BURBERRY

ESTABLISHED 1856

ANNUAL REPORT 2010/11

BURBERRY

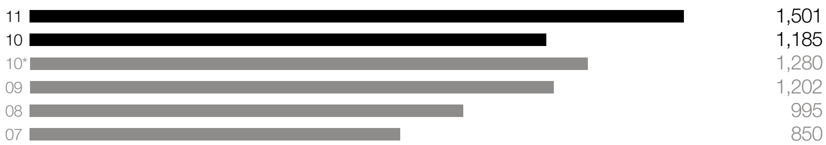
AN ICONIC BRITISH LUXURY BRAND ESTABLISHED IN 1856 LEVERAGES ITS RICH HERITAGE, PROVEN STRATEGIES AND TALENTED TEAM TO ASSURE SUSTAINABLE, PROFITABLE GROWTH ON A GLOBAL SCALE

CONTENTS

DELIVERING RECORD PROFITS

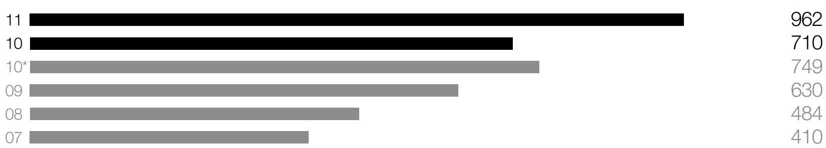
Total revenue (Year to March)

£1,501m



Retail revenue (Year to March)

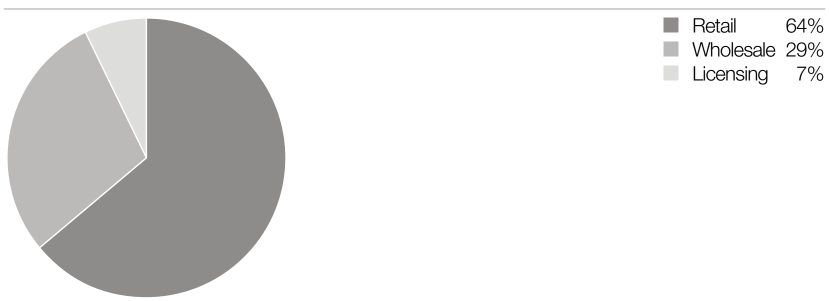
£962m



Wholesale revenue (Year to March)

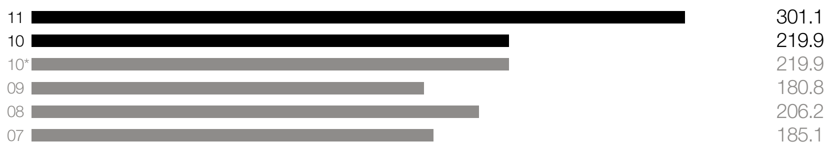
£441m

Revenue by channel in 2010/11



Adjusted operating profit (Year to March)

£301.1M



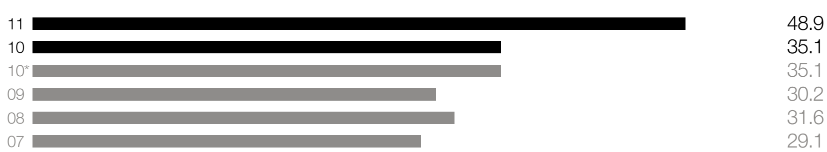
Adjusted operating profit is stated before exceptional items
Reported operating profit £302.1m (2010: £216.5m)

Net cash/(debt) (As at 31 March 2011)

£297.9M

Adjusted diluted earnings per share (Year to March)

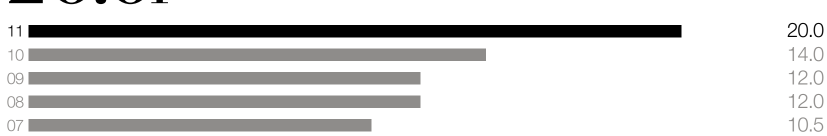
48.9P



Adjusted diluted EPS is stated before exceptional items
Reported diluted EPS 46.9p (2010: 18.4p)

Dividend per share (Year to March)

20.0P



2007-2009 and 2010* include the results of the discontinued Spanish operations. 2010 has been represented to exclude the discontinued Spanish operations.

An historic year for Burberry – record revenue, margin and profit. These results reflect not only the most recent year's effort, but five years of endeavour by this team.

The five key strategies, outlined further in this report, have been executed with lasting effect on the business and business model. In terms of status, the Burberry brand has clearly solidified its unique democratic positioning within the luxury arena. Retail, the channel which maximises the brand's ability to manage consumer perception, has become the primary route of distribution, moving from 43% of total revenue in 2005/06 to 64% in 2010/11 (greater adjusting for full China integration) – while licensing activities have been largely confined to three global categories and Japan, with the foundation set for future integration of the brand's business in that market. Burberry has also gained share across geographies, in both developed markets such as the US and high growth economies like the Middle East. Work in Asia, most recently the acquisition of the brand's store network in China, has positioned Burberry well in this high growth luxury region. In line with the strategy, attractive non-apparel categories have been intensified, accounting for 40% of retail/wholesale revenue in 2010/11 relative to 29% in 2005/06. Lastly, through a range of initiatives, including development of an integrated supply chain and SAP implementation throughout the majority of the business, operational capability has been upgraded substantially. Without this investment in infrastructure and expertise, growth on this scale would not have been possible. In financial terms, disciplined execution of these strategies over the five year period has resulted in Burberry's 102% revenue growth and 82% increase in operating profit, with core retail/wholesale operating profit increasing 128% on a 112% revenue gain. This notwithstanding a financial crisis in mid-course.

The five year financial profile is capped by the record 2010/11 performance. Total revenue grew 27% to £1,501m, a 24% gain at constant exchange rates. Operating profit increased 37% to £301.1m, achieving an historical high 15.6% retail/wholesale operating margin. Diluted EPS reached 48.9p, a 39% gain. After-tax return on capital, at 35%, remained strong. All of these figures are on an adjusted basis, and exclude the impact of the now discontinued legacy business in Spain. The Group ended the year with a £298m net cash balance. The Board has recommended a 43% increase in the full year dividend to 20.0p.

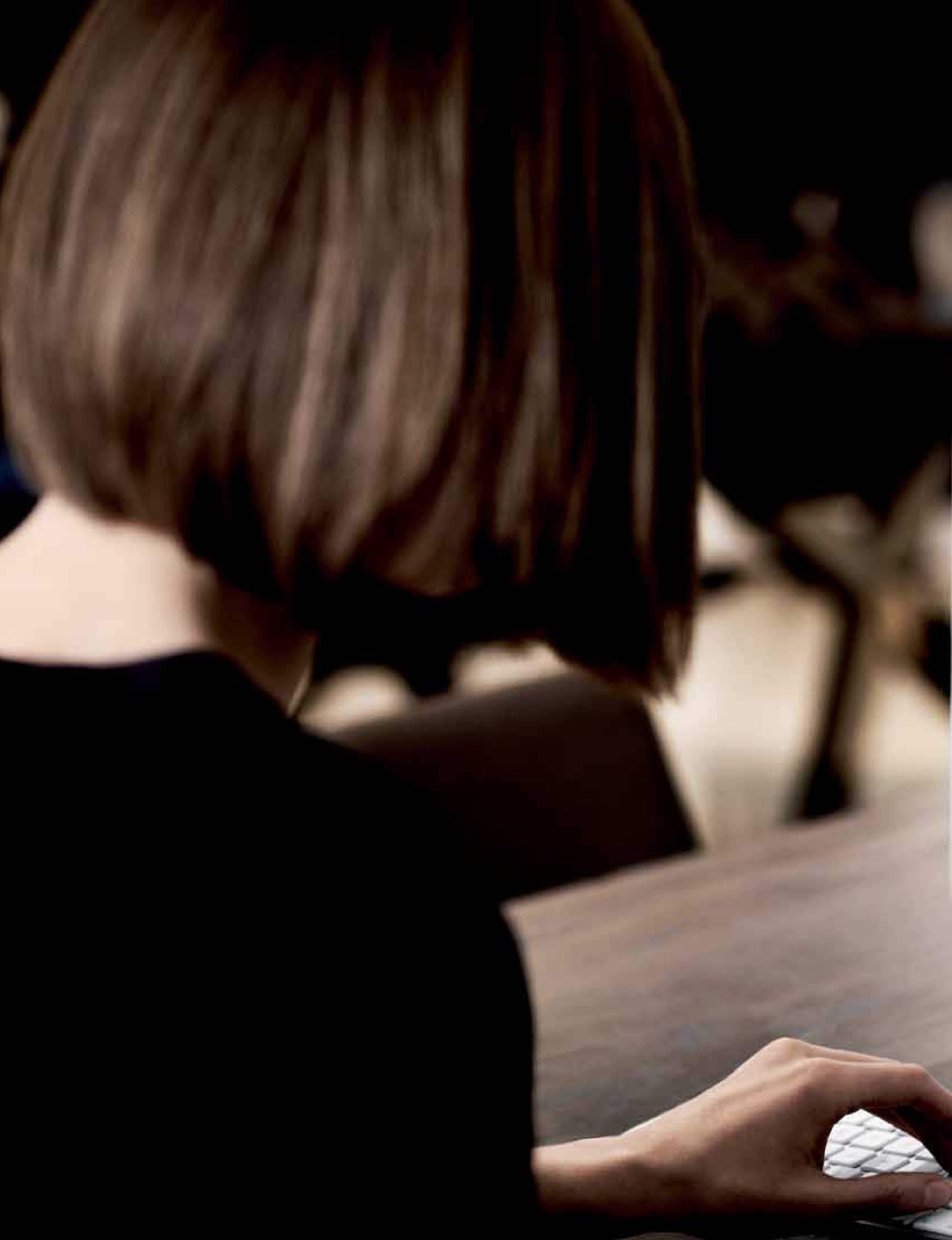
Looking ahead. While on a secular basis, underlying trends contributing to luxury growth – wealth creation, rise of growth market consumers, continuing consumer interest – appear favourable, the global macro environment suggests some reserve.

Although Burberry was among the leading performers in the sector during 2010/11, a strong rebound in luxury spending on the heels of recession lifted most participants. Despite some healthy headline forecasts, the current climate includes distinct uncertainties – record fiscal deficits in advanced economies, rising inflation in high growth economies and record commodity prices for all. Political tensions in sensitive areas of the world also present potential challenges. In short, the macro backdrop may not be as favourable in 2011/12.

Near-term factors aside, the Board's optimism for Burberry's future remains in full. The Group possesses a clear and well executed strategy, world-class management and design teams and a strong financial profile, further enabled by a powerful culture capable of executing under a range of market conditions. And the brand operates in attractive markets with specific opportunities across the spectrum. Burberry's results for the year and across this volatile five year period clearly demonstrate these qualities. On behalf of the Board and shareholders, I thank the team around the world for their contributions to these excellent results, and look forward to Burberry's further progress.

John Peace, Chairman


BURBERRY




Safari File Edit View History Bookmarks Window Help
Tue 16:22
Burberry Acoustic
BURBERRY
COUNTRY / LANGUAGE

At the most fundamental level, management's primary objectives are the continued development of the Burberry brand and delivering sustained, profitable growth over the long term. These objectives are addressed through a precise vision for the Group, a consistent strategy and a distinctive set of values. Although the global recession of 2008-2009 slowed progress in some respects, we did not compromise pursuit of either objective. With an improving external environment in 2010/11, the team capitalised on the expertise and infrastructure developed during preceding years and the Group's strong financial position to accelerate investment in the brand and reassert the strategic growth agenda.

Brand Investment

We have long held that great brands project a pure, consistent experience across all channels in order to standout in today's cluttered consumer arena. Sharp definition communicates the point of difference and informs consumer choice, while also conveying authenticity and integrity, which are vitally important to a heritage brand such as Burberry. A pure brand image captures mindshare.

Further, globally pervasive digital technology is altering consumers' relationships with brands – both expectations of, and ways of interacting with, them. Digital's capabilities of movement, sound, information capacity and self-navigation allow for an all-encompassing emotive brand experience, which can be achieved anywhere – not confined to a brand's physical environment, such as a retail store. The technology has raised consumers' expectations for a voice in, and greater access to, the brand. Consumers also increasingly expect transparency and clarity with respect to the company behind the brand.

- **Burberry World launch.** In line with these principles, the Group launched Burberry World – a website providing the complete expression of the Burberry brand, as well as full e-commerce capability – in the final quarter of 2010/11. Burberry World offers access to the brand's defining features, including heritage and archival imagery, behind-the-scenes footage of key events, such as runway shows and photo shoots, philanthropic activity and comprehensive product views and information – the site contains the most complete product assortment available for purchase anywhere. Burberry World also connects the broader Burberry community through Burberry Acoustic – a site featuring music and videos from emerging British artists – and artofthetrench.com, our social media site allowing members to explore and share experiences of the iconic trench coat. Beyond simply delivering an on-brand interface online, our goal is to provide the perfect, complete Burberry experience. We are also reorienting other consumer-related activity, including retail stores, for multi-channel connectivity – however a consumer engages with the brand, the experience should be consistent. In terms of its direct commerce implications, we expect Burberry World to drive sales across all channels – digital (currently transactional in 45 countries and six languages), retail, wholesale and licences – through long-term consumer engagement and direct merchandise access and information. Achieved through substantial investment, this global platform is the focal point for the brand.

- **Correcting legacy issues.** Although great progress has been made in revitalising the Burberry brand over the last decade, inconsistencies with the modern democratic luxury positioning remain. During the year, the Group intensified investment in correcting these legacy brand issues. In retail, while the outlet store format is primarily an inventory management tool, parts of the portfolio are not appropriately aligned with the brand; as a result, several outlet stores were closed in the year, as others were upgraded, renovated and expanded. In the wholesale channel, management is concentrating distribution in fewer doors, those consistent with the brand's status, and improving in-store presentation through several initiatives, including an emphasis on dedicated real estate. In the licensing arena, the year saw the impact of the Japan leather goods licence termination, as part of the multi-year process to align that market with the global brand. Finally, with the Spring/Summer 2011 season, Burberry largely completed the local-to-global product transition in Spain. Each of these activities was undertaken at a significant cost to earnings, which will only be recaptured over time through greater brand vitality. The Group will continue to take similar action to purify brand presence in the seasons ahead.

Reasserting the Growth Agenda

Confident in the long-term potential of the Burberry brand and our design, marketing and retail-led business, we reasserted the strategic growth agenda as the world began to emerge from recession.

- **China acquisition.** In September, Burberry acquired its store network in China from a longstanding franchise partner for approximately £65m. China is the most exciting luxury market in the world today, whether defined by current size, growth rate or long-term potential. Already estimated to be the fourth largest luxury customer group globally, the Chinese consumer is projected to be the most important sector growth driver both domestically and internationally over at least the next few years. In addition to the transaction, under which the Group acquired 50 stores, the local team opened an additional net seven stores during the year. Since acquisition, the stores have achieved approximately 30% sales gains on a year-over-year basis. Burberry is well positioned in this market, and the acquisition is a key growth platform for the brand's future.
- **Retail expansion.** Retail investment accelerated with a 62% increase in store-related capital expenditure during the year. Average space expanded 9%, excluding the China acquisition, led by 28 mainline store additions, many of which were clustered in high potential markets. Investments included flagship stores in new markets, including Beijing and Sydney – the first flagships in China and Australia – as well as established markets such as London, Milan and Paris. Store renovation activity also intensified to ensure the entire portfolio keeps pace with the brand's aspirations and digital presentation standards; major projects included Las Vegas and Boston.
- **Marketing in the digital dimension.** Marketing efforts enlarging the brand's digital dimension also intensified in 2010/11. With digital content becoming a primary vehicle to communicate brand identity and engage consumers, we continued to invest in content, both in terms of creation capability and volume. An expanded team of digital experts develops rich bodies of consumer-oriented content around any brand activity – the traditional still images of Burberry's main advertising campaigns are now accompanied by sets of video

stories, while simple product shots have become video clips. A local fashion show or store opening becomes a global event through live-streamed production. Digital innovations, such as virtual trunk shows, which allow runway show viewers to select items for immediate purchase, further immerse consumers in the brand. To extend consumer reach, Burberry works with leading digital media companies to distribute this exciting content across their platforms. The Group has also increased digital marketing investment through greater use of email and online advertising. During the year, the brand deepened engagement with its social media communities – including the proprietary artofthetrench.com – through the addition of dedicated content and more frequent interaction. With almost five million fans (at 31 March), Burberry is the leading luxury brand on Facebook. Burberry has achieved a leadership position within the luxury sector in the digital marketing arena, and will continue to invest substantially in these activities. Referencing these and related initiatives, Fast Company magazine named Burberry to its 2011 list of the world's 50 most innovative companies.

- **Product intensification.** In the product arena, Burberry directed investment to both core and young categories. To drive innovation in the core women's and men's outerwear and large leather goods categories, the design and merchandising teams explored a wider range of exotic and luxury materials, pursued technical innovation and broadened the highest fashion components of the lines. The teams also reoriented development processes around creating distinct monthly product capsules to ensure a continuous flow of new and compelling merchandise to stores. The Group continued to invest in replenishment capability with the goal of constant availability of continuity core product at retail. Looking at young businesses, the childrenswear operations, previously located in Spain, were integrated with the London-based product divisions, with additional resource commitment in design and merchandising. The underdeveloped women's shoe category benefitted from similar resource intensification, as well as assortment expansion and greater space allocation within our store network, where sales growth accelerated in the year.
- **New market investment.** Investment in new markets also accelerated. Burberry launched its Latin America strategy with a dedicated regional management team and headquarters located in São Paulo, Brazil. The team opened stores in Brasilia, São Paulo and Puebla, Mexico during the year. Looking east, the Group further developed its joint operation to capitalise on the rapidly growing consumer economy in India. Burberry now has five stores in this exciting market. Although in the near term these operations incur significant start-up expenses, we expect them to contribute meaningfully to future profit growth. In addition, through franchise partners, the Group entered four new markets in 2010/11, including Egypt and Mongolia.
- **Infrastructure investment.** Reasserting the growth agenda required continued evolution and investment in infrastructure – finance, information technology, human resources, legal. Across the agenda – from disciplined management of replenishment inventory to producing digital events to meeting the structural requirements of new markets – these resources enabled and contributed to growth in the year.

Culture and values

Alongside brand and growth, we continued to invest in our culture. As a team, we look to reinforce a company culture characterised by

- Shared vision for the future of brand and business
- Democratic and meritocratic ethos
- Connected, collaborative style of interaction
- Focus on the Burberry brand as the touchstone against which all activity is measured

These principles relate directly to the brand's core values: to protect, explore and inspire. Investing (both mental and financial resources) in this culture encompasses a broad range of initiatives, from communication activities to compensation structures and other employee benefits to encouraging performance standards – which also extend beyond the organisation to our partners. These uniting cultural forces, along with our passion, emotion and conviction, are as important to Burberry's success as the five strategic themes. Though a commercial enabler, this culture equally defines the type of community we believe in, and the type of company we want to be.

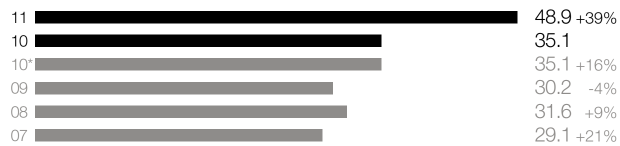
Record financial results
In addition to investing for the future, the team continued to execute, achieving record revenue and profit in the year. Revenue increased 27% to £1,501m. An 11% comparable store sales gain combined with 9% space expansion and a 12% contribution from China to produce 36% retail revenue growth (22% excluding the China acquisition) to £962m. Wholesale revenue increased 17% (26% ex-China) to £441m. Licensing revenue was marginally ahead with the effect of terminated Japan and apparel licences offset by strength across global licences and currency gains. Under the single brand, the Group is a well balanced portfolio of businesses – balanced diversity within each of product, channel and region. With the exception of the Japan licences, all parts of this portfolio performed well in the year. Adjusted operating profit increased 37% to £301m with adjusted retail/wholesale operating profit growing 59% on a 29% revenue gain – achieving an historical high 15.6% adjusted retail/wholesale operating margin. Notwithstanding the substantial investment, the Group ended the year with net cash of £298m.

Looking ahead
In summary, it's been an historic year for the Group, the result of a united effort of employees, suppliers, customers and licensing and franchise partners. We thank this extended team for their commitment and partnership. Turning to 2011/12, although the external environment may be less certain, we look forward with optimism. The brand is well positioned, the strategies are effective, the team is united and the consumer engaged. We will continue to invest to realise the potential of this great brand and business.

Angela Ahrendts, Chief Executive Officer

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

48.9p in 2010/11 **+39%**



2007-2009 and 2010* include the result of the discontinued Spanish operations.
2010 has been represented to exclude the discontinued Spanish operations.

ACHIEVING BALANCE THROUGH EXPERIENCE AND TALENT

A DIVERSIFIED BUSINESS MODEL

Burberry is a global luxury brand with a distinctive British heritage, core outerwear and large leather goods base, and some of the most recognised icons in the world. Burberry designs and sources apparel and accessories, selling through a diversified network of retail, digital, wholesale and licensing channels worldwide.

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

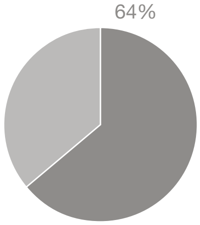
EVOLVING CHANNEL MIX

Burberry sells its products to the end consumer through both retail (including digital commerce) and wholesale channels. For 2010/11, retail accounted for 64% of revenue and wholesale 29%. Burberry also has licensing agreements in Japan and globally, leveraging the local and technical expertise of its licence partners.

