sales down 1% (H1: up 1%; H2: down 2%) but up 3% excluding Hong Kong and Macau.
- New space contributed the balance of growth at 2%.
- Digital grew in all regions.

Following a strong first quarter of the year (with comparable sales growth of 6%), the luxury sector became more challenging during the balance of the year, although with different regional trends as explained below. In mainline globally, footfall in store continued to decline, only partly offset by improved conversion and modest growth in average selling price.

Digital outperformed during the year, with growth in all three regions. Following investment in Burberry's mobile platform in late 2014, mobile accounted for half of digital traffic in the year. Conversion increased in both mobile and desktop facilitated by the roll out of the single pool of inventory model, payment and checkout improvements and ongoing website optimisation projects.

Accessories outperformed apparel in mainline during the year. This was underpinned by a strong performance from the Scarf Bar initiative and associated marketing. New fashion categories such as ponchos, dresses and the runway rucksack also saw good growth.

Asia Pacific

With retail accounting for over 85% of revenue in the region, Asia Pacific saw a mid single-digit percentage decline in comparable sales during the year.

Hong Kong, which accounted for 9% of our global retail/wholesale revenue, remained a challenging market throughout the period affected by significantly lower footfall. An intense focus on the local customer coupled with cost reduction initiatives ensured that all stores in Hong Kong remained profitable. Excluding Hong Kong and Macau, Asia Pacific delivered a low to mid single-digit percentage increase in comparable sales.

Mainland China and Korea both showed positive comparable growth during the year, improving in the second half. Japan performed strongly off a small base and is now over 2% of group retail/wholesale revenue.

During the year, Burberry opened seven mainline stores and closed seven, while opening 20 concessions and closing 20. Flagship stores were opened in Seoul, Korea and Shinjuku, Tokyo, an additional 17 concessions were opened in Japan, while the store portfolio was further upgraded in mainland China and Korea.

Europe, Middle East, India and Africa (EMEIA)

Retail accounted for two-thirds of EMEIA revenue. Comparable sales for the year increased by a mid single-digit percentage, although slowing progressively throughout the year. The United Kingdom and the Middle East, which together accounted for over 40% of EMEIA's total retail revenue, were difficult across the period for both domestic and travelling luxury customers. Continental Europe delivered double-digit percentage comparable growth in the first three quarters of the year but declined in the fourth quarter, as tourist spend, especially by Chinese travellers reduced. This was partly offset by continued growth from domestic customers.

Strategic Report – Performance

During the year, Burberry opened 13 mainline stores and concessions and closed 11, led by investment in the Middle East and Russia, both markets with long-term growth opportunities. In April 2016, Burberry took full economic control of its business in the Middle East, with a payment in FY 2017 of approximately £16m, plus some deferred payment through to 2023.

Americas

Comparable sales in the Americas were unchanged year-on-year, with retail accounting for nearly 70% of regional revenue. Together, Canada, Brazil and Mexico, which contributed over 15% of Americas total retail revenue, delivered double-digit percentage comparable growth during the year, as customers shopped in their home markets. In the US, domestic demand was uneven throughout the period and tourist spend was weak. Digital as a percentage of sales in the Americas was more than twice the global average and showed good growth.

The store portfolio in the Americas was relatively stable during the year, with two mainline openings and three closures and our first concession opening in Mexico bringing the total number of stores in that country to five.

Wholesale

25% of revenue (2015: 26%); generated from sales of apparel and accessories to department stores, multi-brand specialty accounts, franchise stores and travel retail; as well as Beauty to over 80 distributors worldwide.

- Wholesale revenue down 2% underlying.
 - Excluding Beauty, down 6% underlying.
 - Beauty up 8% underlying.
- 62 franchise stores globally at 31 March 2016, a net decrease of five during the year.

The regional comments below exclude Beauty.

Asia Pacific

Asia Pacific is the Group's smallest wholesale region – accounting for about 20% of the Group total. Underlying revenue was down by a double-digit percentage in both the first and second halves, reflecting cautious ordering from travel retail customers.

Europe, Middle East, India and Africa

EMEA accounts for about 45% of Group wholesale revenue, selling to over 500 customers throughout the region. Revenue for the year was broadly unchanged reflecting continued account rationalisation, offset by growth from existing strategic accounts, higher in-season orders and the benefit from the transition of childrenswear in Europe to direct operation, following the licence expiry in December 2015.

Americas

Wholesale in the Americas accounts for about 35% of Group wholesale revenue (equivalent to about 7% of Group retail/wholesale revenue). Revenue was down by a mid single-digit percentage in the year, largely reflecting a more difficult consumer environment for department store customers in the United States, leading to cautious ordering.