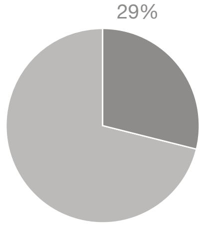
Revenue by channel

Excluding the results of the discontinued Spanish operations. Underlying is calculated at constant exchange rates.

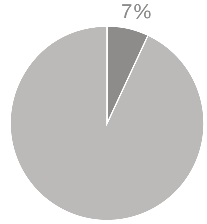
64%



29%



7%



Retail
Includes 174 mainline stores, 199 concessions within department stores and 44 outlets, as well as digital commerce around the world

- 32% underlying growth (20% excluding impact of China acquisition)
- 11% comparable store growth
- Net 26 mainline store openings in the year, including Beijing, São Paulo and Mumbai

Wholesale
Includes sales to department stores, multi-brand specialty accounts and Travel Retail, as well as sales to its franchisees who operate 56 Burberry stores, mainly in Emerging Markets

- 16% underlying growth (25% excluding impact of China acquisition)
- Strength from Asia Pacific and the Americas, particularly Asia Travel Retail and US department stores
- Entered four new markets with franchise partners (Armenia, Egypt, Israel and Mongolia)

Licensing
Includes royalty income received from Burberry's licensees in Japan, its global licensees for fragrance, eyewear and timepieces, and a small European childrenswear licensee

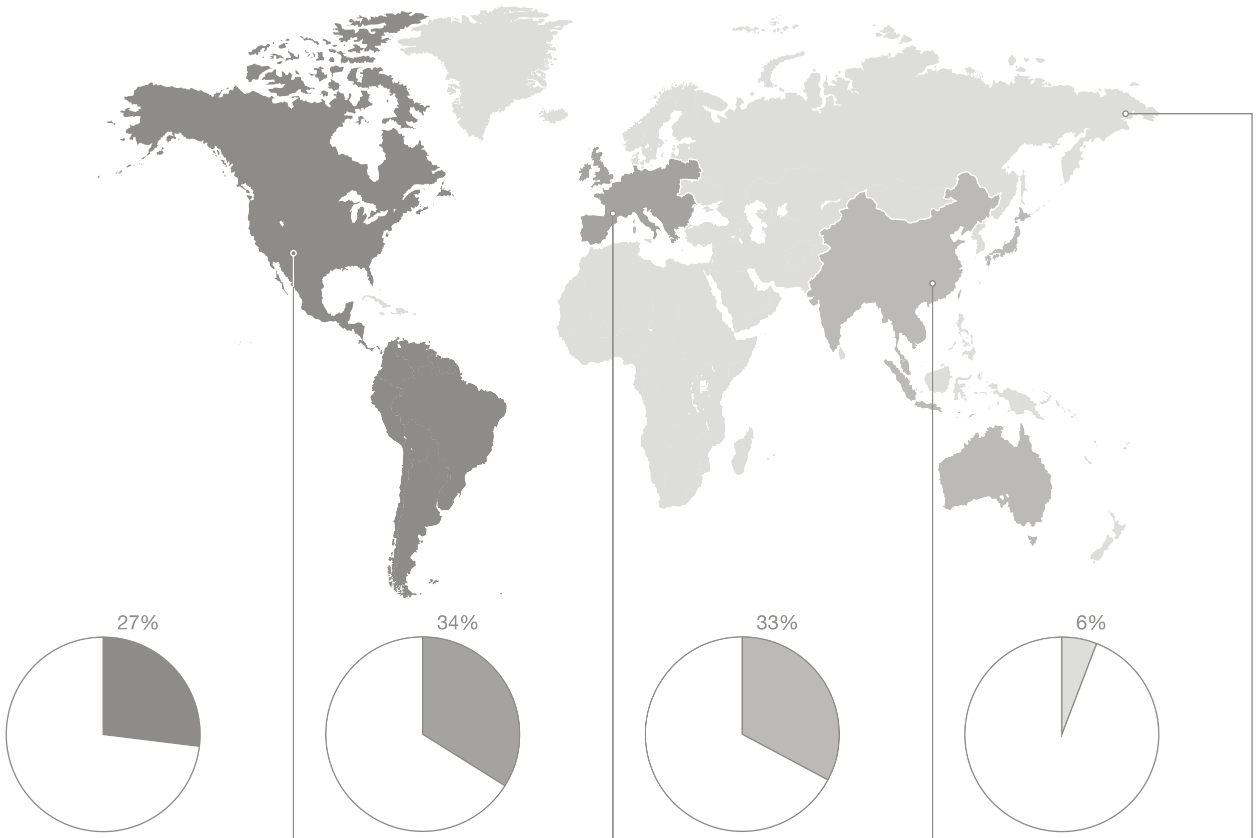
- 4% underlying decline
- Growth in global product licences offset by termination of Japanese leather goods licence in 2010 and the final regional menswear licences
- Greater integration between strategy, product development and digital marketing

BROAD GEOGRAPHIC PORTFOLIO

Burberry operates in four regions: Europe, Asia Pacific, Americas and Rest of World.

Retail and wholesale revenue by destination

Excluding the results of the discontinued Spanish operations. Underlying is calculated at constant exchange rates.



Americas

Includes US, Canada, Central and South America

- Up 16% underlying
- Good progress in US wholesale; expansion of real estate in department stores
- Three store openings in Latin America (Brasilia and São Paulo, Brazil and Puebla, Mexico)

Europe

Excluding the results of the discontinued Spanish operations

- Up 15% underlying
- Double-digit comparable store sales growth; first Brit trial store in Europe opened in Milan
- Continued focus on key department store customers and rationalisation of small, non brand-enhancing speciality accounts in wholesale

Asia Pacific

Includes China and the Japanese non-apparel joint operation

- Up 53% underlying
- China acquisition completed – acquired stores comparable growth about 30% in the second half
- Flagship store opened in Beijing

Rest of World

- Up 43% underlying
- Indian joint operation opened three stores in Delhi, Mumbai and Hyderabad
- Burberry Middle East opened first two department store concessions in Harvey Nichols and Bloomingdales

PRODUCTS

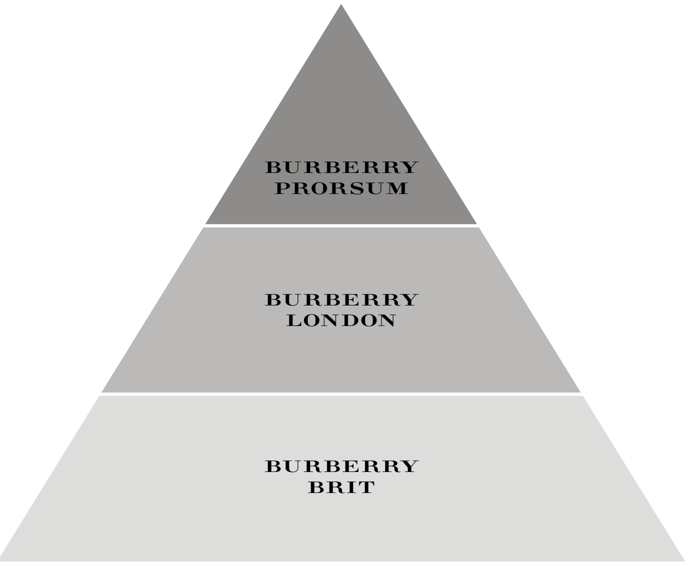
Within the Burberry offering, there is a product hierarchy – each collection with unique branding and a distinct Burberry identity.

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

In the centre of the pyramid is Burberry London – or what a customer wears on weekdays for work (tailored ready to wear).

And at the base of the pyramid is Burberry Brit – what a customer wears on the weekend (casual wear), including Burberry Sport.

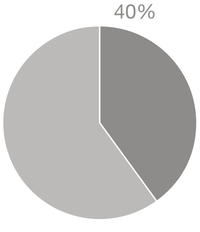
Collections are distinctly designed and merchandised across the pyramid to drive the brand's revenue and profitability. Outerwear and non-apparel span all levels as Burberry continues to innovate and diversify these core categories.



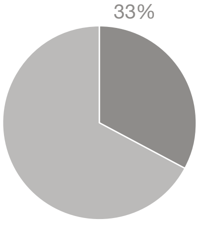
DIVERSIFIED OFFERING

Retail and wholesale revenue by product

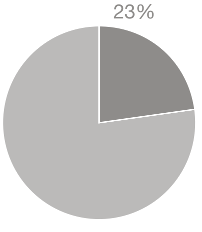
Excluding the results of the discontinued Spanish operations.



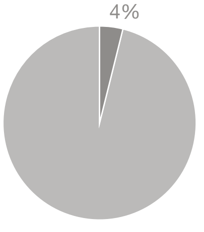
Non-apparel
- Up 32% underlying
- Large leather goods (handbags) about half of revenue
- Small leather goods and scarves outperformed



Womenswear
- Up 21% underlying
- About 60% is outerwear; Prorsum and London collections outperformed
- Growth balanced between continued innovation and replenishment



Menswear
- Up 29% underlying
- About 40% is outerwear; Prorsum and London collections outperformed
- Spring/Summer 2011 the first collection designed entirely in-house



Childrenswear
- Up 23% underlying
- Spring/Summer 2011 first season managed by London-based team
- Foundation built from men's and women's proven strategies


BURB


ERRY

BRAND AND BUSINESS

From its founding in 1856, Burberry has become the leading British luxury brand globally.

The brand is defined by:

- Britishness
- Authentic outerwear heritage
- Historic icons: the trench coat, trademark check and Prorsum knight logo
- Democratic luxury positioning
- Innovation and intuition

The business is driven by:

- Design, marketing and retail-led strategies
- Digital focus and integration
- Channel diversity: retail, digital commerce, wholesale and licensing
- Multi-category competency: non-apparel, womenswear, menswear and childrenswear
- Global reach and balance: across core regions and emerging markets

The culture is distinguished by:

- Core values: to protect, explore and inspire
- Democratic and meritocratic ethos
- Collaboration and connectedness
- Contributing to its communities, including through the Burberry Foundation

Unified and passionate teams are responsible for maintaining the integrity and vitality of this extraordinary brand while continuing to develop a business which remains relevant to ever-evolving markets and consumer tastes. The following pages outline the Group's strategy under each of its five key themes.

OUR STRATEGIC THEMES

- LEVERAGING THE FRANCHISE
- INTENSIFYING NON-APPAREL DEVELOPMENT
- ACCELERATING RETAIL-LED GROWTH
- INVESTING IN UNDER-PENETRATED MARKETS
- PURSUING OPERATIONAL EXCELLENCE


SPRING/SUMMER 2011
BURBERRY BULLETIN

LEVERAGING THE FRANCHISE

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

In 2010/11 Burberry was again included in Interbrand's Top 100 Global Brands; was awarded the 2010 British Graduate 100 Award for 'Where Fashion Graduates Want to Work'; and was recognised as the 13th most innovative company in the world by Fast Company magazine, as well as receiving the Inaugural Innovation Award at the 2010 British Fashion Awards.

Product and marketing excellence underpin this brand momentum. Key highlights in 2010/11 include:

Marketing innovation

- Launched new Burberry.com site
  The rollout of the new Burberry.com website began in the fourth quarter of 2010/11, with the site live in six languages and transactional across 45 countries by the year end. The site, known as Burberry World, is the ultimate expression of the Burberry brand, allowing customers globally – in many cases for the first time – to connect with all its aspects, from heritage, to music and video, to the full product offer. Through the use of dynamic audiovisual content the site becomes a place to engage, entertain and interact, as well as providing the ultimate online luxury shopping experience through a personalised customer service offer that includes the ability to Click to Chat and Click to Call in real time and in 14 languages. The site provides a powerful locus for ongoing efforts to build the Burberry community around the world.
- Extended luxury leadership position in social media
  Engaging with social media is a further critical part of the Group's strategy to connect customers with the Burberry brand. In 2010/11, Burberry further built its leadership position amongst luxury brands on Facebook, ending the year with approaching five million fans, as well as almost 200,000 followers on Twitter and over four million channel views on YouTube. A key milestone in late 2010/11 was the launch of the brand on Chinese social media sites Sina Weibo, Kaixin001, Douban and YouKu, having launched country-specific Twitter accounts in Brazil, Mexico, Japan, Turkey and Korea earlier in the year. The Group's own social media site, artofthetrench.com, continued to inspire people around the world and across generations to share their experiences of the iconic trench coat. By the end of the year, the site had received more than 11 million page views since its launch in November 2009.
- Continued transformation of fashion shows
  Burberry continued to break new ground in the reach and impact of its fashion shows. Previously closed door events for invited guests, the use of livestream technology allowed Burberry to take these key brand moments to an ever-wider audience over the course of the year, culminating with the livestream of the Burberry Spring/Summer 2011 womenswear show, which has been watched by over one million people across more than 180 countries around the world. The introduction of 'retail theatre' technology allowed the livestreaming of shows directly to flagship stores globally, while the development of instant digital commerce purchase capability, supported by supply chain innovation, has allowed customers for the first time to buy directly from the runway for delivery in seven weeks. Further innovations, such as the streaming of the September 2010 womenswear show in 3D to five locations around the world, and the hosting of the Autumn/Winter 2011 womenswear show on the iconic video screens in Piccadilly Circus, London, have continued to broaden reach and awareness.
- Further digitisation of the brand
  Continued investment and an intense focus on infrastructure development meant the Group was able to accelerate the digitisation of the brand. In 2010/11, the Group further bolstered its world-class creative and IT teams to remain at the forefront of innovation and excellence in the creation and distribution of digital assets.

LEVERAGING THE FRANCHISE CONTINUED

Product excellence

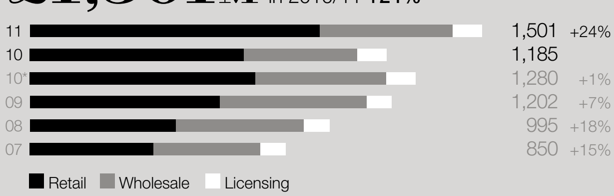
- Key apparel categories outperformance
  Outerwear remains the core of the Burberry apparel business, from timeless iconic pieces to innovative contemporary styles. A key growth driver, outerwear accounted for over half of mainline retail apparel sales in the year. At the top end of the pyramid, fashion outerwear drove outperformance from Prorsum, the runway collection that creates the halo for the entire Burberry brand.
- Integrated menswear
  SS11 saw the launch of the first fully in-house global menswear collection. Historically a licensed business, the Group exited all 11 licences between 2006/07 and 2010/11, enabling the relaunch and repositioning of this category. This first pure collection drove outperformance in menswear during the year, with reported growth of 31%.
- Further built childrenswear
  Building childrenswear remains a key focus for the Group. Childrenswear was formally integrated into the global business in 2010/11, with the division now located in the Group's London headquarters and its product aligned with core design and merchandising strategies.

2010/11 also saw the intensification of ongoing efforts to correct those legacy issues that are inconsistent with the global luxury positioning of the Burberry brand. A key focus of this effort has been to upgrade the brand positioning with wholesale partners. A number of Japanese non-apparel licences were also terminated during the year and the restructuring and transformation of the Spanish business were succesfully completed, with the global collection rolled out across all channels for the first time from SS11.

MEASURING OUR PROGRESS

Total revenue growth (Year to March) – measures the appeal of the brand to consumers, be it through Burberry stores or those of its department store or specialty retail customers.

£1,501m in 2010/11 **+24%**



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

2007-2009 and 2010* include the result of the discontinued Spanish operations. 2010 has been represented to exclude the discontinued Spanish operations.

In 2010/11, Burberry's revenue was £1,501m – a 24% underlying increase on the previous year. China, which transferred from wholesale to retail on 1 September 2010 following the acquisition of the former franchisees' operations, contributed 5% to this underlying growth.


BURBERRY
BURBERRY
BURBERRY

INTENSIFYING NON-APPAREL DEVELOPMENT

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

Non-apparel remains a key driver of growth, contributing 40% of retail/wholesale sales during the year. In 2010/11 it was again the Group's fastest growing product category.

- Large leather goods
  Large leather goods remain the backbone of the Burberry non-apparel business, representing about 50% of revenues in this category.
- Men's accessories
  Men's accessories was amongst the strongest performing categories within non-apparel, albeit from a small base. Strong growth across wholesale and retail channels was driven by a significantly expanded assortment servicing increased demand. Consistent global growth in this category was complemented by a particularly strong performance in certain markets such as China, where the predominantly male luxury consumer responded very positively to the accessories offer.
- Shoes
  Women's shoes represent an important growth opportunity for Burberry, reaching 7% of mainline sales in 2010/11. Boots, a natural complement to the Burberry outerwear offer, performed particularly strongly.

MEASURING OUR PROGRESS

Growth in non-apparel revenue (Year to March) – measures the success of Burberry's initiatives to expand in this category, which includes handbags, small leather goods, scarves, shoes, belts and jewellery.

£563M in 2010/11 **+32%**

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

2007-2009 and 2010* include the result of the discontinued Spanish operations. 2010 has been represented to exclude the discontinued Spanish operations.

In 2010/11, non-apparel revenue increased by 32% underlying compared to 24% for Burberry as a whole. Non-apparel accounted for 40% of retail/wholesale revenue, compared to 38% last year. Handbags are core to non-apparel, representing about half of revenue.

Licensing

- Beauty
  In June 2010, the Group launched its first cosmetics line, Burberry Beauty, with its fragrance licensee Interparfums. Reinforcing the brand's core trench and outerwear heritage through its focus on natural, effortless beauty, Burberry Beauty was first introduced as a test format through a limited number of wholesale partners globally and later directly to customers on burberry.com. Supported by digital assets and used in all Burberry advertising campaigns and runway shows, Burberry Beauty is enjoying a strong early response from consumers and press as it approaches its first anniversary.
- Global licences
  Burberry has three global licensing agreements: fragrance (Interparfums), timepieces (Fossil) and eyewear (Luxottica). During the year, Burberry strengthened its organisation to manage these relationships more intensively, more closely aligning strategies to unlock the potential of licensed products in line with owned categories.

ACCELERATING RETAIL-LED GROWTH

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

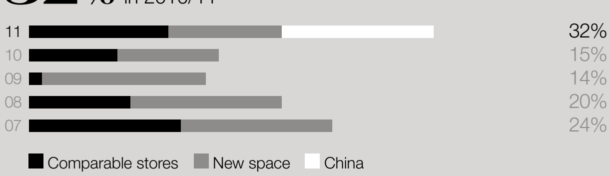
2010/11 saw strong progress in building the brand's retail presence globally.

- Retail expansion and optimisation
  A record number of new Burberry stores opened around the world in 2010/11. A net 26 mainline stores were opened during the year, including a new flagship in Beijing, while a net 34 concessions were added. In line with the Group's flagship cluster strategy, half of the new stores were opened in existing high profile markets, while store renovations included major upgrades in Boston and Las Vegas.
- Digital integration
  2010/11 saw investment in in-store Retail Theatre technology to connect and leverage innovative content across all platforms. This technology enabled Burberry to synchronise completely consistent messages to customers across all mediums for the first time, and offered an unrivalled audiovisual experience for customers in stores. iPads were also introduced to selected stores globally, allowing access to increased inventory through Burberry World.
- Productivity gains
  A continued focus on driving store productivity led to the achievement of 11% comparable store sales growth in the year. Average unit retail prices rose in the period, while product flow and replenishment capability improved. The Group's ongoing investment in customer service standards was a key driver in improving productivity, evolving to cover customer interactions across all channels to deliver a consistently high quality experience. A global Customer Service team was established during the year to offer 24/7 tailored support to customers in 14 languages, by telephone, email and through the new Click to Call and Click to Chat functions on Burberry World. Client Services, which provides a personalised luxury service to the Group's most important clients, expanded to 30 locations across the world, and the Burberry Experience sales and service programme was successfully extended from the Americas, Asia and Europe to Emerging Markets including China.
- New concept tests
  The Brit store concept was rolled out further in 2010/11, following the opening of the first test store in New York in late 2009. Five new stores showcasing this casual, contemporary expression of the Burberry brand were opened over the course of the year, including the first outside the US in Milan.

MEASURING OUR PROGRESS

Growth in retail revenue (Year to March) – includes comparable store sales growth (measuring growth in productivity of existing stores), plus revenue from new space.

32% in 2010/11

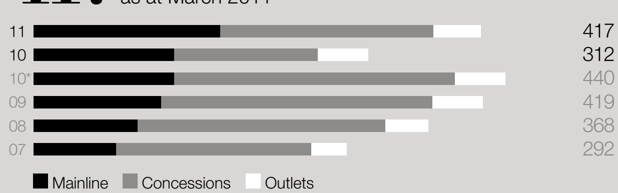


Growth rate is year-on-year underlying change i.e. at constant exchange rates. Comparable store sales growth is defined as the annual percentage increase in sales from stores that have been opened for more than 12 months, adjusted for closures and refurbishments.

Total retail sales increased by 32% underlying in the year. Comparable store revenue growth increased by 11% (H1: 9%; H2: 13%), average selling prices increased again in mainline stores and traffic benefited from digital marketing initiatives. The transfer of China revenue from wholesale to retail from 1 September 2010 following the acquisition of the franchisees' operations contributed 12%, with the balance from new space.

Number of stores (As at March) – measures the reach of Burberry directly-operated stores around the world.

417 as at March 2011



2007-2009 and 2010* include the stores of the discontinued Spanish operations. 2010 has been represented to exclude the discontinued Spanish operations.

Excluding the discontinued business in Spain, the number of stores directly operated by Burberry increased by 105 in 2010/11. These included a net 26 new mainline stores, a net 34 new concessions around the world (including 20 concessions in Spain opened in Q4 to sell the global collection) as well as the acquisition of 50 stores in China.

INVESTING IN UNDER-PENETRATED MARKETS

Focus on and invest in under-penetrated markets. For Burberry, these consist of both developed markets like the United States and emerging markets including China, India and the Middle East. All distribution channels and a variety of business models are used to optimise these opportunities.

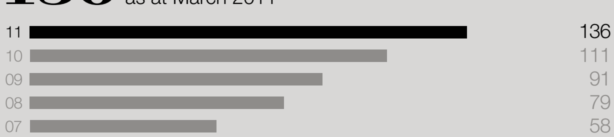
Key highlights in 2010/11 include:

- China acquisition
  The acquisition of the Burberry business in China was a clear highlight of the year. In September 2010, for about £65m, the Group acquired 50 stores across 30 cities, which had previously been operated by its Hong Kong based franchisee. This acquisition gives the Group control of the Burberry brand in the fastest-growing luxury market in the world. Ten new stores have already been opened since the acquisition, including the brand's most digitally-advanced flagship in the world in Beijing. Merchandising and inventory initiatives have successfully driven productivity in existing stores, with comparative store sales up about 30% in the second half of the year.
- Extended presence in Latin America, India and new markets
  Following the establishment of a joint operation in India and the establishment of regional offices in São Paulo and Dubai in 2009/10, the Group continued to extend the Burberry presence in these high growth markets. A major brand event in Mumbai in December 2010 marked the opening of the brand's fifth store in India, with related PR and marketing activity introducing the brand to this young, digitally-aware customer base. In Latin America, the Group opened its first store in the key city of São Paulo, and now has three stores operating in Latin America. A total of 25 stores were opened in Emerging Markets over the course of 2010/11. Through franchise partners, the first Burberry stores were opened in Armenia, Egypt, Israel and Mongolia during the year.
- Building wholesale
  The Group continued to invest in its wholesale presence globally, building separate London, Brit and childrenswear corners in department stores, exiting generic outerwear departments and adding real estate for menswear. A focus on building in-season replenishment capability supported growth. 2010/11 also saw a continued focus on building the Burberry Travel Retail business.

MEASURING OUR PROGRESS

Number of stores in Emerging Markets (As at March) – measures the reach of the Burberry brand in these high potential countries.

136 as at March 2011



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

Burberry added a net 25 stores in Emerging Markets, of which a net seven stores were in China, five in the Middle East and three each in India and Latin America. Of the 136 stores, 80 are directly operated, of which 57 are in China, three in Latin America, 15 in the Burberry Middle East joint operation and five in the Burberry India joint operation.

PURSUING OPERATIONAL EXCELLENCE

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

A continued focus on, and investment in, operational excellence has driven improvements across all business functions, and has been a key enabler for front-end innovation.

- Enhanced capabilities
  Reinforcing and refining core back-end disciplines was a central focus again in 2010/11, specifically in replenishment, planning, logistics and sourcing. Replenishment practices were enhanced across all product categories, resulting in a nearly 50% contribution of replenishment styles to mainline sales over the year. Enhancing planning capabilities enabled better execution and inventory management and 2010/11 also saw the development of a global pricing architecture. Improvements in sourcing drove savings during the year and quality programmes were introduced to factories and distribution centres globally. Logistics enhancements enabled the execution of monthly deliveries and fulfilment of in-season reorders.
- Introduced monthly flow
  In 2010/11 the Group began to execute a synchronised monthly flow of new product and floorsets across its physical and virtual real estate, featured in tailored digital assets. Requiring a co-ordinated and integrated approach across the business, from Design, to Merchandising, to Buying and Retail, this new approach introduces a refreshed offer each month, while providing a strong platform from which to connect customers more regularly with the Burberry brand.
- Continued SAP implementation
  The Group took further steps towards the completion of its implementation of SAP, with 80% of stores covered by the end of the year and the incorporation of China and Burberry Middle East scheduled for 2011/12. In addition, between April and November 2010, Burberry successfully implemented a new, single SAP HR database for the employee records of 6,500 employees in 25 countries across Europe, the Americas and Asia. This is allowing the Group to align its global HR processes and structures, and is providing global visibility for the first time.
- Prioritised organisational effectiveness
  Closer collaborative relationships within the business have been critical to the successful development and implementation of Group initiatives. Further senior level governance structures have been established during the year to leverage operating best practice globally and to co ordinate all capital investments. For example, IT has become an integral partner to key marketing and retail initiatives including Burberry World and Retail Theatre, while supply chain innovation has been a key enabler in allowing customers to purchase directly from the runway. The foundation was also set during the year for the establishment of a global shared services team to drive efficiencies and enhance financial control across the business, while global strategy teams have been established to build detailed medium to long-term views for all regions. Externally, partnership working continues to bring benefits in key areas such as corporate responsibility. Burberry joined the Ethical Trading Initiative during the year, making it the first luxury brand to do so.

MEASURING OUR PROGRESS

Retail/wholesale gross margin (Year to March) – measures, among other things, how efficiently Burberry sources its products.

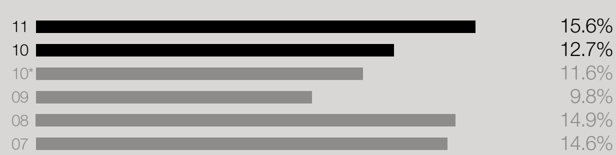
64.9% in 2010/11

2007-2009 and 2010* include the result of the discontinued Spanish operations. 2010 has been represented to exclude the discontinued Spanish operations.

Gross margin in retail/wholesale increased by 390 basis points to 64.9% in 2010/11 compared to the 61.0% margin the prior year (excluding the discontinued Spanish operations) due to the shift from wholesale to retail and increased replenishment.

Adjusted retail/wholesale operating profit margin (Year to March) – measures how Burberry's initiatives and its investment to improve its business processes, including sourcing, IT and logistics are impacting its profit margin.

15.6% in 2010/11



Adjusted operating profit margin is stated before exceptional items.

2007-2009 and 2010* include the result of the discontinued Spanish operations. 2010 has been represented to exclude the discontinued Spanish operations.

Burberry's adjusted retail/wholesale operating profit margin increased from 12.7% in 2009/10 (excluding the discontinued Spanish operations) to 15.6%. Regional cost leverage was achieved despite the shift from wholesale to retail and investment in new ventures.

GROUP FINANCIAL HIGHLIGHTS

+27% **Revenue of £1,501m, up 27%**
(2010: £1,185m)

27.9% **Tax rate on adjusted profit before tax of 27.9%**
(2010: 27.4%)

15.6% **Adjusted retail/wholesale operating margin at record level of 15.6%**
(2010: 12.7%)

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

+39% **Adjusted profit before tax of £297.9m up 39%**
(2010: £214.8m)

+43% **Full year dividend per share up 43% to 20.0p**
(2010: 14.0p)

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

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

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

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

~ EPS is calculated on a diluted basis.

Revenue by channel

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

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

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

Retail

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

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

Comparable store sales in the year increased by 11% (H1: 9%; H2: 13%), with mainline stores significantly outperforming in line with the strategy. In mainline stores, average selling prices increased again, largely reflecting mix (greater penetration of Burberry Prorsum and London with continued outperformance from outerwear) and improved full price sell-through. Traffic benefited from digital marketing initiatives and the introduction in the second half of the year of monthly flow of products, offering newness for consumers. Replenishment styles accounted for nearly half of mainline revenue – up by nearly 10 percentage points in the last year.

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

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

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

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

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

Wholesale

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

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

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

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

Licensing

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

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

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

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

Burberry continues to evaluate integration opportunities in licensing.

Adjusted operating profit

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

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

Retail/wholesale adjusted operating profit

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

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

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

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

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

Licensing operating profit

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

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

Exceptional items

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

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

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

Taxation

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

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

Discontinued operations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

For FY2011/12, Burberry expects to deliver a modest improvement in operating margin. However, with investment weighted to the first half, operating margin in the six months to September 2011 is currently expected to be lower than in the same period last year.

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

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

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

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

Store portfolio

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

* Excluding concessions in Spain.

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

~ Transfers are the 50 acquired Chinese stores.

Store portfolio by region

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

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

Three franchise stores in the Americas are in Mexico.

Sales to franchise stores reported in wholesale revenue.

PRINCIPAL RISKS

Effective management of risks is essential to the delivery of the Group's objectives, the achievement of sustainable shareholder value, the protection of its reputation and meeting corporate governance requirements.

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

The Board has overall responsibility for ensuring that risks are effectively managed by the Group. The Board has delegated to the Audit Committee responsibility for reviewing the effectiveness of the Group's system of internal control and risk management methodology. Risks are formally reviewed by the Group Risk Committee which meets at least three times a year. Key business risks are also considered as part of the Group's strategy development and ongoing business review processes. The risk assessment process has been enhanced during the financial year incorporating best practice identified during a benchmarking review. Please refer to the Corporate Governance section for further details of the Group's risk management processes and internal controls.

Risk	Impact	Mitigation
Loss of key management or the inability to attract and retain key employees.	The loss of key individuals or the inability to recruit and retain individuals with the relevant talent and experience would adversely impact the Group's ability to deliver its strategies.	Competitive incentive arrangements exist, with specific initiatives in place designed to retain key individuals. Recruitment is ongoing and talent review and succession planning programmes are in place.
The Group's operations depend on IT systems and operational infrastructure in order to trade efficiently. Increasingly technology is also being used to stream major events and to communicate through social media.	A failure in these systems or a denial of service could have a significant impact on the Group's operations and reputation, and potentially result in the loss of sensitive information. Negative social media campaigns could impact on the Group's reputation.	A number of controls to maintain the integrity and efficiency of the Group's IT systems are in place, including recovery plans which would be implemented in the event of a major failure. IT security is continually reviewed and updated.
Major incidents such as natural catastrophes, global pandemics or terrorist attacks affecting one or more of the Group's key locations could significantly impact its operations.	A major incident at a key location would significantly impact business operations, the impact clearly varying depending on the location and its nature. The impact of the loss of a distribution hub would clearly differ from a global pandemic, but both would impact revenue and profits.	Business continuity plans are in place to mitigate operational risks, but cannot ensure the uninterrupted operation of the business, particularly in the short term. The regional spread of the Group's three key distribution hubs also helps to mitigate risk. There is a Group incident management framework in place that addresses the reporting and management of major incidents.

Risk	Impact	Mitigation
The Group operates in a number of emerging markets which are typically more volatile than developed markets, and are subject to changing economic, regulatory, social and political developments that are beyond the Group's control. Infrastructure and services also tend to be less developed.	Seizure of assets or staff. Related party business practice that is inconsistent with the Group's ethical standards and the UK regulatory environment. Increased operational costs due to country specific processes driven by the regulatory environment.	The Group uses the services of professional consultants to advise on legal and regulatory issues when entering new markets, to undertake due diligence and to monitor ongoing developments. The Group has strengthened the teams responsible for its emerging markets operations and works with franchisees or joint operation partners who compensate for its relative lack of experience in a number of these markets.
Failure by the Group or associated third parties to act in accordance with ethical standards.	A failure to act appropriately could result in penalties, adverse press coverage and reputational damage with a resulting drop in sales and profit.	A number of initiatives are in place, led by the Corporate Responsibility Committee which reports in to the Group Risk Committee. These include undertaking ethical visits and joining the Ethical Trading Initiative, further details of which are set out in the Corporate Responsibility report.
The Group's operations are subject to a broad spectrum of regulatory environments with which it needs to comply. The pace of change and the consistency of application of legislation vary significantly in the countries in which the Group operates, particularly in an environment where public sector debt is often high and tax revenues are falling.	Failure to comply could leave the Group open to civil and/or criminal legal challenge, significant penalties and reputational damage.	The Group continually monitors and improves processes to gain assurance that its licensees, suppliers, franchisees, distributors and agents comply with its terms and conditions and relevant local legislation and good practice. Specialist teams at Group and regional level, supported by third-party specialists where required are responsible for ensuring employees are aware of regulations relevant to their roles. A number of assurance processes are in place to monitor compliance.
Over-reliance on key supply chain vendors.	The Group relies on a small number of vendors in key product categories, and for specialist digital and IT services. Failure of one of these businesses to deliver products or services would have a significant impact on business operations.	The Group continues to strengthen its supply chain management team to enable it to evolve and develop its manufacturing base to reduce the dependency on key vendors. The Group has strengthened its internal digital and IT teams during the year and continues to facilitate knowledge transfer to internal resources. Annual financial checks are carried out on all key vendors.
The significant growth within the business puts pressure on resources and the supply chain.	Failure to effectively manage the pace of change will inevitably adversely impact the Group's operations and return on investment.	Governance processes are in place for each major strategic initiative and these are supplemented by monthly meetings with senior management to review operational performance. Management and operational structures are continually reviewed to ensure that these support the Group's growth. The Group closely manages key supplier relationships, which includes the monitoring of financial and non-financial performance.

Risk	Impact	Mitigation
A substantial proportion of Group profits is reliant upon its licensed business in Japan and other key licensed product categories.	The Group expects licensees to maintain operational and financial control over their businesses. Should licensees fail to manage their operations effectively or be affected by a major incident, the royalty income may decline directly impacting the profits of the Group.	To minimise risks in Japan the Group has established its own operations in Tokyo, and there are minimum royalty payments specified in its licence agreements, including the apparel licence with Sanyo Shokai and Mitsui & Company. Under its licence agreements, the Group can control product development, marketing and distribution. Regular licensee royalty reviews take place to monitor compliance with licence terms, which can manage but not eliminate non-compliance.
Economic downturn.	The Group's performance remains strong; however, reduced consumer wealth driven by adverse economic conditions could lead to a reduction in demand, disrupt its supply chain or lead to an increase in bad debts, all of which would impact sales and profitability.	The global reach of Burberry helps mitigate local economic risks. In addition, the Group's financial reporting and review processes would highlight any ongoing drop in demand. Counterparty credit checks are in place for all key customers and suppliers, and flexible payment terms are used to assist suppliers as required.
Unauthorised use of the Group's trademarks and other proprietary rights.	Trademarks and other intellectual property (IP) rights are fundamentally important to the Group's reputation, success and competitive position. Unauthorised use of these, as well as the distribution of counterfeit products, damages the Burberry brand image and profits.	The Group's global IP team has been expanded during the year to increase cover in emerging markets. Where infringements are identified (often in partnerships with other luxury brands and retailers) these are addressed through a mixture of criminal and civil legal action and negotiated settlement. IP rights are largely driven by national law and the Group cannot necessarily be as effective in all jurisdictions in addressing IP issues.
Inability to absorb commodity price increases.	The Group's ability to produce products and deliver them on time depends on the availability and price of commodities, which fluctuate according to global economic conditions, weather patterns, civil unrest and natural disasters. Failure to obtain adequate supplies, or supplies at the right time, will impact gross margin and profit.	The Group's agreements with suppliers are negotiated by its global sourcing teams in advance.
Anticipated benefits of acquisitions and joint operations may not be realised.	The Group's acquisitions, strategic alliances and joint operations may not yield the financial outcomes expected, and can therefore impact sales, profitability and the return on investment.	In addition to rigorous due diligence processes for acquisitions, using both in-house experts and professional advisers, post acquisition reviews are also undertaken to ensure the business is performing in line with acquisition business plans.

BURBERRY
SPORT
BURBERRY
SPORT

EXCELLENCE IN PEOPLE

Seizing the energy of our brand and the passion of our people, we lead the evolution of an agile, connected Burberry, creating the talent of today and tomorrow.

Burberry is part of an extended community made up of both employees and external partners, with the twin aims of being a great brand, as well as a great company to work for and do business with.

Evolving the organisation, across regions and functions, is a natural part of the business and has become second nature. This year we have established a number of cross-functional strategic decision councils that enable us to stay closely connected and make timely decisions about business priorities that support our five key business strategies. Each strategic council is chaired and co-chaired by a member of the Executive Strategic Council and individuals from cross-sections of the business are invited to connect and collaborate based on their expertise. Examples of these councils include a Strategic Customer Council, Strategic Innovation Council and Strategic Responsibility Council.

A more robust process to identify talent and potential was also implemented during the year, to feed effective succession and workforce planning, and elevate our existing Leadership Development programme and bi-annual Talent Reviews. Every employee in the company is now eligible to participate in the Group's freeshare plans and is in a performance based incentive scheme.

Diversity
A commitment to diversity remains one of our principal values. Our diverse employee population continues to enrich and strengthen our company culture, driving our success as a luxury brand.

After continued expansion into emerging markets and the opening of new regional head office locations in Asia and the Middle East, our global workforce continues to diversify and grow. Burberry now employs nationals of 95 countries across all continents.

We continuously open our doors to new and developing talent and we are focused in providing opportunities for employees across the organisation to realise their full potential.

We are committed to promoting gender equality and equal opportunities at every level of the organisation. Our global management team is evenly split by gender. In the 2010 Opportunity Now Awards, Burberry was awarded the 'Female FTSE 100 Award' which is presented to the UK business with the most women on its board. This was in addition to receiving the 'FTSE Executive Women Award' which is given to the UK business that employs the most female executives as listed in the FTSE 100 index.

Health, safety and wellbeing
Burberry is committed to providing a safe and healthy working environment for its employees, customers and third party contractors. Burberry uses a third party to undertake audits at its locations throughout the world. The audit framework requires stores and offices to be audited at least once every three years, and distribution centres or manufacturing sites annually. A governance framework is in place to ensure audit recommendations are addressed in appropriate timeframes, and ultimate ownership sits with the Global Health & Safety Committee, which is chaired by a Board member.

Burberry launched a wellbeing programme in 2010/2011, which was designed to encourage staff to lead healthier lifestyles. Research identified that staff had found that the programme had increased their awareness of how to live a healthier lifestyle, and reduced the amount of sick leave. In the UK this reduced dramatically to 0.8% days per employee compared to the 2010 Chartered Institute of Personnel and Development retail and wholesale rate of 2.6%.

The multi-channel customer experience

In response to an increasingly multi-channel customer, the Burberry Experience sales and service programme has evolved to cover all customer interactions across all channels – in-store, online, and by phone-to-deliver an exceptional, consistent and differentiated service.

In store, the roll out of the Burberry Experience began in Emerging Markets and China, after previous successful implementation in the Americas, Asia and Europe. Consistent sales and service training is now provided across all stores globally. The programme continues to evolve in order to enhance further the customer experience, and the first in-store pilots of multi-channel digital initiatives have been completed.

Service standards have been developed and evolved through guidelines and policies that ensure all customer-facing channels offer an elevated and globally consistent service. The implementation of global repair centres and an International Return Policy have enhanced the after sale service, ensuring a personalised experience at every interaction with the brand.

There has been investment in improving customer service contact and this year a global in-house Customer Service team has been established. This team provides 24/7 support to customers in 14 languages. They engage with customers by phone, email and through ‘Click to Chat’ and ‘Click to Call’ on burberry.com.

Client Services, which provides a personalised luxury service to Burberry VICs (Very Important Clients) worldwide, continues to expand across all regions and to reinforce customer loyalty globally. Specialist Client Services Consultants are now available in 30 flagship locations across the world, speaking 20 languages. VICs also have access to Client Service Consultants online and by phone to enhance the luxury experience.

Underpinning these activities has been an initial focus on the analysis of cross-channel business activity, generating customer insight to increase retail productivity.

OPERATING RESPONSIBLY

Since its foundation in 1856, Burberry has sought to achieve the very highest quality standards. Corporate Responsibility is at the heart of Burberry business practices, reinforcing the heritage and authenticity of the brand.

Burberry believes that to be a great brand you also need to be a great company. This belief is reflected in its continued pursuit of improved Corporate Responsibility (CR) performance; its tackling of issues related to climate change; and efforts to inspire employees on issues of ethical trade, environmental sustainability and community investment.

Burberry is a member of the UN Global Compact and uses the Compact's Ten Principles to guide its CR activities. The company is also listed on the FTSE4Good Index, achieved the Carbon Trust Standard and is an active member of both the Ethical Trading Initiative and Business for Social Responsibility.

The following sections outline Burberry's approach to tackling important social and environmental challenges, including some key achievements in 2010/11.

Overall highlights of the year

- Increased the number of factories with worker hotlines by 54% to a total of 33
- Joined the Ethical Trading Initiative – the first luxury brand to do so
- Launched a Sustainability Digital Film to employees globally to raise awareness of corporate sustainability initiatives
- Committed to increase the proportion of the Group's UK electricity purchased from combined heat and power sources from 29% to 100% to drive demand for renewables in the UK
- The Burberry Foundation distributed over 2,500 iconic trench coats to partner charities in London, New York City, Hong Kong and Seoul, all working with disadvantaged youth

CR governance

Michael Mahony, Senior Vice President Commercial Affairs & General Counsel, is accountable for CR matters on behalf of Burberry and the Board. He chairs the CR Committee, which formally reports to the Group Risk Committee. The CR Committee held three meetings during the year.

Two supplementary committees, the Global Sustainability Committee and Supply Chain Risk Committee met three times respectively.

In 2010/11 the Group strengthened its CR team to a total of 16 members globally.

Ethical supply chain

Burberry believes that its products should be made only in factories that comply with local labour and environmental laws and by workers who work fair but not excessive hours, are provided with a safe, hygienic work environment, and who can exercise their right to freedom of association as well as collective bargaining. The majority of Burberry products are manufactured in Europe through third party suppliers.

All Burberry suppliers are governed by the Group's Ethical Trading Policy, which sets clear expectations regarding the management of labour standards. Four new policies were added to this during the year, covering Bribery and Corruption, Foreign Contract Labour, Unauthorised Sub-Contracting and Animal Welfare.