Beauty

Beauty wholesale revenue of £191m grew by 8% underlying, driven in part by the sell-in of Mr. Burberry, our new male fragrance pillar, which launched in April 2016. Make-up doubled year-on-year off a small base, boosted by our partnership with Sephora globally, both in-store and online.

Licensing

2% of revenue (2015: 3%); of which nearly 60% is from Japan, with the balance mainly from global product licences (eyewear and watches).

- Licensing revenue down 33% underlying, slightly better than guidance.
- Decline due to planned expiry of Japanese Burberry licences.

Licensing revenue from Japan declined, as planned, from £53m in FY 2015 to £24m in FY 2016. This included income from the original licences, which expired in June 2015 and the first income from the new Crestbridge label licence, partly offset by a £3m adverse foreign exchange impact.

Revenue from the Group's global product licences increased by a double-digit percentage during the year, including some phasing benefits. As part of our focus on core categories, and as already announced in January, our watch licence will not be renewed in December 2017.

Strategic Report – Performance

Operating profit analysisAdjusted operating profit

£ million	Year to 31 March		% change	
	2016	2015	reported FX	underlying
Retail/wholesale	380.9	399.2	(5)	(8)
Licensing	36.9	56.0	(34)	(29)
Adjusted operating profit	417.8	455.2	(8)	(11)
Adjusted operating margin	16.6%	18.0%		

Adjusted retail/wholesale operating profit decreased by 8% underlying. With the Japanese Burberry licences expiring as planned, total adjusted operating profit declined by 11% underlying.

Adjusted retail/wholesale operating profit

£ million	Year to 31 March		% change
	2016	2015	reported FX
Revenue	2,472.3	2,455.5	1
Cost of sales	(752.0)	(757.7)	1
Gross margin	1,720.3	1,697.8	1
Gross margin	69.6%	69.2%	
Operating expenses	(1,339.4)	(1,298.6)	(3)
Adjusted operating profit	380.9	399.2	(5)
Operating expenses as % of revenue	54.2%	52.9%	
Adjusted operating margin	15.4%	16.3%	

Adjusted retail/wholesale operating profit was £381m in FY 2016, down 8% underlying and down 5% at reported FX, which included a £14m positive impact from exchange rate movements. Operating margin was 15.4% or 14.9% at constant exchange rates.

Gross margin was 69.6% up 40 basis points. This reflects a 70 basis point benefit from exchange rates, partly offset by a 30 basis point underlying decline.

Compared to FY 2015 operating expenses of £1,299m, there was a mid single-digit percentage underlying increase in FY 2016.

- With over half of the increase from net new space.
- And the balance from inflation and some investment in marketing and IT.
- It also includes savings of over £25m compared to plan as management took swift action during the year to tightly manage discretionary costs, including headcount and travel and expenses.

In addition:

- The performance-related pay charge was about £65m lower year-on-year as the business did not achieve its targets.
- There was a £35m increase in the charge relating to store impairments and onerous leases to £45m, reflecting more challenging conditions in certain markets.

Licensing operating profit

£ million	Year to 31 March		% change
	2016	2015	reported FX
Revenue	42.4	67.7	(37)
Cost of sales	–	–	–
Gross margin	42.4	67.7	(37)
Gross margin	100%	100%	
Operating expenses	(5.5)	(11.7)	53
Operating profit	36.9	56.0	(34)
Operating margin	87.0%	82.7%	

Licensing revenue decreased by 33% underlying, down 37% at reported FX, primarily reflecting the expiry of the Japanese Burberry licences. With lower allocated operating expenses, licensing profit was £36.9m, down 29% underlying (down 34% at reported FX including an adverse exchange rate impact of £3m).

Strategic Report – Performance

Adjusting items

£ million	Year to 31 March	
	2016	2015
Amortisation of fragrance and beauty licence intangible	(14.9)	(14.9)
China put option liability finance income	9.9	3.7
	(5.0)	(11.2)

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

The China put option liability finance income of £9.9m relates to fair value movements, including the discount unwind, on the put option liability over the non-controlling interest in the acquired Chinese business.

Taxation

The tax rate on adjusted profit in FY 2016 was 24.7% (2015: 23.4%), higher than guided due to a change in the transfer pricing approach by an overseas tax authority.

After taking into account tax on adjusting items, the tax charge of £101m (2015: £104m) resulted in an effective tax rate on reported profit of 24.3% (2015: 23.3%).

Total tax contribution

The Group makes a significant economic contribution to the countries where it operates through taxation, either borne by the Group or collected on behalf of and paid to the relevant tax authorities. In FY 2016, the total taxes borne and collected by the Group in the UK and overseas amounted to £385.3m. In the UK, where the Group is headquartered and has significant operations, Burberry paid business taxes of £84.4m and collected a further £27.8m of taxes on behalf of the UK Exchequer. For further information see www.burberryplc.com.