Ten Burberry team members are charged with ensuring the implementation of the policy throughout the supply chain as their sole responsibility, working in partnership with third-party auditors and NGOs as appropriate to approve and assess the activities of suppliers. The team conducted over 700 audits, capacity building and hotline interventions in 2010/11. To complement its auditing programme, Burberry has trained workers in confidential worker hotline services in select factories to provide an effective whistle-blowing mechanism and counselling service.

To achieve long-term improvements in labour conditions, Burberry provides support and resources to suppliers to empower them to take responsibility for their factory and subcontractor conditions. The CR team delivers supplier training covering the Group's ethical trading expectations, management systems and counsel on transparency and standards for subcontractors.

Stakeholder engagement

Burberry understands that it cannot solve supply chain labour issues alone and maintains an open dialogue with suppliers, other brands, NGOs and trade unions to bring collective action to bear across the supply chain.

To increase engagement with ethical trade stakeholders, Burberry joined the Ethical Trading Initiative (ETI) in June 2010. The ETI is a tripartite alliance of companies, trade unions and voluntary organisations that work collaboratively to improve the lives of workers worldwide.

The work of the Business for Social Responsibility Sustainable Luxury Working Group, of which Burberry was a founding member, also continued this year, focusing on animal welfare guidelines and the exotic skins supply chain. As a result, the release of a common Animal Welfare Policy by the Group was communicated to Burberry suppliers, detailing its high expectations in respect of welfare standards.

Burberry is also a member of the Leather Working Group, supporting its efforts to improve transparency in the leather industry.

Fur
As a luxury brand with a strong outerwear heritage, there will be occasions where Burberry design teams or consumer tastes expect the use of natural hides in Burberry collections.

Burberry will not use fur if there is any concern that it has been produced using the unacceptable treatment of animals. Burberry safeguards the correct ethical standards and traceability in all fur sourcing. Specifically, it sources fur from furriers who want to uphold high standards of ethical treatment of animals and who share its concerns about animal welfare. Burberry publicly supported the Truth In Fur Labelling Act in the US in 2010.

Sandblasting
Burberry does not utilise sandblasting on any of its products manufactured by or on behalf of the Group. Burberry requires its suppliers to use hand brushing to distress denim products, and use all appropriate Personal Protective Equipment to ensure that workers' health is protected during the process.

Audits, training programmes, factory management follow-up visits and hotline programmes (Year to March)

721

Environmental sustainability
Burberry is committed to finding innovative ways to minimise environmental impacts from the production, distribution and sales of its products, and to reducing its environmental footprint throughout its global operations.

In order to embed sustainability further this year Burberry strengthened its Global Sustainability Committee to include representatives from a wider variety of functions within the business. The members are designated Sustainability Leaders, responsible for embedding sustainable business practices throughout the Group's operations. In support of the Sustainability Leaders' work, Burberry engaged all employees globally via targeted digital communications encouraging them to continue to inspire and challenge each other towards new ways of operating.

2010/11 environmental performance results
Carbon Trust:
- In April 2010, Burberry was awarded the Carbon Trust Standard for its UK operations

Energy:
- Solar panels are being installed at the distribution centre in Vineland, USA to utilise the energy produced to power the centre
- Inductive motor optimisation panels were trialled in all UK manufacturing sites to reduce energy consumption

Business travel:
- Due in part to executing the Group's under-penetrated markets strategy, air travel for UK employees increased by 52% per £1,000 of turnover

Waste:
- There was a renewed focus on diverting waste from landfill. In Horseferry House there was a 54% increase in waste recycled during the year
- The closed loop textile recycling system launched in the UK last year has been expanded to Europe. Since April 2010, Burberry's recycling partner has converted over 130 tonnes of sample and raw material waste into car door insulation

Logistics transport emissions:
- An unprecedented rise in sales coupled with the shift from seasonal to monthly deliveries impacted the Group's ability to ship goods by sea. To address this, a number of key initiatives have been introduced, including centralised logistics decision making, shortening of critical path and increasing strategic raw materials pre-buys in order to accommodate sea transportation lead times.

Performance disclosure
Burberry makes annual disclosures to the Carbon Disclosure Project and Forest Footprint Disclosure.

Global building energy CO_2 (Year to March)
(CO_2 kg per £1,000 of turnover)
(Data excludes discontinued Spanish operations)

20.4 CO_2

Burberry acquired its Chinese operations with effect from 1 September 2010. (On a like-for-like basis, excluding both the discontinued operations in Spain and acquired business. In China in 2010/11, our CO_2 emissions per £1,000 turnover were 20.5 CO_2). Restatement of 2008 and 2009 data to include sites in Asia and Emerging Markets.

Primary transport shipped by sea (%) (Year to March)
(Based on a sea vs. air freight comparison; road data has been excluded)

12%

Air travel CO_2 (Year to March)
(CO_2 kg per £1,000 of turnover, based on UK Employees)

3.0 CO_2

Community investment
Investing and engaging in the communities where Burberry operates remains a key element of the Burberry CR strategy. In 2010/11, Burberry dedicated a total of £3m, or 1% of profits before tax, to charitable causes around the globe, a twofold increase on 2009/10. The majority of this giving was a donation to the Burberry Foundation.

Burberry Foundation
The establishment of the Burberry Foundation in 2008 (UK registered charity number 1123102) marked the creation of a strategic philanthropic platform, which enabled the Company to refine, focus and accelerate its community engagement efforts.

The Foundation's mission is an embodiment of company founder Thomas Burberry's core values: to protect, explore and inspire. Specifically, it is dedicated to helping disadvantaged young people to realise their dreams and potential through the power of their creativity.

The Burberry Foundation supports innovative organisations and programmes that leverage Burberry assets, combining financial support with the knowledge, creativity and dedication of Burberry employees.

The Foundation receives donations from Burberry and other benefactors, which enable it to award strategic grants and make targeted donations of in-kind gifts. In 2010/11, the Foundation received £2.3m in cash and more than £260,000 in-kind donations from Burberry. This enabled the Foundation to support thousands of young people in Boston, Chicago, Hong Kong, London, Los Angeles, New York, San Francisco and Seoul, via key partnerships with 17 charity organisations.

Employee engagement
As part of the Company's employee engagement programme, Burberry employees are encouraged to dedicate up to four hours of paid leave per month in support of the Foundation's charity partners. Employees provide critical one-off assistance to hundreds of young people, as well as long-term support via one-on-one mentoring and weekly help with school homework.

In 2010/11 over 25% of employees located in cities where the Foundation is active offered their personal talents and business skills to help disadvantaged young people work towards realising their full potential. In total, over 3,700 hours or 490 working days were dedicated to volunteering.

A significant proportion of employee engagement efforts are dedicated to increasing the employability of disadvantaged young people in London, New York City and Hong Kong. Over the past three years, 126 young people were brought into corporate offices and retail stores for job training and hands on work experience, ranging from two to ten weeks. Beginning with a week of intensive training designed and delivered by Burberry volunteers, the entire experience provides participants with the opportunity to explore their own creativity and talents whilst developing the skills and confidence needed to succeed in today's complex business world.

Successful programme graduates receive an iconic Burberry coat to further boost their confidence as they look to enter the job market armed with new skills and experiences. This year alone, more than 200 employees dedicated over 1,500 hours to help change the lives of 65 young people through the job training programme.

In-kind donations
Burberry regularly donates products to the Burberry Foundation for strategic distribution through partner charities. Donations range from one-off gifts of non-trademark fabric and materials for art and design courses, to a large scale annual Christmas Coat Donation programme.

In 2010/11, a record number of coats were distributed in London, New York City, Hong Kong, and Seoul, to charities working with disadvantaged young people to help them access employment or re-enter education. 31 organisations matched the coats with recipients for size and need, with testimonials from recipients confirming that, far from being just a gift of warmth, a Burberry coat is a gift of confidence and inspiration that will last for years to come.

Corporate donations
An ongoing part of doing business is to selectively support customer and supplier related events and charitable causes. Each regional office has a discretionary charity budget which is managed and approved locally.

Disaster relief
Burberry supported relief efforts following two catastrophic events this past year. In support of relief efforts after devastating flooding in Pakistan, Burberry contributed to the Disasters Emergency Committee, an umbrella organisation for 13 humanitarian aid agencies. In response to the earthquake and tsunami in Japan in March, Burberry and its employees contributed to Save the Children and British Red Cross to assist with relief and reconstruction efforts.

Community donations (£m) (Year to March)
Direct donations are contributions made by the Company. Indirect donations are donations from third parties that have been facilitated by Burberry.

£3.1M

Back row: Stephanie George, Philip Bowman, Ian Carter, John Smith, Stacey Cartwright
Front row: David Tyler, Angela Ahrendts, John Peace

Key to membership of committees

* Audit Committee

† Nomination Committee

‡ Remuneration Committee

John Peace (62)†‡
Chairman
John Peace has been Chairman of the Board since June 2002 and is also Chairman of the Nomination Committee. He is Chairman of the Board of Standard Chartered plc and of Experian plc. Previously he was Group Chief Executive of GUS plc from 2000 until 2006.

EXECUTIVE DIRECTORS

Angela Ahrendts (50)†
Chief Executive Officer
Angela Ahrendts became Chief Executive Officer in July 2006, having served as an executive director since January 2006. Angela was previously Executive Vice President, at Liz Claiborne Inc between 1998 and 2006 where she oversaw half of the company's $5bn in revenue, comprising 22 brands. She was also Executive Vice President of Henri Bendel, a Limited Brands company, from 1996 to 1998 and President of luxury brand Donna Karan International, from 1989 to 1996.

Stacey Cartwright (47)
Executive Vice President,
Chief Financial Officer
Stacey Cartwright joined as Chief Financial Officer on 1 March 2004 and was appointed Executive Vice President, Chief Financial Officer in June 2008. She had previously been Chief Financial Officer at Egg plc between 1999 and 2003, and from 1988 to 1999 she held various finance-related positions at Granada Group plc. Stacey was appointed a non-executive director of GlaxoSmithKline plc with effect from 1 April 2011.

NON-EXECUTIVE DIRECTORS

Philip Bowman (58)*†‡
Senior Independent Director
Philip Bowman was appointed as a non-executive director in June 2002 and is the Senior Independent Director and Chairman of the Audit Committee. He was appointed Chief Executive of Smiths Group plc in December 2007 and is a non-executive director of Berry Bros & Rudd Limited and Better Capital Limited. He previously held the positions of Chief Executive at Scottish Power plc from early 2006 until mid 2007 and Chief Executive at Allied Domecq plc between 1999 and 2005. His earlier career included five years as a director of Bass plc. 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 (49)*†‡
Non-Executive Director
Ian Carter was appointed as a non-executive director in April 2007. He is currently President of Hilton Hotels Corporation Global Operations. He was previously CEO of Hilton International Company and Executive Vice President of Hilton Hotels Corporation, and was a director of Hilton Group plc until the acquisition of Hilton International by Hilton Hotels Corporation in February 2006. He previously served as an Officer and President of Black & Decker Corporation between 2001 and 2004.

Stephanie George (54)*†‡
Non-Executive Director
Stephanie George was appointed as a non-executive director in March 2006. She is currently Executive Vice President and Chief Marketing Officer at Time Inc., with responsibility for the Company's overall positioning and promotion, and for managing and growing Time Inc.'s Marketing Services capabilities. Before this, Stephanie spent 12 years at Fairchild Publications, first as publisher of W magazine and then as President, Women's Wear Daily Media Worldwide. Stephanie also sits on the Board of Lincoln Center.

John Smith (53)*†‡
Non-Executive Director
John Smith was appointed as a non-executive director on 1 December 2009. He is currently Chief Executive of BBC Worldwide. John joined the BBC in 1989, where he held the positions of Chief Operating Officer, Director of Finance, Property & Business Affairs and Finance Director. John joined BBC Worldwide in July 2004 and was appointed Chief Executive in March 2005. He previously served as a non-executive director of Severn Trent plc between 2003 and 2008.

David Tyler (58)*†‡
Non-Executive Director
David Tyler became a non-executive director in June 2002, having been a director of the Company since 1997. He was appointed Chairman of the Remuneration Committee in March 2007. David was Group Finance Director of GUS plc from 1997 until its demerger in October 2006. He is currently Chairman of J Sainsbury plc and Logica plc and a non-executive director of Experian plc. Earlier in his career, David worked at Unilever plc, County NatWest Limited and Christie's International plc. He has an MA in Economics from Cambridge, is a fellow of the Chartered Institute of Management Accountants and a Member of the Association of Corporate Treasurers.

The directors present their Annual Report together with the audited financial statements for the year to 31 March 2011.

Business review

Burberry Group plc is required to set out in this report a fair review of the business of the Group during the year to 31 March 2011 and of the position of the Group at the end of the financial year and a description of the principal risks and uncertainties facing the Group (known as a 'business review'). The purpose of the business review is to enable shareholders to assess how the directors have performed their duty under section 172 of the Companies Act 2006 (to promote the success of the company). The Strategy and Group Overview sections on pages 22 to 40 and the Business and Financial Review (including Group Financial Highlights) on pages 44 to 50 report on the activities and results for the year and give an indication of the Company's future developments. The Corporate Responsibility Report is set out on pages 58 to 63. A description of the principal risks and uncertainties facing the Group is included on pages 54 to 56. The Corporate Governance statement is set out on pages 71 to 75. The sections of the Annual Report referred to above fulfil the requirements of the business review and are incorporated by reference and shall be deemed to form part of this report.

Principal activities

Burberry Group plc is a holding company. The Group designs, sources, and markets luxury men's, women's and children's clothing and non-apparel accessories globally through a diversified network of retail, wholesale, franchise and digital commerce channels worldwide. Burberry also licenses third parties to manufacture and distribute products using the 'Burberry' trademarks.

Revenue and profit

Revenue from the continuing business during the period amounted to £1,501.3m (2010: £1,185.1m). The attributable profit for the year was £208.4m (2010: £81.4m).

Dividends

The directors recommend that a final dividend of 15.0p per ordinary share (2010: 10.5p) in respect of the year to 31 March 2011 be paid on 4 August 2011 to those persons on the Register of Members as at 8 July 2011.

An interim dividend of 5.0p per ordinary share was paid to shareholders on 28 January 2011 (2010: 3.5p). This will make a total dividend of 20.0p per ordinary share in respect of the financial year to 31 March 2011. The aggregate dividends paid and recommended in respect of the year to 31 March 2011 total £87.1m (2010: £60.8m).

Directors

The names and biographical details of the directors holding office at the date of this report are set out on page 67 and are incorporated by reference into this report.

At the 2011 Annual General Meeting, the Company will adopt early the provisions of the new UK Corporate Governance Code that relate to the annual re-election of directors. All of the directors will retire and, being eligible, will offer themselves for re-election.

The Notice of this year's Annual General Meeting, and the Corporate Governance section on pages 71 to 75, set out why the Board believes the directors should be re-elected. Details of the directors' service agreements and letters of appointment are given in the Directors' Remuneration Report on pages 76 to 85.

Directors' share interests

Interests of the directors holding office at 31 March 2011 in the shares of the Company are shown in the Directors' Remuneration Report on page 85. There were no changes to the beneficial interests of the directors during the period 31 March 2011 to 25 May 2011.

Directors' insurance and indemnities

The Company maintains directors' and officers' liability insurance which gives appropriate cover for any legal action brought against its directors. In accordance with section 236 of the Companies Act 2006, qualifying third-party indemnity provisions are in place for the directors and Company Secretary in respect of liabilities incurred as a result of their office, to the extent permitted by law. Both the insurance and indemnities applied throughout the financial year ended 31 March 2011 and as at the date of this report.

Share capital

Details of the issued share capital, together with details of movements in the issued share capital of the Company during the year, are shown in note 22 which is incorporated by reference and deemed to be part of this report.

The Company has one class of ordinary share which carries no right to fixed income. Each share carries the right to one vote at general meetings of the Company. The ordinary shares are listed at 31 March 2011, the Company had 435,811,738 ordinary shares in issue, of which 77,215 were held as treasury shares.

In order to retain maximum flexibility, the Company proposes to renew the authority granted by ordinary shareholders at the Annual General Meeting in 2010, to repurchase a maximum of 10% of its issued share capital. Further details are provided in the Notice of this year's Annual General Meeting.

At the Annual General Meeting in 2010, shareholders approved resolutions to allot shares up to an aggregate nominal value of £72,000 and to give directors authority to allot shares for cash other than pro rata to existing shareholders. Resolutions will be proposed at this year's Annual General Meeting to renew these authorities.

No person has any special rights of control over the Company's share capital and all issued shares are fully paid. There are no specific restrictions on the size of holding nor on the transfer of shares which are both governed by the general provisions of the Articles of Association and prevailing legislation. The directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or voting rights. The directors have no current plans to issue shares other than in connection with employee share schemes.

Details of employee share schemes are set out in note 27. The Burberry Group plc ESOP Trust has waived all dividends payable by the Company in respect of the ordinary shares held by it. In addition, the Burberry Group plc SIP Trust has waived all dividends payable by the Company in respect of the unappropriated ordinary shares held by it.

The total dividends waived in the year to 31 March 2011 were in aggregate £0.05m (2010: £0.2m).

With regard to the appointment and replacement of directors, the Company follows the UK Corporate Governance Code and is governed by its Articles of Association and the Companies Act 2006.

Substantial shareholdings

As at 25 May 2011, the Company had been notified under Rule 5 of the Disclosure and Transparency Rules of the following major interests in its issued ordinary share capital:

	Number of ordinary shares	% of total voting rights
Blackrock Inc.	43,198,349	9.92
FMR LLC	22,145,417	5.08
Capital Research and Management Company	22,016,085	5.05
Ameriprise Financial, Inc.	21,771,730	5.01
Schroders plc	21,666,352	4.99
JP Morgan Chase & Co	21,578,580	4.99
Massachusetts Financial Services Company	20,073,645	4.61
Legal and General Group plc	17,544,824	4.02

Interests in own shares

Details of the Company's interests in its own shares are set out in note 22 to the financial statements.

Charitable donations

During the year to 31 March 2011, the Group donated £3m (2010: £1.4m) for the benefit of charitable causes. These donations principally comprised cash. Further information regarding the charitable donations made during the year are contained in the Corporate Responsibility report on pages 58 to 63.

Political donations

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

Employment policies

Equal opportunities

The Group is committed to ensuring the consistent profitable growth of its business and a policy of equal opportunity in employment is integral to this commitment. The aims of the Group's policy are to ensure that the most capable job applicants are recruited and the most competent employees in the Group progress, irrespective of sex, race, ethnic origin, nationality, marital status, age, religion, disability and sexual orientation. We are committed to making the necessary adjustments to support the employment of people with disabilities and provide training and development to ensure they have the opportunity to achieve their potential. In the situation where an employee becomes disabled during their employment, the Group will endeavour to assist the employee by offering additional training, adapting the job if appropriate or by offering a transfer to another position.

Health and safety

The Group has a health and safety policy approved by the Board and a Global Health and Safety Committee which is chaired by the Executive Vice President, Chief Financial Officer. Each region has a local committee which reports to the Global Committee. There have been a number of internal and external audits carried out to provide assurance. There has been no enforcement action following a routine visit by inspectors.

Further information regarding the Group's employment policies is provided in the Corporate Responsibility report on pages 58 to 63.

Employee involvement

Employee communication

The Group believes that employee communication is important in building strong relationships with, and in motivating and retaining, employees. The Group makes use of various methods and channels, all of which are implemented globally, including face-to-face briefings, open discussion forums with senior management, email and a corporate intranet to ensure that matters of interest and importance are conveyed to employees quickly and effectively. In addition, quarterly updates which highlight the Group's performance and its ongoing strategic initiatives are webcast globally to every employee. Furthermore, development of content such as videos and digital webpages to communicate key initiatives, events and other brand messages has further enhanced internal communication.

Employee share ownership

The Group recognises the importance of good relationships with employees at all levels and runs incentive schemes and share ownership schemes for the benefit of employees. Further details of these schemes are set out in the Directors' Remuneration Report on pages 76 to 85.

The Group again intends, where possible, to invite employees to take part in sharesave schemes. The Group also intends to grant free share awards or cash based awards to all employees during 2011/12.

Further details of the Group's approach to employee involvement and communications are provided in the Corporate Responsibility Report on pages 58 to 63.

Financial instruments

The Group's financial risk management objectives and policies are set out within note 26 to the financial statements on pages 119 to 121. Note 26 also details the Group's exposure to foreign exchange, price, interest, credit and liquidity risks. These notes are incorporated by reference and are deemed to form part of this report.

Creditor payment policy

For all trade creditors, it is the Company's policy to:

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

The Company had no trade creditors at 31 March 2011 (2010: nil).

Significant contracts – change of control

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

In circumstances of change of control of the Company, Angela Ahrendts may terminate her employment. Her entitlement in respect of remuneration is set out on page 79 of the Directors' Remuneration Report where Burberry terminates her service agreement in circumstances where the Remuneration Committee determines that Angela Ahrendts' performance does not meet the financial expectations of the Board or shareholders.

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

Details of the service agreements of the executive directors are set out on page 79 of the Directors' Remuneration Report.

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

Essential contracts

The Group has a number of contractual arrangements with suppliers (both of goods and services), wholesale customers, licensees who manufacture and distribute products using the Burberry trademarks, and franchisees. In addition, the Group occupies leasehold premises for the purpose of conducting its business. Whilst these arrangements are important to the business of the Group, individually none of them is essential to the business of the Group and does not require disclosure under section 417(5)(c) of the Companies Act 2006.

Auditors

In accordance with section 418(2) of the Companies Act 2006, each of the Company's directors in office as at the date of this report confirms that:

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

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

Note 31 in the financial statements states the auditors' fees for both audit and non-audit work.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business and Financial Review on pages 44 to 50, along with details of the Group's cashflows, liquidity position and borrowing facilities. Financial risk management objectives, details of financial instruments and hedging activities, and exposures to credit risk and liquidity risk are described in note 26, pages 119 to 121.

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

Annual General Meeting

The Annual General Meeting of the Company will be held at the offices of Slaughter and May, One Bunhill Row, London, EC1Y 8YY commencing at 9.30am on Thursday, 14 July 2011. The Notice of this year's Annual General Meeting will be available to view on the Group's website www.burberryplc.com.

The directors consider that all of the proposed resolutions to be considered at the Annual General Meeting are in the best interests of the Company and its shareholders as a whole and are most likely to promote the success of the Company for the benefit of its shareholders as a whole. The directors unanimously recommend that shareholders vote in favour of each of the proposed resolutions, as the directors intend to do in respect of their own beneficial holdings.

By order of the Board

Michael Mahony
General Counsel and Secretary
25 May 2011

Registered Office:
Horseferry House
Horseferry Road
London
SW1P 2AW

Registered Number: 03458224

Corporate Governance Statement

Dear Shareholder,

Your Board remains committed to high standards of corporate governance which it considers to be central to the effective management of the business and to maintaining the confidence of investors. We take our role of ensuring the long-term success of the Company very seriously.

On the following pages we set out our approach to governance at Burberry. We explain how the Board and its Committees are structured, how they operate and how their effectiveness is evaluated. My role as Chairman is to provide leadership and ensure that the Board is effective, which I strongly believe that it is, and this was confirmed following an independent external evaluation held during the year.

During the financial year ended 31 March 2011, and as at the date of this report, Burberry complied in full with the relevant provisions set out in section 1 of the UK Combined Code on Corporate Governance (the '2008 Code'). This report, together with the Directors' Remuneration Report on pages 76 to 85, provides details of how we have complied with the 2008 Code.

The Board intends to comply with the provisions of the new UK Corporate Governance Code (the '2010 Code') in full during the financial year ended 31 March 2012. We are adopting early the provisions relating to the annual re-election of directors and will be proposing the relevant resolutions at the Annual General Meeting in July.

John Peace
Chairman

The Board

The Board is collectively responsible for promoting the success of the Company. The Board provides leadership for the Group and concentrates its efforts on strategy, performance, governance and internal control. As at the date of this report, the Board has eight members: the Chairman, the Chief Executive Officer, the Executive Vice President, Chief Financial Officer and five independent non-executive directors.

The Board has a formal schedule of matters reserved to it for decision and approval which include, but are not limited to:

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

Any matters that are not within the schedule of matters reserved, and do not fall within the terms of reference of the Board's Committees, are subject to the Company's internal approval processes.

During the year the Board held six scheduled meetings, including an in-depth session on strategic matters, and one ad hoc meeting. All directors participate in discussions relating to the Group's strategy, financial and trading performance and risk management. The Board considers that it met sufficiently often to enable the directors to discharge their duties effectively.

The table below gives details of directors' attendance at Board and Committee meetings during the financial year ended 31 March 2011.

Attendance table

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

Any absences were due to unavoidable prior commitments.

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

The Board is chaired by John Peace. The Chairman is responsible for leading the Board and for its effectiveness, including ensuring there is an open culture which allows debate and constructive challenge of the executive directors. Angela Ahrendts is the Chief Executive Officer and is responsible for implementing the strategy as agreed by the Board. The division of the roles and responsibilities of the Chairman and Chief Executive Officer is formally set out in writing and agreed by the Board. The major commitments of the Chairman are detailed in his biography on page 67 and have not changed during the year.

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

Board balance and independence
The non-executive directors are, in the opinion of the Board, independent of management and free from any business relationship which could materially interfere with the exercise of their independent judgement. During the year under review, the majority of the Board (excluding the Chairman) comprised independent non-executive directors.

At the time of the 2011 Annual General Meeting, John Peace, Philip Bowman and David Tyler will have served for nine years on the Board. The Board does not feel that this compromises their effectiveness, as they bring valuable insight and experience to the Board's deliberations. The external performance evaluation conducted in the year reviewed the non-executive directors' contributions and found that they continued to be effective. The Board believes that Philip Bowman and David Tyler remain independent as they continue to provide constructive challenge to the Board's decision making process. The Nomination Committee will continue to keep the composition of the Board under review.

Board appointments
Board nominations are recommended to the Board by the Nomination Committee under its terms of reference. All directors have historically been subject to election by shareholders at the Annual General Meeting following their appointment and have been re-elected every three years thereafter in accordance with the Company's Articles of Association and the 2008 Code. At the 2011 Annual General Meeting, the Company will adopt early the provisions of the 2010 Code that relate to annual re-election of directors and all of the directors will be offering themselves for re-election.

The biographical details of the directors can be found on page 67 of this Annual Report. The Board confirms that, following formal performance evaluation conducted by an independent external consultant, the performance of each of the directors standing for re-election continues to be effective and demonstrates commitment to their roles, including commitment of time for Board and Committee meetings and any other duties.

Information and professional development
On appointment, directors receive a full, formal and tailored induction, including meetings with members of the management team and briefings on particular issues. In addition, directors are furnished with an induction pack of information, which includes key Group policies, guidance notes and information on corporate governance matters.

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

The Chairman works closely with the Company Secretary to ensure that the Board is supplied in a timely manner with information in a form and of a quality appropriate to enable it to effectively discharge its duties. Where there are occasions when directors are unable to attend a meeting they have the opportunity to review meeting papers and submit comments to the relevant Chairman. Directors are also supplied with a monthly management report, which provides information on operational and financial performance and the Group's business plans.

All directors have direct access to the advice and services of the Company Secretary and all senior management. The appointment and removal of the Company Secretary is a matter reserved for the Board as a whole. Directors may obtain, in the furtherance of their duties, independent professional advice, if necessary, at the Group's expense.

Board performance evaluation
The Board undertakes a formal and rigorous review of its performance and that of its committees each financial year. In the year under review the evaluation was led by an independent external consultant, Dr Tracy Long of Boardroom Review. The evaluation process involved comprehensive interviews with each director and the Company Secretary and covered a range of issues around board and committee processes, board roles and responsibilities and individual effectiveness.

Feedback from the evaluation process was provided to the Board in the form of a presentation at a Nomination Committee meeting and a written report to the Board. The review considered the outcomes of previous evaluations, the current composition and responsibilities of the Board and each of its committees, together with the frequency and structure of meetings. In addition, the review considered the contribution and effectiveness of the executive and non-executive directors. The review identified that the Board had a number of strengths, including:

- they regularly considered and understood shareholders' expectations;
- the culture and size of the Board was considered effective and open, with a diverse range of skills and providing an appropriate level of challenge; and
- the governance and support framework for the Board was considered positive and effective.

The review also suggested areas for further development, including:

- reviewing the succession planning framework;
- continuing to develop a wider understanding of the competitive landscape and the consumer experience.

The Board has addressed both of these issues since the review and will continue to do so going forward.

The feedback from the review was considered and it was concluded that the Board and its Committees operate efficiently and effectively.

Conflicts of interest

The Board has authority to approve directors' conflicts and potential conflicts of interest and has adopted a policy and procedures to manage and, where appropriate, to approve such conflicts, which it believes operates effectively.

A review of situational conflicts which have been authorised is undertaken by the Board annually. Following the review for the financial year, the Board concluded that there is currently no compromise to the independence of any director arising from an external appointment or any outside commercial interest.

Committees

The Board is supported by a number of committees including the following principal committees: Audit Committee, Remuneration Committee and Nomination Committee. All the non-executive directors are members of each of the principal committees of the Board. The terms of reference of each of the principal committees can be viewed on the Group's website www.burberryplc.com.

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

Audit Committee

The Audit Committee comprises five independent non-executive directors:

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

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

The Audit Committee is responsible for:

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

The Board is satisfied, in accordance with the provisions of the 2008 Code, that at least one member of the Audit Committee has recent and relevant financial experience, given the nature of the senior management positions held or previously held by Philip Bowman, David Tyler and John Smith (see biographical details on page 67).

The Audit Committee met five times during the year with three scheduled meetings and two ad hoc meetings. The attendance record of Committee members is recorded in the table on page 71. At the invitation of the Chairman of the Audit Committee, the Chairman of the Board, the Chief Executive Officer, the Executive Vice President, Chief Financial Officer, the Director of Audit and Risk Assurance, the Senior Vice President Group Finance, the Director of Tax and the external auditors regularly attend meetings. The Audit Committee is responsible for reviewing and monitoring the effectiveness of the Group's internal control procedures and risk management systems. The Committee reviewed the Group's internal audit plan and approved the internal audit plan for the financial year to 31 March 2011. In addition, the Committee reviewed the adequacy of the 'whistle blowing' arrangements in place to enable employees to raise, in confidence, any concerns they may have. The Committee is satisfied that such arrangements remain appropriate.

External Audit

During the year, the Audit Committee reviewed the effectiveness of the external audit process. The appointment of PricewaterhouseCoopers as the Company's auditors predated the IPO of the Company in 2002. Further, given the elevation of the Company to the FTSE100 Index in 2009 and the significant geographical and financial expansion of the Company and the Group, the Committee concluded that it was appropriate to review the effectiveness of the external audit process by inviting each of PricewaterhouseCoopers, Ernst & Young, KPMG and Deloitte to tender for the appointment as the Company's and the Group's external auditors.

The Audit Committee, supported by senior management, conducted a rigorous tender process focusing on quality, resources, independence and value. The tendering firms were invited to put forward a proposal to the Audit Committee, following briefing meetings with key management and the Audit Committee Chairman. Following the review of these proposals by management and the Audit Committee Chairman, two firms, PricewaterhouseCoopers and Ernst & Young, were selected to present to the Audit Committee and such presentations were made by the personnel which each firm proposed would conduct the external audit. This included partners, directors and managers from the respective firms. The team proposed by PricewaterhouseCoopers was a different team from the one which had conducted the audit for the year ended 31 March 2010. After careful consideration, the Audit Committee concluded that the proposal from PricewaterhouseCoopers was the best overall in terms of quality, resources, independence and value and would better meet the Group's requirements for external audit services going forward.

The Audit Committee therefore recommended to the Board that PricewaterhouseCoopers be retained as the Group's external auditors and that it should propose to shareholders that PricewaterhouseCoopers LLP be re-appointed as the Group's external auditors at the forthcoming Annual General Meeting.

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

Details of the fees paid to the external auditors during the financial year can be found in note 31 in the financial statements.

Nomination Committee

The Nomination Committee comprises:

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

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

The Nomination Committee met twice during the year under review. The table on page 71 gives details of directors' attendance at these meetings.

During the year the Nomination Committee considered and reviewed the structure and diversity of the Board and its Committees, the Group's succession planning arrangements and the results of the performance evaluation. These arrangements will be kept under review by the Committee.

The terms and conditions of appointment of non-executive directors, including the expected time commitment, are available for inspection at the Company's registered office and will be made available for 15 minutes before the Annual General Meeting and during the meeting itself.

Remuneration Committee

The report of the Remuneration Committee is set out on pages 76 to 85.

Corporate Responsibility

Details of the Group's approach to Corporate Responsibility are given on pages 58 to 63.

Accountability and audit

The Board acknowledges that it should present a balanced and understandable assessment of the Group's position and prospects. In this context, reference should be made to the Statement of Directors' Responsibilities on page 86, which includes a statement in compliance with the 2008 Code regarding the Group's status as a going concern, and to the Report of the Auditors on page 87 which includes a statement by the auditors about their reporting responsibilities. The Board recognises that its responsibility to present a balanced and understandable assessment extends to interim and other price-sensitive public reports and reports to regulators as well as to information required to be presented by law.

Internal control

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

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

Risk assessment

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

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

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

Control environment and control activities

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

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

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

The Group has implemented various strategies to deal with the risk factors that have been identified. Such strategies include a framework of internal control and the use of third-party services to assist in monitoring specific issues. In addition, other approaches are taken, such as insurance. Further information is set out in the Risk section on pages 54 to 56.

Information and financial reporting

The Group has procedures in place to ensure that there is appropriate internal control and risk management in relation to financial reporting and the preparation of consolidated accounts.

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

In relation to the preparation of consolidated accounts, the procedures include maintaining a dedicated consolidated financial reporting system, obtaining representations from senior management of the relevant legal entities, and the review and reconciliation of reported data at appropriate intervals.

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

Monitoring

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

Relations with shareholders

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

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

The Company communicates with its institutional investors frequently and regularly through a combination of formal meetings, participation at investor conferences and informal briefings with management. The Board is kept abreast of the views of major shareholders by briefings from the Director of Investor Relations. In addition, analysts' notes and brokers' briefings are also used to achieve a wide understanding of investors' views.

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

Annual General Meeting

2010 Annual General Meeting

In accordance with the provisions of the 2008 Code, the Notice of the 2010 Annual General Meeting was sent to shareholders at least 20 working days before the Meeting. A poll vote was taken on each of the resolutions put before shareholders. Shareholders approved a resolution to adopt new Articles of Association which had been amended to take account of the Companies' (Shareholders' Rights) Regulations 2009 and the final implementation of the Companies Act 2006.

All directors attended and the Chairman of the Board and the chairmen of each of the committees were available to answer shareholders' questions.

2011 Annual General Meeting

Voting at the 2011 Annual General Meeting will be by way of poll. The results of the voting at the Annual General Meeting will be announced and details of the votes will be available to view on the Group's website www.burberryplc.com as soon as possible after the meeting.

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

Share capital

Further information about the Company's share capital, including substantial shareholdings, can be found in the Director's Report on pages 68 to 70.

Dear Shareholder
2010/11 was an outstanding year, capping off an exceptional period for the Group. The Group achieved tremendous growth, outpacing the recovery in the luxury sector. The Group delivered financial results very significantly ahead of budget and brokers' forecasts even though a significant amount of investment in the future of the Brand was carried out, which affected the year's profits. A number of key strategic milestones were achieved, providing a strong platform for future sustained performance.

Throughout the year, the Remuneration Committee considered the effectiveness of its incentive plans in rewarding employees for the performance of the Group and ensuring the motivation and retention of a high performing executive team, while maintaining a balance between cost and rewards for shareholders.

Against this background, the Committee awarded salary increases to the executive directors and senior management team for the first time since April 2008, and agreed annual bonus pay outs at the maximum level for the 2010/11 year. The Restricted Share Plan and Exceptional Performance Share Plan grants partially vested in 2010.

Much of the success since 2006 has been due to Angela Ahrendts' leadership and strategic vision, which the Group regards as critical over the next phase of its development. Following consultation with major shareholders, the Remuneration Committee granted Angela an exceptional one-time award to ensure her leadership until 2015, when she will be entering her tenth year as Burberry's Chief Executive Officer.

As announced in 2010, the Remuneration Committee granted awards under the Freeshare Plan to all eligible employees, whether based in the UK or overseas. We believe that this will encourage share ownership as well as giving all employees a stake in the continued success of Burberry.

David Tyler
Chairman of the Remuneration Committee

Directors' Remuneration Report
This report has been prepared on behalf of the Board by the Remuneration Committee. It has been prepared in accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (the "Regulations") issued under the Companies Act 2006 (the "Act") and it meets the relevant requirements of the Financial Services Authority's Listing Rules.

The Remuneration Committee
The following directors served as members of the Remuneration Committee (the "Committee") throughout the financial year ending 31 March 2011:

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

The Committee is responsible for setting the remuneration of the executive directors and the Chairman of the Board and monitors the level and structure of senior executive pay. The terms of reference of the Committee are available on the Group's website www.burberryplc.com.

The remuneration of the non-executive directors is a matter for the Board as a whole. No director is involved in any discussions as to their own remuneration. During the year under review, the Committee met five times. Details of attendance at those meetings is set out in the Corporate Governance Report on page 71.

At the invitation of the Committee, except where their own remuneration was being discussed, Angela Ahrendts (Chief Executive Officer), Stacey Cartwright (Executive Vice President, Chief Financial Officer), Reg Sindall (Executive Vice President – Corporate Resources), Michael Mahony (Senior Vice President – Commercial Affairs and General Counsel) and Anne-Soline Thorndike (Director of Reward and Recognition) attended Committee meetings during the period under review and provided advice that materially assisted the Committee.

On 1 February 2011 the Committee appointed Towers Watson following a review of remuneration advisors to assist with its considerations. Towers Watson provides advice on the ongoing operation of employee and executive share plans together with advice on executive remuneration. The terms of engagement between the Committee and Towers Watson set out that any additional consulting services provided by Towers Watson to management must be reported on a regular basis to the Committee, and where an actual or potential conflict may occur that such work is agreed by the Chairman of the Committee prior to commencement. Since their appointment Towers Watson has provided market benchmarking information to management in relation to a small number of roles which fall below the level subject to review by the Committee. Prior to the appointment of Towers Watson, advice had been provided by Kepler Associates.

Remuneration policy

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

- remuneration should be closely aligned with shareholders' interests through thoughtful selection of performance measures (as described on pages 81 to 83), emphasis on variable pay and delivery of a significant proportion of remuneration in shares, some of which are expected to be retained in accordance with the Group's shareholding policy;
- the overall remuneration framework should provide a balance between short and long-term business objectives. Variable pay for executive directors includes (1) an annual cash bonus based on profit before tax ('PBT'), and (2) long-term share-based incentives linked primarily to increases in shareholder value and growth in PBT. Furthermore, the Burberry Co-Investment Plan encourages executive directors and other senior executives to invest their annual cash bonus into shares over a further three-year period; and
- total remuneration should be sufficient to attract, motivate and retain exceptional talent within the global luxury brands sector. Total remuneration for executive directors and other senior executives is therefore benchmarked against the Group's main global competitors and comparable UK companies. The Committee recognises that for each executive the relative importance of each of these benchmarks may be different. Benefits are based on competitive market practice for each executive, depending on individual circumstances.

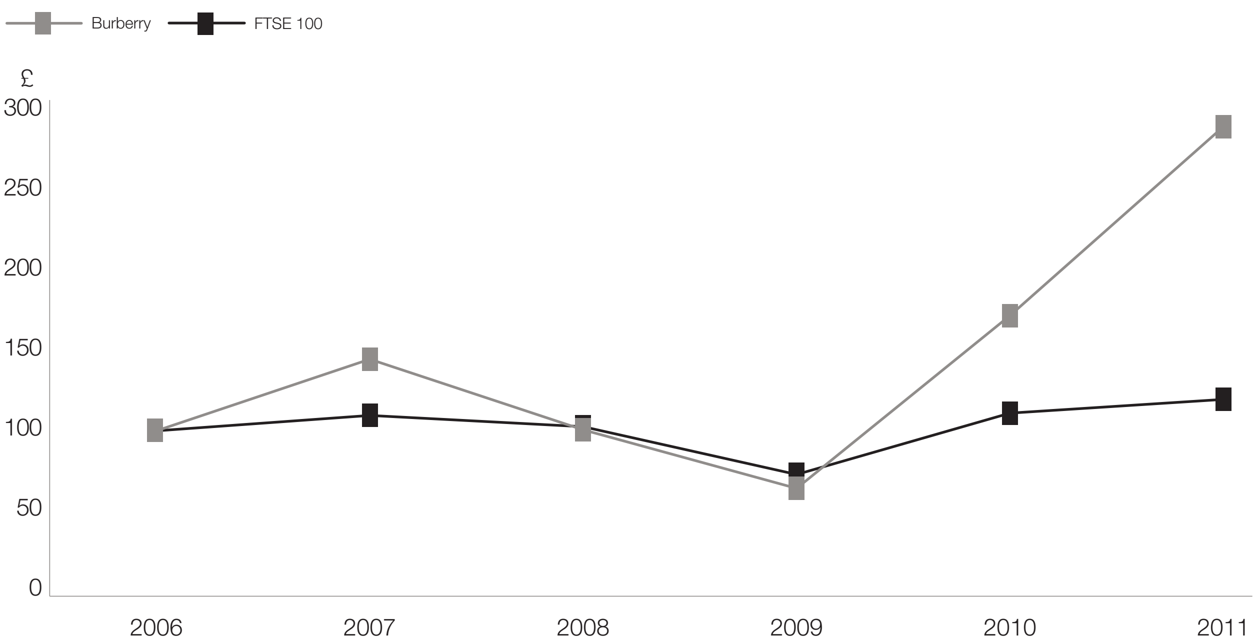
The Committee reviews the Group's remuneration policy on a regular basis, taking into account the performance and growth of the business and the global luxury goods sector. The Committee also considers the Group's policy against regulatory developments, shareholder expectations and market practice.

During its deliberations on executive remuneration, the Committee took into account the key elements of remuneration policy for all employees worldwide, any merit increases and global participation in share schemes, including the Sharesave Scheme and the recently reintroduced SIP and Freeshare plans.

Performance graph

The following graph shows the Total Shareholder Return ('TSR') for Burberry Group plc compared to the companies in the FTSE 100 Index assuming £100 was invested on 31 March 2006. Burberry became a member of the FTSE 100 Index on 10 September 2009 and prior to that had a market capitalisation close to that of companies at the lower end of the FTSE 100 Index.