Net cash

Cash generated from operating activities in FY 2016 was £503m (2015: £568m). Reflecting lower than expected revenue growth in the second half, inventory was £487m, up 10% at constant exchange rates, with most of the increase being current season. Capital expenditure was below guidance at £138m (2015: £156m), reflecting some phasing and tight control over project spend. Other major outflows were dividends of £158m and tax of £95m.

Net cash at 31 March 2016 was £660m, an increase of £108m year-on-year. Lease-adjusted net debt was £416m at 31 March 2016, an increase of £46m year-on-year. This is defined as five times minimum lease payments less net cash, with minimum lease payments now excluding expenses relating to onerous lease provisions.

Outlook

Retail In FY 2017, net new space is expected to contribute low single-digit percentage growth to total retail revenue. Around 15 mainline store openings are planned, with a similar number of closures.

Wholesale Burberry expects total wholesale revenue at constant exchange rates in the six months to 30 September 2016 to be down by around 10% on the same period last year (H1 2015: £305m). This reflects significantly tighter inventory control by US wholesale customers, continued cautious ordering in other regions and the elevation of Beauty distribution in key markets.

FX impact on retail/wholesale adjusted profit In FY 2017, if exchange rates remain at current levels, we expect FY 2017 reported adjusted retail/wholesale profit to benefit by about £50m compared to FY 2016 rates. This compares to an expected benefit of about £60m at the time of the Second Half Trading Update based on 31 March 2016 effective rates.

Licensing Total licensing revenue for FY 2017 is planned to be down by about £20m at constant exchange rates (FY 2016: £42m), primarily reflecting the expiry of the Japanese Burberry licences.

Strategic Report – Performance

FY 2017 adjusted PBT Since the Second Half Trading Update in April 2016.

- The external environment has remained challenging and underlying cost inflation pressures persist.
- The benefit from exchange rates is about £10m lower.
- Burberry expects to deliver around £20m of cost savings and invest about £10m.
- Burberry is planning on a new performance-related pay charge of about £20m in addition to the existing charge of about £20m.

In addition, to deliver the savings, about £20-30m of one-off costs in FY 2017 are expected, which will be excluded from adjusted profit.

Tax rate The tax rate on adjusted profit for FY 2017 is currently expected to be about 24%.

Capital expenditure Spend of about £150m is planned in FY 2017.

Store portfolio

	Directly-operated stores				Franchise stores
	Stores	Concessions	Outlets	Total	
At 31 March 2015	214	213	57	484	67
Additions	18	25	1	44	6
Closures	(17)	(24)	–	(41)	(11)
At 31 March 2016	215	214	58	487	62

Store portfolio by region

	Directly-operated stores				Franchise stores
	Stores	Concessions	Outlets	Total	
At 31 March 2016					
Asia Pacific	63	143	14	220	8
EMEIA	75	62	24	161	47
Americas	77	9	20	106	7
Total	215	214	58	487	62

Capital structure In FY 2017 and beyond, Burberry now intends to move to a progressive dividend policy and, as such, plans to hold the FY 2017 dividend per share at least in line with FY 2016.

Beyond this, Burberry has reviewed its:

- Future cash generation, reflecting its growth, productivity and investment plans, taking into consideration the current challenging external environment.
- Relevant financial parameters, both historical and projected, including net cash, lease-adjusted net debt and measures covering balance sheet strength and fixed charge cover.

Balancing these factors, Burberry is commencing a share buyback programme of up to £150m starting in FY 2017. Additional capital returns to shareholders will be kept under regular review reflecting the factors discussed above.



BOARD AND GOVERNANCE



49 Board of Directors

*Board and Governance – Board of Directors***BOARD OF
DIRECTORS****Chairman**Sir John Peace (67)[†]*Chairman*

Sir John Peace became Chairman of the Board in June 2002 and is also Chairman of the Nomination Committee. He is Chairman of Standard Chartered PLC. Previously he was Chairman of Experian plc from 2006 to 2014 and Group Chief Executive of GUS plc from 2000 to 2006. Sir John is Lord-Lieutenant of Nottinghamshire and was knighted in 2011 for services to business and the voluntary sector.

Executive directorsChristopher Bailey (45)*Chief Creative and Chief Executive Officer*

Christopher Bailey became Chief Creative and Chief Executive Officer in May 2014, having previously served as Chief Creative Officer since 2009. Christopher joined as Design Director in May 2001. Prior to working at Burberry, Christopher was the Senior Designer of Womenswear at Gucci in Milan from 1996 to 2001. From 1994 to 1996 he was the Womenswear Designer at Donna Karan.