Value of £100 Invested on 31 March 2006

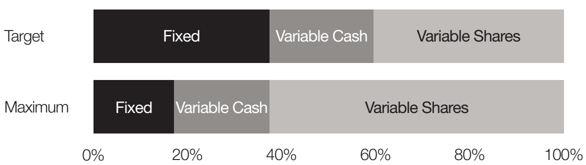


Source: Datastream, Bloomberg

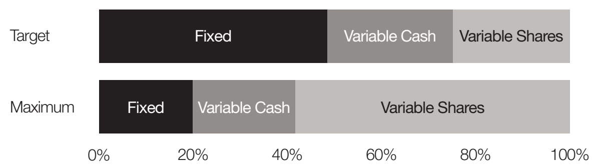
Elements of remuneration

Remuneration is structured such that for executive directors and other senior executives, performance-related elements represent the majority of total potential remuneration. The mix of fixed and variable pay at target and maximum performance is illustrated below:

Chief Executive Officer



Executive Vice President, Chief Financial Officer



Fixed = Base + Allowances
Variable Cash = Annual Bonus
Variable Shares = Matching Shares (assuming full co-investment) + RSP (+ Annualised One-Off Award to Angela Ahrendts)

The Group implements its remuneration policy through the provision of the following elements:

Base salary

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

In 2010, the Committee awarded salary increases to the executive directors and senior management team for the first time since April 2008.

Annual Bonus

Each year the Committee sets bonus targets by reference to internal and external expectations. Bonuses for executive directors are currently based on PBT. The Committee believes that linking incentives to profitability helps to reinforce the Group's strategy and long term growth objectives. Targets are calibrated using benchmarks that include broker earnings estimates for Burberry and its competitors, latest projections for the then current year, budget, strategic plan, and long-term financial goals. Actual bonus awards are subject to the discretion of the Committee.

In relation to 2010/11, the Committee agreed annual bonus pay outs for the executive directors at the maximum level, as PBT was significantly above the maximum targets set at the beginning of the financial year.

Share schemes and long-term incentive arrangements

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

- The Burberry Co-Investment Plan (the 'Co-Investment Plan')
- The Burberry Exceptional Performance Share Plan (the 'EPP')
- The Burberry Senior Executive Restricted Share Plan 2004 (the 'RSP')
- The Burberry Executive Share Option Scheme 2002 (the 'Executive Share Option Scheme')
- The Burberry Approved Savings-Related Share Option Scheme (the 'Sharesave Scheme')
- The Burberry Share Incentive Plan (the 'SIP') and International Freeshare Plan (the 'Freeshare Plan')
- A One-Off Award to Angela Ahrendts

Further information regarding these schemes can be found on pages 81 to 84 and also in note 27. No new awards were made under the EPP and Executive Share Option Scheme in 2010/11.

Benefits and Allowances

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

Service agreements

Angela Ahrendts

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

If Burberry terminates Angela Ahrendts' service agreement in circumstances where there is not poor performance she would be entitled to 12 months' salary and 75% of her annual maximum bonus opportunity. She would also receive her pension contribution for 12 months together with overseas allowances and, if applicable, relocation expenses. Any unvested awards under the RSP and unvested Matching Share awards under the Co-Investment Plan will vest on a time apportioned basis subject to performance conditions.

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

Stacey Cartwright

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

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

Upon termination, all share awards would be treated in accordance with the rules of the relevant plan.

On 1 April 2011, Stacey Cartwright was appointed a non-executive director of GlaxoSmithKline plc. It has been agreed that Stacey Cartwright can retain the fees earned in connection with this appointment.

Audited information

Directors' remuneration

Executive directors' remuneration

The remuneration of the executive directors of Burberry Group plc in the period 1 April 2010 to 31 March 2011 is detailed below.

Aggregate emoluments

	Salary £'000	Allowances paid in cash £'000	Bonus £'000	Benefits £'000	Aggregate emoluments £'000
Angela Ahrendts					
Year to 31 March 2011	**990**(1)	**485**(2)	**1,980**(3)	**69**	**3,524**
Year to 31 March 2010	910	387	1,820	45	3,162
Stacey Cartwright					
Year to 31 March 2011	**575**	**172**(2)	**863**(4)	**11**	**1,621**
Year to 31 March 2010	520	155	780	10	1,465
Total					
Year to 31 March 2011	**1,565**	**657**	**2,843**	**80**	**5,145**
Year to 31 March 2010	1,430	542	2,600	55	4,627

(1) During 2010/11, Angela Ahrendts made personal charitable donations totalling £82,750 to the Burberry Foundation.
(2) Allowances for Angela Ahrendts and Stacey Cartwright include a portion of their annual pension contribution which they elect to receive as a cash supplement, further details of which are contained in the section below entitled "Executive directors' pension entitlements".
(3) Angela Ahrendts is eligible to receive an annual bonus not exceeding 200% of annual salary.
(4) Stacey Cartwright is eligible to receive an annual bonus not exceeding 150% of annual salary.

Executive directors' pension entitlements

Angela Ahrendts

The Group makes an annual contribution equal to 30% of Angela Ahrendts' base salary. She has elected that a portion be paid as a cash supplement. For the year to 31 March 2011, the cash supplement was £98,500 (2010: Nil). The contribution paid into the Burberry Defined Contribution Pension Plan was £198,500 (2010: £273,000).

Stacey Cartwright

Stacey Cartwright is entitled to an annual pension contribution equal to 30% of base salary. She has elected that a portion be paid as a cash supplement. For the year to 31 March 2011, the cash supplement was £139,920 (2010: £123,420). The contribution paid into her personal pension plan was £32,580 in the year to 31 March 2011 (2010: £32,580).

Chairman and non-executive directors' remuneration

The Chairman's remuneration is reviewed by the Committee. The fees for the non-executive directors are reviewed by the Board. The structure of remuneration for the Chairman and non-executive directors is set by reference to market practice within the limits set by the Articles of Association and was reviewed with effect from 1 August 2010. Prior to this, fees for the Chairman and non-executive directors were reviewed on 23 March 2007.

The Chairman and non-executive directors are not eligible for performance related bonuses or share awards and no pension contributions are made on their behalf.

The table below sets out the fee structure for the Chairman and non-executive directors as at 31 March 2011.

	Fee level £'000
Chairman(1)	**350**
Senior Independent Director(2)	**90**
Board member	**70**
Audit Committee chairmanship	**25**
Remuneration Committee chairmanship	**20**
Attendance allowance(3)	**2**

(1) The Chairman is not eligible for Committee Chairmanship fees or attendance allowances.
(2) The Senior Independent Director is eligible for Committee Chairmanship fees and attendance allowances.
(3) Non-executive directors receive an attendance allowance for each meeting attended outside of their country of residence.

The non-executive directors serve under Letters of Appointment as detailed in the table below. Non-executive directors are appointed for an initial three-year term, after which they may continue to serve subject to the Board's discretion and re-election by shareholders in accordance with the Company's Articles of Association, subject to six months' notice by either party. Fees paid to the Chairman and non-executive directors during the year are set out in the table below.

	Letter of appointment dated	Year to 31 March 2011 £'000			Year to 31 March 2010 £'000
		Allowances	**Fees**	**Total**	Total
John Peace	20 June 2002	**–**	**330**	**330**	290
Philip Bowman	11 June 2002	**2**	**107**	**109**	90
Ian Carter	16 April 2007	**10**	**65**	**75**	59
Stephanie George	23 January 2006	**12**	**65**	**77**	67
John Smith	27 November 2009	**2**	**65**	**67**	18
David Tyler	20 June 2002	**2**	**83**	**85**	70
Total		**28**	**715**	**743**	594

Share schemes and long-term incentive arrangements

The Co-Investment Plan

The Group encourages executive directors and other senior executives to hold shares in Burberry Group plc. To facilitate this, executive directors and other senior executives may, at the invitation of the Committee, defer receipt of all or part of their annual bonus and invest it in Burberry shares, with up to a 2:1 match based on Group performance during the year. The Matching Share awards, which are structured as nil-cost options, do not vest for three years and are forfeited if the executive resigns within that period. To further link pay and performance, and to align remuneration with shareholders' interests, Matching Share awards granted after 31 March 2009 are subject to secondary performance conditions: 25% of an award may vest if growth in PBT achieves 5% per annum over three years, 100% may vest if PBT growth exceeds 7% per annum, with vesting occurring on a straight line basis between these points. None of the award shall vest if PBT growth is below 5% per annum.

For the year ended 31 March 2010, Angela Ahrendts and Stacey Cartwright chose to defer and invest the whole of their bonus after the deduction of tax into Burberry shares via the Co-Investment Plan. The Invested Shares are included in the table below and in the table of directors' interests appearing on page 85. The related Matching Share awards under these arrangements are also shown in the table below. The interests of the executive directors in share awards granted under the Co-Investment Plan as at 31 March 2011 were as follows:

		Number of Invested Shares				Number of Matching Shares[2]					
	Date of grant	As at 1 April 2010	Purchased during the year	Released during the year	**As at 31 March 2011**	As at 1 April 2010	Awarded during the year	Exercised during the year	**As at 31 March 2011**	Vesting date	Expiry date
Angela Ahrendts	20/06/2007	82,061	–	82,061[1]	**–**	–	–	–	**–**	02/03/2010	19/06/2012
	03/06/2008	135,434	–	–	**135,434**	416,086	–	–	**416,086**	03/06/2011	02/06/2013
	09/06/2010	–	141,942	–	**141,942**	–	501,536	–	**501,536**	09/06/2013	08/06/2015
Total		**217,495**	**141,942**	**82,061**	**277,376**	**416,086**	**501,536**	**–**	**917,622**		
Stacey Cartwright	20/06/2007	37,637	–	37,637[1]	**–**	–	–	–	**–**	02/03/2010	19/06/2012
	03/06/2008	60,228		–	**60,228**	185,036	–	–	**185,036**	03/06/2011	02/06/2012
	09/06/2010	–	60,832		**60,832**	–	214,944	–	**214,944**	09/06/2013	08/06/2015
Total		**97,865**	**60,832**	**37,637**	**121,060**	**185,036**	**214,944**	**–**	**399,980**		

(1) Upon the third anniversary of the date of grant of the Matching Share awards, the Invested Shares are no longer subject to restrictions.
(2) The Matching Share awards are awarded on a gross basis and are taxed at the point of exercise. The market value of these awards at the date of grant (9 June 2010) was 725.77p per share.

The EPP

The EPP is a one-off long-term incentive plan introduced in 2007, the purpose of which was to incentivise senior management to achieve stretching goals and to help provide exceptional reward for exceptional performance. Awards granted under the EPP, which are structured as nil-cost options, are subject to performance conditions based 50% on relative TSR performance and 50% on growth in adjusted PBT over the three and four-year performance periods to 31 March 2010 and 31 March 2011. Awards do not vest unless Burberry's TSR exceeds the median of the comparator group or PBT growth exceeds 50% over the four-year performance period to 2010 or 75% over the five-year performance period to 2011. For the performance period to 2010, maximum vesting required Burberry's TSR to outperform the median of its peers by at least 8% per annum and PBT growth of at least 75%. For the performance period to 2011, maximum vesting requires Burberry's TSR to outperform the median of its peers by at least 7% per annum and PBT growth of at least 100%. Vesting against each metric occurs on a straight line basis between threshold and maximum. Of the shares which vest based on the achievement of the performance conditions, 50% vest on the third anniversary of the date of grant based on performance to 2010 and the remaining 50% vest on the fourth anniversary of the date of grant based on performance to 2011.

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

In reviewing the EPP award vesting in 2010, the Committee took into account the relative financial performance achieved and the excellent progress in implementation of the medium term business plan. The Committee chose, after notifying major shareholders, to use a local currency basis to determine vesting of the relative TSR element. The portion of the award due to vest in 2011 will be calculated in the same manner.

The interests of the executive directors in share awards granted under this plan as at 31 March 2011 were as follows:

		Number of ordinary shares					
	Date of grant	As at 1 April 2010	Lapsed during the year	Exercised during the year	**As at 31 March 2011**	Vesting date	Expiry date
Angela Ahrendts	26/07/2007	425,000	295,375(1)	129,625(2)	**–**	26/07/2010	25/07/2012
		425,000	–	–	**425,000**	26/07/2011	25/07/2012
Stacey Cartwright	26/07/2007	175,000	121,625(1)	53,375(3)	**–**	26/07/2010	25/07/2012
		175,000	–	–	**175,000**	26/07/2011	25/07/2012
Total		1,200,000	417,000	183,000	**600,000**		

(1) Following the calculation of the achievement of the performance conditions attaching to the awards vesting on 26 July 2010, whereby the relative TSR target was partially met and the PBT growth measure was not met, 69.5% of these awards lapsed.

(2) The market value of Burberry shares on the date of exercise (6 August 2010) was 865.1p.

(3) The market value of Burberry shares on the date of exercise (23 November 2010) was 1,017.8p.

The RSP

Under the RSP which was introduced in 2004, executives may be awarded shares, structured as nil-cost options, up to a maximum value of two times base salary per annum. The vesting of awards granted under the RSP is based 50% on Burberry's three-year TSR relative to its peers and 50% on three-year growth in PBT.

Awards granted between 2004 and 2007 vest in full only if Burberry achieves at least upper quartile TSR relative to its global peers and at least 15% per annum PBT growth. A proportion of an award (12.5%) may vest if TSR performance exceeds the median of the peer group or if PBT growth exceeds 5% per annum over three years. Vesting against each metric occurs on a straight line basis between threshold and maximum. Of the shares which meet the performance criteria, 50% vests after three years. The remaining 50% vests in two equal tranches on the fourth and fifth anniversaries of the date of grant.

Awards granted in 2009 and 2010 will vest in full only if Burberry achieves at least upper quartile TSR relative to its global peers and at least 10% per annum PBT growth. A proportion of an award (12.5%) may vest if TSR performance exceeds the median of the peer group or if PBT growth exceeds 3% per annum over three years. Vesting against each metric occurs on a straight line basis between threshold and maximum. Of the shares which meet the performance criteria, 50% vests after three years. The remaining 50% vests in two equal tranches on the fourth and fifth anniversaries of the date of grant. The Committee believes that these performance conditions were as challenging, given the significant changes in the economic environment, as those set when the RSP was adopted in 2004.

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

The TSR group for awards granted in 2004 and 2005 comprised Barneys New York, Bulgari, Christian Dior, Coach, Compagnie Financière Richemont, Hermès International, Hugo Boss, IT Holding, LVMH Moët Hennessy Louis Vuitton, Movado, Neiman-Marcus, Polo Ralph Lauren, PPR, Saks, Swatch, Tiffany & Co, Tod's, Tommy Hilfiger and Waterford Wedgewood. Barneys New York, Neiman-Marcus and Tommy Hilfiger ceased to be listed and were replaced in 2006 by Estee Lauder, Fossil, Liz Claiborne and Nordstrom.

Following review by the Committee in 2007, Christian Dior, IT Holding, Movado and Waterford Wedgewood were replaced by Geox, Inditex, Luxottica Group and Nike.

The interests of the executive directors in share awards granted under this plan as at 31 March 2011 were as follows:

		Number of ordinary shares					Vesting period[1]		
	Date of grant	As at 1 April 2010	Granted during the year[2]	Lapsed during the year[3]	Exercised during the year	**As at 31 March 2011**	From	To	Expiry date
Angela Ahrendts	11/06/2007	255,987	–	147,193	54,397[4]	**54,397**	11/06/2010	11/06/2012	10/06/2017
	01/06/2009	450,000	–	–	–	**450,000**	01/06/2012	01/06/2014	31/05/2019
Total		705,987	–	147,193	54,397	**504,397**			
Stacey Cartwright	10/08/2006	10,076	–	–	–	**10,076**	10/08/2009	10/08/2011	09/08/2016
	27/11/2006	2,521	–	–	–	**2,521**	27/11/2009	27/11/2011	26/11/2016
	11/06/2007	74,098	–	42,607	15,745[5]	**15,746**	11/06/2010	11/06/2012	10/06/2017
	01/06/2009	265,000	–	–	–	**265,000**	01/06/2012	01/06/2014	31/05/2019
	10/06/2010	–	78,000	–	–	**78,000**	10/06/2013	10/06/2015	09/06/2020
Total		351,695	78,000	42,607	15,745	**371,343**			

(1) Subject to performance testing.
(2) The market value of Burberry shares on the date of grant (10 June 2010) was 784p.
(3) Following the calculation of the achievement of the performance conditions attaching to these awards, 57.5% lapsed.
(4) The market value of Burberry shares on the date of exercise (6 August 2010) was 865.1p.
(5) The market value of Burberry shares on the date of exercise (23 November 2010) was 1,017.8p.

One-Off Award to Angela Ahrendts

Following consultation with the Company's major shareholders, the Remuneration Committee granted Angela Ahrendts a one-off nil cost option over ordinary shares on 8 December 2010. This option is due to vest on 1 April 2015 and then only if strategic and financial objectives linked to the long term growth of the Company have been met. These are specifically: the strategic development of the business measured against the strategic plan approved by the Board from time to time; Burberry's financial performance which will be assessed by reference to the PBT condition applied to awards made under the Co-Investment Plan in June 2010 (subject to adjustment to reflect the prevailing economic climate during the vesting period if appropriate); the personal contribution made by Angela Ahrendts; the shareholder value delivered in the context of the evolution of the luxury goods markets operated in by Burberry during the period between grant and vesting and any other performance factors which are appropriate in assessing the fairness of vesting the award to the executive and the shareholders. The Committee will review progress against the performance condition at the end of each financial year during the vesting period.

The interests of Angela Ahrendts in shares subject to this award as at 31 March 2011 were as follows:

		Number of ordinary shares					Vesting period[1]		
	Date of grant	As at 1 April 2010	Granted during the year[2]	Lapsed during the year	Exercised during the year	**As at 31 March 2011[3]**	From	To	Expiry date
Angela Ahrendts	08/12/2010	–	500,000	–	–	**500,000**	01/04/2015	31/03/2016	31/03/2016

(1) Subject to performance testing.
(2) The market value of Burberry shares on the date of grant (8 December 2010) was 1,156p.

In the event of a change of control, awards will be performance tested and pro-rated for time, subject to a maximum time based reduction of 50%, or may be rolled over subject to Angela Ahrendts' agreement. If Burberry terminates the agreement without cause, or Angela Ahrendts leaves for good reason, the option will be exercisable in full. If Angela Ahrendts ceases to be an employee for cause, for performance reasons or as a consequence of voluntary resignation, the option will lapse.

The Sharesave Scheme

In order to encourage employee share ownership at all levels, the Group offers a Sharesave Scheme. The Sharesave Scheme offers executive directors and eligible employees an opportunity to enter into a long-term savings contract to save a portion of their salary which can be used to purchase Burberry Group plc shares at up to a 20% discount to the market price at the date of invitation. Where it is not possible to offer a Sharesave Scheme in countries due to regulatory issues, or where the number of employees based in that country would make its introduction financially unviable, the Group offers a cash-based scheme as an alternative.

The interests of the executive directors in options granted under the Sharesave Scheme are shown in the table below:

		Number of ordinary shares						Exercise period	
	Date of grant	As at 1 April 2010	Granted during the year [1]	Lapsed during the year	Exercised during the year	**As at 31 March 2011**	Exercise price (p)	From	To
Angela Ahrendts	25/06/2010	–	2,773	–	–	**2,773**	557.0	01/09/2015	28/02/2016
Stacey Cartwright	30/06/2009	2,827	–	–	–	**2,827**	321.0	01/09/2012	28/02/2013

(1) The market value of Burberry shares on the date of grant (25 June 2010) was 784.5p.

The SIP and the Freeshare Plans

The executive directors do not participate in the Freeshare Plan and elected not to participate in the SIP.

Dilution Limits

The Group's share schemes contain limits that govern the quantum of awards that may be granted and the amount of newly issued shares that may be used to satisfy such awards. These limits are in line with the guidance of the Association of British Insurers in that no more than 10% of the Group's issued share capital may be allocated under the Group's relevant schemes over a rolling ten year period.

Shareholding Policy

The Committee believes that share ownership provides an effective way to align the interests of executives with those of shareholders. The Group introduced a Shareholding Policy in 2007. Certain senior executives are expected to achieve an interest in Burberry shares equivalent to at least one times base salary over the five year period to 2012. Executives are expected to retain a proportion of the shares acquired on the exercise of options and awards until such guidelines are met. The Chief Executive Officer and Executive Vice President, Chief Financial Officer are expected to hold an interest in shares with a value equivalent to at least three times and one and a half times base salary respectively by 2012. As at 31 March 2011, both the Chief Executive Officer and the Executive Vice President, Chief Financial Officer have complied with the policy.

As part of the Group's Shareholding Policy, the Chairman and non-executive directors are expected to hold shares with a market value of a minimum of £6,000 for each year of their appointment. The Chairman and non-executive directors have complied with this policy.

Gains made by directors on share options and awards

The table below shows notional gains made by individual directors from the exercise of share options and awards during the year to 31 March 2011. The gains are calculated by reference to the market value of Burberry's shares on the date of exercise.

	Number of ordinary shares		**Notional gain in the year to 31 March 2011 £'000**
	Exercised during the year	Retained as at 31 March 2011	
Angela Ahrendts	184,022	89,935	**1,574**
Stacey Cartwright	69,120	33,770	**697**

Directors' interests

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

	Holding of ordinary shares as at 31 March 2011	Holding of ordinary shares as at 31 March 2010
Angela Ahrendts	**351,466**[(1)]	431,939[(1)]
Philip Bowman	**65,000**	65,000
Ian Carter	**26,690**	26,690
Stacey Cartwright	**499,041**[(1)]	404,439[(1)]
Stephanie George	**15,000**	3,700
John Peace	**175,738**	175,738
John Smith	**1,011**	1,011
David Tyler	**60,000**	60,000

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

As potential beneficiaries under the Burberry Group plc ESOP Trust (the 'Trust') Angela Ahrendts and Stacey Cartwright are deemed to have an interest in the Company's ordinary shares held by the Trust. The Trust held 212,017 ordinary shares as at 31 March 2011 (2010: 228,492). There have been no further changes in the above interests between 31 March 2011 and 25 May 2011.