Carol Fairweather (55)*Chief Financial Officer*

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

John Smith (58)*Chief Operating Officer*

John Smith became Chief Operating Officer in March 2013, having previously been a non-executive director from December 2009. John was Chief Executive of BBC Worldwide from 2004 to 2012. John joined the BBC in 1989, where he held the positions of Chief Operating Officer, Director of Finance, Property & Business Affairs and Finance Director. He previously served as a non-executive director of Severn Trent plc and Vickers PLC, and on the Accounting Standards Board from 2001 to 2004.

Non-executive directorsFabiola Arredondo (49)^{**††}*Non-executive director*

Fabiola Arredondo was appointed as a non-executive director in March 2015. Fabiola is currently the Managing Partner of Siempre Holdings, a private investment firm based in Connecticut, US. She is also a non-executive director of Rodale Inc., NPR Inc. (National Public Radio), and a trustee of Sesame Workshop. Prior to Siempre Holdings, Fabiola held senior operating roles at Yahoo! Inc, the BBC and Bertelsmann AG. She has also previously served as a non-executive director of Experian plc, Saks Incorporated, Intelsat Inc., BOC Group plc, and Bankinter S.A.

Philip Bowman (63)^{**††}*Senior Independent Director*

Philip Bowman was appointed as a non-executive director in June 2002 and is the Senior Independent Director and Chairman of the Audit Committee. Philip was Chief Executive of Smiths Group plc from 2007 to 2015, and previously held the positions of Chief Executive at Scottish Power plc and Chief Executive at Allied Domecq plc. His earlier career included five years as a director of Bass plc. He was previously Chairman of Liberty plc and Coral Eurobet plc and a non-executive director of Scottish & Newcastle plc and British Sky Broadcasting Group plc.

Ian Carter (54)^{**††}*Non-executive director*

Ian Carter was appointed as a non-executive director in April 2007 and is Chairman of the Remuneration Committee. He is President of Hilton Worldwide Global Development and Chairman of Del Frisco's Restaurant Group, Inc. Previously, Ian was CEO of Hilton International Company and Executive Vice President of Hilton Hotels Corporation, and a director of Hilton Group plc until the acquisition of Hilton International by Hilton Hotels Corporation in February 2006. He previously served as an Officer and President of Black & Decker Corporation between 2001 and 2004.

*Board and Governance – Board of Directors*Jeremy Darroch (53)**†*Non-executive director*

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

Stephanie George (59)**†*Non-executive director*

Stephanie George was appointed as a non-executive director in March 2006. She is an adviser to Penske Media Corporation and was recently Vice Chairman of Fairchild Fashion Media Inc (parent of Women's Wear Daily). Stephanie also sits on the Board of Lincoln Center. Previously, Stephanie was Executive Vice President and Chief Marketing Officer at Time Inc. and spent 12 years at Fairchild Publications.

Matthew Key (53)**†*Non-executive director*

Matthew Key was appointed as a non-executive director in September 2013. Matthew is a non-executive director of Orbit Showtime Network, a leading multi-platform pay TV network in the Middle East and North Africa. Matthew is also a member of the European Advisory Board of Samsung Electronics. Previously, he was Chairman and Chief Executive Officer of Telefónica Digital, the global innovation arm of Telefónica. He also previously served as Chairman and CEO of Telefónica Europe plc (formerly O2 plc), Chief Executive Officer and Chief Financial Officer of O2 UK, and Chief Financial Officer for Vodafone UK. Prior to this, he held various financial positions at Kingfisher plc, Coca-Cola & Schweppes Beverages Limited and Grand Metropolitan Plc. Matthew is also Chairman of the Dallaglio Foundation, which is a charity focused on disengaged youth.

Dame Carolyn McCall (54)**†*Non-executive director*

Dame Carolyn McCall was appointed as a non-executive director in September 2014. Dame Carolyn is Chief Executive of easyJet plc, a position she has held since July 2010. Prior to easyJet, she held a number of roles at Guardian Media Group plc including Chief Executive from 2006 to 2010. She has also previously served as a non-executive director of Lloyds TSB, Tesco PLC and New Look plc. Dame Carolyn was awarded the OBE for services to women in business in June 2008 and a Damehood for services to the aviation industry in January 2016. In January 2014, Prime Minister David Cameron appointed her a UK Business Ambassador.

Key to membership of committees

- * Audit Committee
- † Nomination Committee
- ‡ Remuneration Committee



Back row:
Ian Carter, Carol Fairweather, Matthew Key, John Smith, Philip Bowman, Dame Carolyn McCall

Front row:
Jeremy Darroch, Stephanie George, Sir John Peace, Christopher Bailey, Fabiola Arredondo

2015/2016 Annual Review



Disclaimer

The Annual Review does not constitute a strategic report for the purposes of the Companies Act 2006. A copy of the full Burberry Group plc Annual Report and Accounts 2015/16 is available for download at www.burberryplc.com.

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

Introduction

Burberry Group
Overview

Core
Strategies

Performance

Board and
Governance