There are no other non-beneficial interests.

Share Price

The market value of Burberry Group plc shares on 31 March 2011 was 1,174p. The highest and lowest market prices of an ordinary share in the year were 1,203p and 612.5p, respectively.

Audit statement

In their audit opinion on page 87, PricewaterhouseCoopers LLP refer to their audit of the disclosures required by Schedule 8 to the Regulations. These comprise the following disclosures in this remuneration report: the disclosures under the headings 'Executive directors' remuneration', 'Executive directors' pension entitlements', 'Chairman and non-executive directors' remuneration', 'The Co-Investment Plan', 'The EPP', 'The RSP', 'One-Off Award to Angela Ahrendts' and 'The Sharesave Scheme' and the disclosures under the heading, 'Directors' interests' on pages 79 to 85.

Approved by the Board and signed on its behalf by:

David Tyler
Chairman of the Remuneration Committee
25 May 2011

The directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether IFRSs as adopted by the European Union and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Group and parent Company financial statements respectively; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Each of the directors, whose names and functions are listed on page 67 confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Directors' Report contained on page 68 includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

We have audited the Group financial statements of Burberry Group plc for the year ended 31 March 2011 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group Balance Sheet, the Group Statement of Changes in Equity, the Group Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 86, the directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 March 2011 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 70, in relation to going concern;
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

Other matter

We have reported separately on the parent Company financial statements of Burberry Group plc for the year ended 31 March 2011 and on the information in the Directors' Remuneration Report that is described as having been audited.

Andrew Kemp (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors
London, 25 May 2011

	Note	Year to 31 March 2011 £m	Year to 31 March 2010(1) £m
Continuing operations			
Revenue	3	**1,501.3**	1,185.1
Cost of sales		**(491.6)**	(423.9)
Gross profit		**1,009.7**	761.2
Net operating expenses	4	**(707.6)**	(544.7)
Operating profit		**302.1**	216.5
Financing			
Interest receivable and similar income		**1.9**	1.1
Interest payable and similar charges		**(5.1)**	(6.2)
Other financing charges		**(3.2)**	–
Net finance charge	6	**(6.4)**	(5.1)
Profit before taxation	5	**295.7**	211.4
Taxation	7	**(83.2)**	(58.8)
Profit for the year from continuing operations		**212.5**	152.6
Loss for the year from discontinued operations	29	**(6.2)**	(70.4)
Profit for the year		**206.3**	82.2
Attributable to:			
Equity holders of the Company		**208.4**	81.4
Non-controlling interest		**(2.1)**	0.8
Profit for the year		**206.3**	82.2
Earnings per share			
– basic	8	**47.9p**	18.8p
– diluted	8	**46.9p**	18.4p
Earnings per share from continuing operations			
– basic	8	**49.3p**	35.1p
– diluted	8	**48.3p**	34.4p
		£m	£m
Reconciliation of adjusted profit before taxation:			
Profit before taxation		**295.7**	211.4
Exceptional items:			
– restructuring (credit)/charge relating to continuing operations	5	**(1.0)**	3.4
– put option liability finance charge	5	**3.2**	–
Adjusted profit before taxation – non-GAAP measure		**297.9**	214.8
Adjusted earnings per share – non-GAAP measure			
– basic	8	**49.9p**	35.9p
– diluted	8	**48.9p**	35.1p
Dividends per share			
– interim	9	**5.00p**	3.50p
– proposed final (not recognised as a liability at 31 March)	9	**15.00p**	10.50p

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

	Note	Year to 31 March 2011 £m	Year to 31 March 2010 £m
Profit for the year		**206.3**	82.2
Other comprehensive income:			
– cash flow hedges	22	**4.9**	17.3
– foreign currency translation differences		**(15.3)**	(6.7)
Tax on other comprehensive income:			
– cash flow hedges		**(1.4)**	(5.0)
– foreign currency translation differences		**2.0**	(6.6)
Other comprehensive expense for the year, net of tax		**(9.8)**	(1.0)
Total comprehensive income for the year		**196.5**	81.2
Total comprehensive income attributable to:			
Equity holders of the Company		**198.8**	79.8
Non-controlling interest		**(2.3)**	1.4
		196.5	81.2

	Note	As at 31 March 2011 £m	As at 31 March 2010 £m
ASSETS			
Non-current assets			
Intangible assets	10	**114.7**	64.6
Property, plant and equipment	11	**281.8**	256.1
Investment properties	12	**3.0**	–
Deferred tax assets	13	**70.4**	39.2
Trade and other receivables	14	**15.2**	11.0
Derivative financial assets	16	**9.2**	1.7
		494.3	372.6
Current assets			
Inventories	15	**247.9**	166.9
Trade and other receivables	14	**132.5**	128.4
Derivative financial assets	16	**1.6**	2.6
Income tax receivables		**8.3**	0.7
Cash and cash equivalents	17	**466.3**	468.4
		856.6	767.0
Assets classified as held for sale	29	**13.5**	–
		870.1	767.0
Total assets		**1,364.4**	1,139.6
LIABILITIES			
Non-current liabilities			
Trade and other payables	18	**(84.4)**	(26.5)
Deferred tax liabilities	13	**(1.8)**	(1.6)
Derivative financial liabilities	16	**–**	(0.2)
Retirement benefit obligations	19	**(0.6)**	(0.5)
Provisions for other liabilities and charges	20	**(9.6)**	(5.5)
		(96.4)	(34.3)
Current liabilities			
Bank overdrafts and borrowings	21	**(168.4)**	(206.4)
Derivative financial liabilities	16	**(3.9)**	(9.0)
Trade and other payables	18	**(283.4)**	(200.2)
Provisions for other liabilities and charges	20	**(18.6)**	(34.4)
Income tax liabilities		**(60.0)**	(51.8)
		(534.3)	(501.8)
Total liabilities		**(630.7)**	(536.1)
Net assets		**733.7**	603.5
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Ordinary share capital	22	**0.2**	0.2
Share premium account		**192.5**	186.1
Capital reserve	22	**28.9**	27.2
Hedging reserve	22	**2.4**	(1.1)
Foreign currency translation reserve	22	**123.2**	136.3
Retained earnings		**366.4**	241.4
		713.6	590.1
Non-controlling interests in equity		**20.1**	13.4
Total equity		**733.7**	603.5

The consolidated financial statements of Burberry Group plc (registered number 03458224) on pages 88 to 132 were approved by the Board on 25 May 2011 and signed on its behalf by:

John Peace
Chairman

Stacey Cartwright
Executive Vice President, Chief Financial Officer

	Note	Attributable to owners of the Company						
	Note	Ordinary share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling interest £m	Total equity £m
Balance as at 1 April 2009		**0.2**	**175.9**	**164.0**	**199.2**	**539.3**	**4.6**	**543.9**
Profit for the year		–	–	–	81.4	81.4	0.8	82.2
Other comprehensive income:								
Cash flow hedges	22	–	–	17.3	–	17.3	–	17.3
Foreign currency translation differences		–	–	(7.3)	–	(7.3)	0.6	(6.7)
Tax on other comprehensive income		–	–	(11.6)	–	(11.6)	–	(11.6)
Total comprehensive (expense)/income for the year		–	–	(1.6)	81.4	79.8	1.4	81.2
Transactions with owners:								
Employee share incentive schemes								
– value of share options granted		–	–	–	18.1	18.1	–	18.1
– tax on share options granted		–	–	–	9.3	9.3	–	9.3
– exercise of share options		–	10.2	–	(8.3)	1.9	–	1.9
Purchase of own shares by ESOP trusts		–	–	–	(7.5)	(7.5)	–	(7.5)
Treasury shares		–	–	–	(0.4)	(0.4)	–	(0.4)
Sale of own shares by ESOP trusts		–	–	–	2.1	2.1	–	2.1
Capital contribution by non-controlling interest		–	–	–	–	–	7.4	7.4
Dividends paid in the period		–	–	–	(52.5)	(52.5)	–	(52.5)
Balance as at 31 March 2010		**0.2**	**186.1**	**162.4**	**241.4**	**590.1**	**13.4**	**603.5**
Profit/(Loss) for the year		–	–	–	208.4	208.4	(2.1)	206.3
Other comprehensive income:								
Cash flow hedges	22	–	–	4.9	–	4.9	–	4.9
Foreign currency translation differences		–	–	(15.1)	–	(15.1)	(0.2)	(15.3)
Tax on other comprehensive income		–	–	0.6	–	0.6	–	0.6
Total comprehensive (expense)/income for the year		–	–	(9.6)	208.4	198.8	(2.3)	196.5
Transfer between reserves	22	–	–	1.7	(1.7)	–	–	–
Transactions with owners:								
Employee share incentive schemes								
– value of share options granted		–	–	–	28.3	28.3	–	28.3
– value of share options transferred to liabilities		–	–	–	(0.7)	(0.7)	–	(0.7)
– tax on share options granted		–	–	–	15.2	15.2	–	15.2
– exercise of share options		–	6.4	–	(5.6)	0.8	–	0.8
Purchase of own shares by ESOP trusts		–	–	–	(6.6)	(6.6)	–	(6.6)
Sale of own shares by ESOP trusts		–	–	–	0.3	0.3	–	0.3
Business combinations		–	–	–	–	–	3.3	3.3
Liability on put option over non-controlling interest		–	–	–	(45.2)	(45.2)	–	(45.2)
Capital contribution by non-controlling interest		–	–	–	–	–	7.0	7.0
Dividends paid in the period		–	–	–	(67.4)	(67.4)	(1.3)	(68.7)
Balance as at 31 March 2011		**0.2**	**192.5**	**154.5**	**366.4**	**713.6**	**20.1**	**733.7**

	Note	Year to 31 March 2011 £m	Year to 31 March 2010 £m
Cash flows from operating activities			
Operating profit		**302.1**	216.5
Operating loss from discontinued operations		**(6.2)**	(45.4)
Depreciation		**53.7**	46.1
Amortisation		**8.9**	6.2
Write-down of assets held for sale		**3.7**	–
Net impairment charges		**–**	7.7
Loss on disposal of property, plant and equipment and intangible assets		**1.1**	4.2
Fair value gains on derivative instruments		**(6.2)**	(11.9)
Charges in respect of employee share incentive schemes		**28.3**	18.1
(Increase)/decrease in inventories		**(58.9)**	87.4
(Increase)/decrease in receivables		**(11.4)**	56.2
Increase in payables		**51.3**	40.5
Cash generated from operating activities		**366.4**	425.6
Interest received		**1.9**	1.1
Interest paid		**(5.1)**	(6.1)
Taxation paid		**(98.1)**	(51.3)
Net cash generated from operating activities		**265.1**	369.3
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		**(108.4)**	(69.9)
Acquisition of subsidiary, net of cash acquired	28	**(51.9)**	(2.0)
Capital contributions by non-controlling interests		**7.0**	7.4
Net cash outflow from investing activities		**(153.3)**	(64.5)
Cash flows from financing activities			
Dividends paid in the year	9	**(67.4)**	(52.5)
Dividends paid to non-controlling interest		**(1.3)**	–
Issue of ordinary share capital		**0.8**	1.9
Sale of own shares by ESOP trusts		**0.3**	2.1
Purchase of own shares by ESOP trusts		**(6.6)**	(7.5)
Proceeds from borrowings		**24.0**	1.2
Repayments of borrowings		**(24.1)**	(39.7)
Derivatives matured during the year and remaining in equity		**–**	0.2
Net cash outflow from financing activities		**(74.3)**	(94.3)
Net increase in cash and cash equivalents		**37.5**	210.5
Effect of exchange rate changes		**(1.5)**	(0.3)
Cash and cash equivalents at beginning of period		**263.2**	53.0
Cash and cash equivalents at end of period		**299.2**	263.2

ANALYSIS OF NET CASH

	Note	As at 31 March 2011 £m	As at 31 March 2010 £m
Cash and cash equivalents per the Balance Sheet	17	**466.3**	468.4
Bank overdrafts	21	**(167.1)**	(205.2)
Cash and cash equivalents per the Statement of Cash Flows		**299.2**	263.2
Drawn down borrowings		**(1.2)**	(1.2)
Effect of exchange rate changes on foreign currency borrowings		**(0.1)**	–
Bank and other borrowings	21	**(1.3)**	(1.2)
Net cash		**297.9**	262.0

1. Basis of preparation

Burberry Group (the Group) is a global luxury goods manufacturer, wholesaler and retailer. Burberry also licenses third parties to manufacture and distribute products using the 'Burberry' trademarks. All of the companies which comprise the Group are owned by Burberry Group plc (the Company) directly or indirectly.

The consolidated financial statements of the Group have been prepared in accordance with EU endorsed International Financial Reporting Standards (IFRS), IFRS Interpretations Committee (IFRS IC) interpretations and parts of the Companies Act 2006 applicable to companies reporting under IFRS. These consolidated financial statements have been prepared under the historical cost convention, except as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss.

The following new standard is mandatory for the first time for the financial year beginning 1 April 2010:

IFRS 3 (Revised) Business combinations

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

The new standards, amendments and interpretations issued and effective for the financial period commencing on 1 April 2010 which have not had a material impact on the financial statements of the Group include:

IAS 38 (Amendment) Intangible assets

IAS 36 (Amendment) Impairment of assets

IFRS 5 (Amendment) Non-current assets held for sale and discontinued operations

IAS 27 (Revised) Consolidated and separate financial statements

IAS 39 (Amendment) Financial instruments: Recognition and measurement

As at 31 March 2011, the following new and revised standards, amendments and interpretations, which are expected to be relevant to the Group's results, were issued but not yet effective:

IFRS 9 Financial instruments

This standard is the first step in the process to replace IAS 39 Financial instruments: Recognition and measurement, and introduces new requirements for classifying and measuring financial assets. The standard is applicable for annual periods beginning on or after 1 January 2013 and has not currently been endorsed by the EU. Any potential impact of this new standard will be quantified closer to the date of adoption.

IAS 24 (Revised) Related party disclosures

The revised standard clarifies and simplifies the definition of a related party. The standard is effective for annual periods beginning on or after 1 January 2011, and the Group will adopt the revised standard from 1 April 2011 subject to EU endorsement. No material impact is anticipated.

1. Basis of preparation (continued)

Basis of consolidation

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

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Where there is a loss of control of a subsidiary, the consolidated financial statements include the results for the portion of the reporting period during which Burberry Group plc had control. Intra-group transactions, balances and unrealised profits on transactions between Group companies are eliminated in preparing the Group financial statements. The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Key sources of estimation and judgement

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

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key areas where the estimates and assumptions applied have a significant risk of causing a material adjustment to the carrying value of assets and liabilities are discussed below:

Impairment of goodwill

The Group is required to test whether goodwill has suffered any impairment. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. The use of this method requires the estimation of future cash flows expected to arise from the continuing operation of the cash generating unit and the choice of a suitable discount rate in order to calculate the present value. Refer to note 10 for further details of goodwill balances.

Impairment of property, plant and equipment

Property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount of an asset or a cash generating unit is determined based on value-in-use calculations prepared on the basis of management's assumptions and estimates. Refer to note 11 for further details of tangible fixed asset balances.

Income and deferred taxes

The Group is subject to income taxes in numerous jurisdictions. Judgement is required in determining the provision for income taxes in each territory. There are many transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final outcome of these matters is different from the amounts which were initially recorded, such differences will impact the income tax and deferred tax provisions and assets in the period in which such determination is made. Refer to notes 7 and 13 for further details of income and deferred tax balances.

Put option liability over non-controlling interest

The calculation of the net present value of the put option over the non-controlling interest in the Group's business in China requires the application of key assumptions around the future performance of both the Group and the Group's business in China, the Burberry Group plc market capitalisation at the date of exercise, the risk free rate in China, and China's future gross domestic product growth. Refer to notes 18 and 26 for further details of the put option liability.

2. Accounting policies

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

a) Revenue

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

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

b) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker. The Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance, has been identified as the Board of Directors.

c) Business combinations

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

d) Share schemes

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

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

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

e) Operating leases

Burberry Group is both a lessor and lessee of property. Gross rental expenditure in respect of operating leases is recognised on a straight line basis over the period of the lease. Certain rental expenses are determined on the basis of revenue achieved in specific retail locations and are accrued for on that basis.

Amounts paid to acquire the rights to a lease (lease premiums) are capitalised in intangible assets and written off in equal annual instalments over the life of the lease contract. Lease incentives, typically rent free periods and capital contributions, are held on the Balance Sheet in accruals and deferred income and recognised over the term of the lease.

Rental income from operating leases is recognised on a straight line basis over the period of the lease. Lease incentives are deferred and recognised over the term of the lease.

f) Dividend distributions

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

2. Accounting policies (continued)

g) Pension costs

Defined benefit schemes

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

The liability recognised in the Balance Sheet in respect of defined benefit schemes represents the Group's share of the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the Projected Unit Credit method.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised directly in other comprehensive income.

Defined contribution schemes

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

h) Intangible fixed assets

Goodwill

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

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

Trade marks and other intangible assets

The cost of securing and renewing trade marks and the cost of acquiring other intangible assets such as lease premiums is capitalised and amortised by equal annual instalments over the useful economic life of the asset, typically ten years. The useful economic life of trade marks and other intangible assets is determined on a case-by-case basis, in accordance with the terms of the underlying agreement and the nature of the asset.

Computer software

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

i) Property, plant and equipment

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

Depreciation

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

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

Profit/loss on disposal of property, plant and equipment

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

2. Accounting policies (continued)

j) Impairment of non-financial assets

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

k) Investment properties

Investment properties are freehold properties held to earn rentals and/or for capital appreciation. Investment properties are stated at cost less accumulated depreciation and provision to reflect any impairment in value. Cost includes the original purchase price plus any directly attributable transaction costs. Investment properties are depreciated over an estimated useful life of up to 50 years. Depreciation is calculated on a straight-line basis over the estimated useful life of the properties.

l) Discontinued operations and assets classified as held for sale

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of, has been abandoned or meets the criteria to be classified as held for sale. Discontinued operations are presented on the Income Statement as a separate line and are shown net of tax.

Non-current assets are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction rather than through continued use, and a sale within the next twelve months is considered to be highly probable. They are stated as the lower of carrying amount and fair value less cost to sell.

m) Inventories

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

n) Taxation

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

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

Deferred tax liabilities are provided in full on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the temporary difference arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, no deferred tax will be recognised. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled. Deferred tax assets and liabilities are not discounted.

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

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

o) Provisions

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

p) Share capital

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

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

2. Accounting policies (continued)

q) Financial instruments

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

Subsequent to initial recognition, all financial liabilities are stated at amortised cost using the effective interest rate method except for derivatives, which are classified as held for trading (except where they qualify for hedge accounting) and are held at fair value. Financial liabilities held at amortised cost include trade payables, accruals, borrowings and put option liabilities over the non-controlling interests.

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

The Group's primary categories of financial instruments are listed below.

Cash and cash equivalents

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

Trade and other receivables

Trade and other receivables are included in current assets, except for maturities greater than twelve months after the balance sheet date. Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is recognised in the Income Statement.

Trade and other payables

Trade and other payables are included in current liabilities, except for maturities greater than twelve months after the balance sheet date. Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings

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

Put option liabilities over non-controlling interests

Put options over shares in subsidiaries held by non-controlling interests that arise on acquisition are recognised initially at fair value through equity. They are subsequently measured at amortised cost using the effective interest rate method. The discount is unwound through the Income Statement as a finance charge.

2. Accounting policies (continued)

q) Financial instruments (continued)

Derivative instruments

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

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

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

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

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

Where the Group hedges net investments in foreign operations through foreign currency borrowings, the gains or losses on the retranslation of the borrowings are recognised in other comprehensive income and will be reclassified to the Income Statement when the foreign operation that was hedged is disposed of.

2. Accounting policies (continued)

r) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Sterling, which is the Company's functional and the Group's presentation currency.

Transactions in foreign currencies

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

Translation of the results of overseas businesses

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

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

The principal exchange rates used were as follows:

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

The average exchange rate achieved by the Group on its Yen royalty income, taking into account its use of Yen forward foreign exchange contracts on a monthly basis approximately twelve months in advance of royalty receipts, was Yen 143.7: £1 in the year to 31 March 2011 (2010: Yen 154.0: £1).

s) Adjusted profit before taxation and exceptional items

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

3. Segmental analysis

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

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

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

The Board assesses channel performance based on a measure of adjusted operating profit. This measurement basis excludes the effects of non-recurring events and exceptional items. The measure of earnings for each operating segment that is reviewed by the Board includes an allocation of corporate and central costs. Interest income and charges are not included in the result for each operating segment that is reviewed by the Board.

	Retail/Wholesale		Licensing		Total	
	Year to 31 March 2011 £m	Year to 31 March 2010[1] £m	**Year to 31 March 2011 £m**	Year to 31 March 2010[1] £m	**Year to 31 March 2011 £m**	Year to 31 March 2010[1] £m
Total segment revenue	**1,402.9**	1,087.6	**116.5**	112.2	**1,519.4**	1,199.8
Inter-segment revenue[2]	**–**	–	**(18.1)**	(14.7)	**(18.1)**	(14.7)
Revenue from external customers	**1,402.9**	1,087.6	**98.4**	97.5	**1,501.3**	1,185.1
Depreciation and amortisation	**58.1**	47.6	**–**	–	**58.1**	47.6
Net impairment charges	**–**	6.1	**–**	–	**–**	6.1
Other non-cash expenses						
– Share based payments	**22.6**	13.6	**5.7**	4.5	**28.3**	18.1
Adjusted operating profit	**219.5**	137.7	**81.6**	82.2	**301.1**	219.9
Interest receivable and similar income					**1.9**	1.1
Interest payable and similar charges					**(5.1)**	(6.2)
Exceptional items[3]					**(2.2)**	(3.4)
Profit before taxation					**295.7**	211.4

(1) March 2010 has been re-presented to exclude the results of the discontinued Spanish operations.
(2) Inter-segment transfers or transactions are entered into under the normal commercial terms and conditions that would be available to unrelated third parties.
(3) Refer to note 5 for details of exceptional items.

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

3. Segmental analysis (continued)

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

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

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

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

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

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

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

4. Net operating expenses

	Note	Year to 31 March 2011 £m	Year to 31 March 2010(1) £m
Selling and distribution costs		**333.5**	286.5
Administrative expenses		**374.8**	250.9
Loss on disposal of property, plant and equipment		**1.1**	4.0
Property rental income under operating leases		**(0.8)**	(0.1)
Exceptional items			
Restructuring costs relating to continuing operations	5	**(1.0)**	3.4
Total		**707.6**	544.7

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

5. Profit before taxation

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

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

Exceptional operating items

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

Exceptional financing charges

The exceptional financing charge for the year ended 31 March 2011 relates to the unwinding of the discount on the put option liability over the non-controlling interest in Burberry (Shanghai) Trading Co., Ltd. Refer to note 18 for further details of the carrying value of the put option liability.

Auditor remuneration

Refer to note 31 for details of fees incurred during the year in relation to audit and non-audit services, for both the continuing and discontinued operations.

6. Net finance charge

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

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

7. Taxation

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

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

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

7. Taxation (continued)

Analysis of charge for the year recognised in equity:

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

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

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

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

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

Total taxation recognised in the Group Income Statement arises on:

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

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

8. Earnings per share

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

	Year to 31 March 2011 £m	Year to 31 March 2010[1] £m
Attributable profit for the year before exceptional items[2] and discontinued operations	217.0	155.2
Effect of exceptional items[2] (after taxation)	(2.4)	(3.4)
Attributable profit for the year from continuing operations	214.6	151.8
Attributable loss from discontinued operations[3]	(6.2)	(70.4)
Attributable profit for the year	208.4	81.4

(1) March 2010 has been re-presented to exclude the results of the discontinued Spanish operations.
(2) Refer to note 5 for details of exceptional items.
(3) Refer to note 29 for details of basic and diluted earnings per share from discontinued operations.

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

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

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

9. Dividends paid to owners of the Company

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

A final dividend in respect of the year to 31 March 2011 of 15.00p (2010: 10.50p) per share, amounting to £65.4m (2010: £45.7m), has been proposed for approval by the shareholders at the Annual General Meeting subsequent to the balance sheet date. The final dividend to Burberry Group plc shareholders has not been recognised as a liability at the year end and will be paid on 4 August 2011 to shareholders on the register at the close of business on 8 July 2011.

10. Intangible assets

Cost	Goodwill £m	Trade marks and other intangible assets £m	Computer software £m	Total £m
As at 1 April 2009	33.1	18.1	26.8	78.0
Effect of foreign exchange rate changes	2.6	(0.6)	0.1	2.1
Additions	–	0.2	7.2	7.4
Business combination	0.6	–	–	0.6
Disposals	–	(0.6)	(1.1)	(1.7)
Impairment charge	(1.4)	–	–	(1.4)
Reclassification from assets under construction (note 11)	–	–	5.2	5.2
As at 31 March 2010	34.9	17.1	38.2	90.2
Effect of foreign exchange rate changes	(1.9)	0.1	(0.4)	(2.2)
Additions	–	6.6	14.4	21.0
Business combination (note 28)	40.1	–	–	40.1
Disposals	–	–	(0.4)	(0.4)
As at 31 March 2011	**73.1**	**23.8**	**51.8**	**148.7**
Accumulated amortisation				
As at 1 April 2009	–	8.0	12.5	20.5
Effect of foreign exchange rate changes	–	(0.3)	–	(0.3)
Charge for the year	–	1.4	4.8	6.2
Disposals	–	(0.1)	(0.7)	(0.8)
As at 31 March 2010	–	9.0	16.6	25.6
Effect of foreign exchange rate changes	–	0.1	(0.2)	(0.1)
Charge for the year	–	1.9	7.0	8.9
Disposals	–	–	(0.4)	(0.4)
As at 31 March 2011	**–**	**11.0**	**23.0**	**34.0**
Net book value				
As at 31 March 2011	**73.1**	**12.8**	**28.8**	**114.7**
As at 31 March 2010	34.9	8.1	21.6	64.6

Impairment testing of goodwill

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

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

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

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

11. Property, plant and equipment

Cost	Freehold land and buildings £m	Leasehold improvements £m	Fixtures, fittings and equipment £m	Assets in the course of construction £m	Total £m
As at 1 April 2009	97.1	160.9	204.4	20.1	482.5
Effect of foreign exchange rate changes	(4.5)	(6.1)	(2.8)	(0.6)	(14.0)
Additions	–	17.3	38.6	9.9	65.8
Disposals	(0.4)	(7.7)	(23.2)	(1.4)	(32.7)
Reclassification from assets under construction	–	4.8	8.4	(18.4)	(5.2)
Business combination	–	–	0.8	–	0.8
As at 31 March 2010	92.2	169.2	226.2	9.6	497.2
Effect of foreign exchange rate changes	(3.7)	(6.5)	(4.4)	–	(14.6)
Additions	–	18.7	62.2	21.4	102.3
Disposals	–	(0.3)	(23.9)	(0.2)	(24.4)
Reclassification from assets under construction	–	4.3	6.6	(10.9)	–
Transfers to investment properties (note 12)	(3.8)	–	–	–	(3.8)
Business combination (note 28)	–	–	6.3	–	6.3
Transfers to assets held for sale (note 29)	(29.6)	–	(6.6)	–	(36.2)
As at 31 March 2011	**55.1**	**185.4**	**266.4**	**19.9**	**526.8**

Accumulated depreciation and impairment					
As at 1 April 2009	32.2	53.4	138.3	–	223.9
Effect of foreign exchange rate changes	(1.4)	(1.9)	(2.5)	–	(5.8)
Charge for the year	2.4	14.8	28.9	–	46.1
Net impairment charge on assets	–	2.3	4.0	–	6.3
Disposals	(0.1)	(6.1)	(23.2)	–	(29.4)
As at 31 March 2010	33.1	62.5	145.5	–	241.1
Effect of foreign exchange rate changes	(1.3)	(2.1)	(3.1)	–	(6.5)
Charge for the year	1.9	19.6	32.1	–	53.6
Disposals	–	(0.3)	(23.0)	–	(23.3)
Transfers to investment properties (note 12)	(0.7)	–	–	–	(0.7)
Transfers to assets held for sale (note 29)	(16.7)	–	(2.5)	–	(19.2)
As at 31 March 2011	**16.3**	**79.7**	**149.0**	**–**	**245.0**

Net book value					
As at 31 March 2011	**38.8**	**105.7**	**117.4**	**19.9**	**281.8**
As at 31 March 2010	59.1	106.7	80.7	9.6	256.1

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

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

12. Investment properties

Cost	2011 £m	2010 £m
As at 1 April	–	–
Transfers from property, plant and equipment	3.8	–
As at 31 March	**3.8**	–

Accumulated depreciation		
As at 1 April	–	–
Transfers from property, plant and equipment	0.7	–
Charge for the year	0.1	–
As at 31 March	**0.8**	–

Net book value	**3.0**	–

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

Based on a valuation report prepared by Cushman & Wakefield, the market valuation of the investment property is £11.8m, using closing exchange rates at 31 March 2011. The valuation was prepared in accordance with the Royal Institution of Chartered Surveyors and the International Valuation Standards Council, and is supported by market evidence.

13. Deferred taxation

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

	As at 31 March 2011 £m	As at 31 March 2010 £m
Deferred tax assets	70.4	39.2
Deferred tax liabilities	(1.8)	(1.6)
Net amount	**68.6**	37.6

The movement in the deferred tax account is as follows:	As at 31 March 2011 £m	As at 31 March 2010 £m
As at 1 April	37.6	55.4
Effect of foreign exchange rate changes	(0.6)	(0.5)
Credited/(charged) to the Income Statement	18.8	(12.8)
Credited/(charged) to equity	12.8	(4.5)
As at 31 March	**68.6**	37.6

13. Deferred taxation (continued)

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

Deferred tax liabilities

	Accelerated capital allowances £m	Unrealised inventory profit and other inventory provisions £m	Derivative instruments £m	Unused tax losses £m	Other £m	Total £m
As at 1 April 2009	24.6	(6.1)	0.1	(3.0)	9.7	25.3
Effect of foreign exchange rate changes	(1.7)	0.2	–	0.2	0.3	(1.0)
(Credited)/charged to the Income Statement – continuing operations	(7.1)	1.5	(0.1)	(1.6)	(10.9)	(18.2)
As at 31 March 2010	15.8	(4.4)	–	(4.4)	(0.9)	6.1
Effect of foreign exchange rate changes	(0.4)	0.1	–	0.1	–	(0.2)
(Credited)/charged to the Income Statement – continuing operations	(9.6)	3.5	1.6	4.3	2.4	2.2
Credited to equity	–	–	(0.1)	–	–	(0.1)
As at 31 March 2011	**5.8**	**(0.8)**	**1.5**	**–**	**1.5**	**8.0**

Deferred tax assets

	Accelerated capital allowances £m	Unrealised inventory profit and other inventory provisions £m	Share schemes £m	Derivative instruments £m	Unused tax losses £m	Other £m	Total £m
As at 1 April 2009	2.0	30.6	4.1	5.7	21.5	16.8	80.7
Effect of foreign exchange rate changes	(0.1)	(0.5)	–	–	0.6	(1.5)	(1.5)
Credited/(charged) to the Income Statement – continuing operations	5.3	(6.3)	0.6	–	(4.1)	(1.5)	(6.0)
Credited/(charged) to the Income Statement – discontinued operations	(2.1)	(7.0)	–	–	(11.1)	(4.8)	(25.0)
Credited/(charged) to equity	–	–	7.1	(5.0)	–	(6.6)	(4.5)
As at 31 March 2010	5.1	16.8	11.8	0.7	6.9	2.4	43.7
Effect of foreign exchange rate changes	0.2	(0.7)	–	–	(1.0)	0.7	(0.8)
(Charged)/credited to the Income Statement – continuing operations	(12.9)	13.0	5.6	1.4	10.7	3.2	21.0
Credited/(charged) to equity	–	–	13.1	(1.5)	–	1.1	12.7
As at 31 March 2011	**(7.6)**	**29.1**	**30.5**	**0.6**	**16.6**	**7.4**	**76.6**

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related benefit through the future taxable profits is probable. The Group did not recognise deferred tax assets of £15.2m (2010: £45.7m) in respect of losses and temporary timing differences amounting to £45.1m (2010: £151.1m) that can be set off against future taxable income. There is a time limit for the recovery of £9.0m of these potential assets (2010: £41.3m) which ranges from nine to ten years (2010: five to fifteen years).

Included within other temporary differences above is a deferred tax liability of £0.6m (2010: £0.8m) relating to unremitted overseas earnings. No deferred tax liability is provided in respect of any future remittance of earnings of foreign subsidiaries where the Group is able to control the remittance of earnings and it is probable that such earnings will not be remitted in the foreseeable future, or where no liability would arise on the remittance. The unrecognised deferred tax liability on unremitted earnings is £1.0m (2010: £nil).

14. Trade and other receivables

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

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

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

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

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

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

Movement on the provision for doubtful debts is as follows:

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

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

14. Trade and other receivables (continued)

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

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

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

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

15. Inventories

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

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

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

16. Derivative financial instruments

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

Cash flow hedges

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

Derivative financial assets	**As at 31 March 2011 £m**	As at 31 March 2010 £m
Forward foreign exchange contracts – cash flow hedges	**1.6**	1.7
Forward foreign exchange contracts – held for trading	**–**	0.1
Equity swap contracts – held for trading	**9.2**	2.5
Total position	**10.8**	4.3
Comprising:		
Total non-current position	**9.2**	1.7
Total current position	**1.6**	2.6

Total cash flow hedge gains of £1.6m (2010: £1.7m) are expected to be recognised within twelve months.

16. Derivative financial instruments (continued)

Derivative financial liabilities	As at 31 March 2011 £m	As at 31 March 2010 £m
Forward foreign exchange contracts – cash flow hedges	**(3.9)**	(9.2)
Total position	**(3.9)**	(9.2)
Comprising:		
Total non-current position	**–**	(0.2)
Total current position	**(3.9)**	(9.0)

Total cash flow hedge losses of £3.9m (2010: £9.0m) are expected to be recognised within twelve months.

The current portion of the financial instruments matures at various dates within one month to one year from the balance sheet date.

Net derivative financial instruments

	As at 31 March 2011 £m	As at 31 March 2010 £m
– book value	**6.9**	(4.9)
– fair value	**6.9**	(4.9)

The fair value of equity swap contracts and forward foreign exchange contracts is based on a comparison of the contractual and market rates after discounting using the appropriate yield curves as at 31 March each year. All fair value measurements are calculated using inputs which are based on observable market data (Level 2).

Additional information	As at 31 March 2011 £m	As at 31 March 2010 £m
Notional principal amounts of the outstanding forward foreign exchange contracts	**197.3**	313.5
Notional principal amounts of the outstanding equity swap contracts	**10.8**	3.5
Ineffective portion of cash flow hedges released from equity to the Income Statement during the year	**0.5**	0.1
Movement on derivatives held for trading for the year recognised within net operating expenses in the Income Statement	**5.5**	5.6
Movement on interest rate swaps recognised within net finance charge in the Income Statement (note 6)	**–**	(1.4)

During the year, £0.5m (2010: £0.1m) of cash flow hedges were considered to be ineffective and were recognised immediately in the Income Statement within net operating expenses. This arose from changes to ‘highly probable’ forecast transactions during the year.

17. Cash and cash equivalents

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

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

18. Trade and other payables

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

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

The key assumptions in arriving at the value of the put option are the future performance of the Group and that of the Group's business in China, the Burberry Group plc market capitalisation at the date of exercise, the risk free rate in China and China's future gross domestic product growth.

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

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

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

19. Retirement benefit obligations

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

The balance sheet obligations in respect of the Group's post-retirement arrangements, assessed in accordance with IAS 19, were:

Defined benefit schemes	**As at 31 March 2011 £m**	As at 31 March 2010 £m
Retirement Indemnities France	**0.3**	0.2
Burberry (Taiwan) Co Ltd retirement scheme	**0.3**	0.3
Total obligation	**0.6**	0.5

Costs charged to the Group Income Statement in relation to defined benefit schemes during the year to 31 March 2011 were £nil (2010: £nil).

The pension costs charged to the Group Income Statement in relation to defined contribution schemes during the year to 31 March 2011 were £7.7m (2010: £5.3m).

Defined benefit schemes

Retirement Indemnities France

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

Burberry (Taiwan) Co Ltd retirement scheme

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

Defined contribution schemes

The Group participates in a number of defined contribution schemes. The details of the main plans are:

Burberry stakeholder plan UK

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

Burberry money purchase plan US

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

Burberry Asia Limited retirement scheme

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

20. Provisions for other liabilities and charges

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

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

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

21. Bank overdrafts and borrowings

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

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

On 28 March 2011, a £300m multi-currency revolving credit facility was agreed with a syndicate of third party banks. At 31 March 2011, there were no outstanding drawings (2010: £nil). Interest is charged on this facility at LIBOR plus 0.90% on drawings less than £100m, at LIBOR plus 1.05% on drawings between £100m and £200m and at LIBOR plus 1.20% on drawings over £200m. The facility matures on 30 June 2016. This facility replaces the £200m three year multi-currency revolving facility in place as at 16 March 2009 which had been due to mature on 30 June 2012, and the two bilateral multi-currency revolving credit facilities, totalling £60m which had been due to mature on 13 June 2011.

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

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

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

22. Share capital and reserves

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

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

The Company has a general authority from shareholders, renewed at each Annual General Meeting, to repurchase a maximum of 10% of its issued share capital. During the year to 31 March 2011, no ordinary shares were repurchased by the Company under this authority.

The cost of own shares held by the Group has been offset against the profit and loss account, as the amounts paid reduce the profits available for distribution by the Company. As at 31 March 2011 the amounts offset against this reserve are £2.8m (2010: £2.0m). In the year to 31 March 2011 the Burberry Group plc ESOP trust has waived its entitlement to dividends of £nil (2010: £0.2m).

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

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

23. Financial commitments

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

	As at 31 March 2011 £m	As at 31 March 2010 £m
Amounts falling due:		
Within one year	**94.6**	70.7
Between two and five years	**244.5**	215.8
After five years	**196.2**	188.0
Total	**535.3**	474.5

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

The total of future minimum payments to be received under non-cancellable leases on investment properties and subleases on land and buildings is as follows:

	Leases		Subleases	
	As at 31 March 2011 £m	As at 31 March 2010 £m	As at 31 March 2011 £m	As at 31 March 2010 £m
Amounts falling due:				
Within one year	**0.7**	–	**0.8**	0.2
Between two and five years	**2.9**	–	**2.3**	1.7
After five years	**2.8**	–	**0.4**	0.6
Total	**6.4**	–	**3.5**	2.5

24. Capital commitments

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

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

25. Contingent liabilities

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

26. Financial risk management

Other than derivatives, the Group's principal financial instruments comprise cash and short-term deposits, external borrowings, trade receivables, and trade and other payables arising directly from operations.

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

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

Market risk

Foreign exchange risk

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

The Group's Income Statement is affected by transactions denominated in foreign currency. To reduce exposure to currency fluctuations, the Group has a policy of hedging foreign currency denominated transactions by entering into forward foreign exchange contracts (see note 16). The Group's accounting policy in relation to derivative instruments is set out in note 2.

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

The Group monitors the desirability of hedging the net assets of overseas subsidiaries when translated into Sterling for reporting purposes. It has not entered into any specific transactions for this purpose.

At 31 March 2011, the Group has performed sensitivity analysis to determine the effect of non-Sterling currencies strengthening/weakening by 20% (2010: 20%) against Sterling with all other variables held constant. The effect of translating foreign currency denominated net debt, receivables, payables and financial instruments at fair value through profit or loss would have decreased/increased post-tax profit for the year by £0.1m (2010: decreased/increased £0.8m). The effect of translating forward foreign exchange contracts designated as cash flow hedges and Sterling denominated loans held in overseas subsidiaries would have decreased/increased equity by £11.4m (2010: £12.5m).

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

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

	As at 31 March 2011 £m	As at 31 March 2010 £m
Sterling	**0.3**	0.9
US Dollar	**(0.7)**	0.7
Euro	**1.5**	(1.9)
Other currencies	**(0.3)**	–
Total	**0.8**	(0.3)

26. Financial risk management (continued)

Price risk

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

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

Interest rate risk

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

The external borrowings are linked to the LIBOR rate, while cash and short-term borrowings are affected by local market rates around the Group. The borrowings at variable rates expose the Group to cash flow interest rate risk. To manage interest rate risk the Group manages its proportion of fixed and floating rate borrowings to within limits approved by the Board using interest rate swap derivatives. The Group has no outstanding interest rate swaps at 31 March 2011. During the prior year, the Group closed out an interest rate swap, with a notional principal of US $65m, to convert floating rate borrowings into fixed rate borrowings, at a fixed interest rate of 3.545%.

The interest rate risk profile of the Group's fixed and floating rate financial liabilities by currency is as follows:

	As at 31 March 2011		As at 31 March 2010	
	Floating rate financial liabilities £m	**Fixed rate financial liabilities £m**	Floating rate financial liabilities £m	Fixed rate financial liabilities £m
Sterling	**0.2**	**–**	–	–
Other currencies	**2.1**	**–**	1.4	–
Total financial liabilities	**2.3**	**–**	1.4	–

The floating rate financial liabilities at 31 March 2011 and 2010 exclude cash pool overdraft balances of £166.1m (2010: £205.0m).

At 31 March 2011, if interest rates on Sterling denominated borrowings had been 200 basis points higher/lower (2010: 200 basis points) with all other variables held constant, post-tax profit for the year would have been £nil (2010: £0.1m) lower/higher, as a result of higher/lower interest expense on floating rate borrowings.

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

Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that wholesale sales are made to customers with an appropriate credit history. Sales to retail customers are made in cash or via major credit cards. In addition, receivables balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant and default rates have historically been very low. An ageing of overdue receivables is included in note 14. The carrying amount of financial assets represents the maximum credit exposure to the Group.

With respect to credit risk arising from other financial assets, which comprise cash and short-term deposits and certain derivative instruments, the Group's exposure to credit risk arises from the default of the counterparty with a maximum exposure equal to the carrying value of these instruments. The Group has policies that limit the amount of credit exposure to any financial institution and only deposits funds with independently rated financial institutions with a minimum rating of 'A'.

The Group has deposited €1.1m (2010: €0.2m), CHF 0.3m (2010: CHF 0.3m), BRL 0.6m (2010: BRL nil), INR 0.2m (2010: INR nil) and TWD 10.0m (2010: TWD nil) which is held as collateral at a number of European banks.

26. Financial risk management (continued)

Liquidity risk

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

All short-term trade creditors, accruals, bank overdrafts and borrowings mature within one year or less. The carrying value of all financial liabilities due in less than one year is equal to their contractual undiscounted cash flows.

The contractual maturity profile of non-current financial liabilities is as follows:

As at 31 March 2011	Non-current portion of derivative financial liabilities £m	Other non-current financial liabilities £m	Total £m
In more than one year, but not more than two years	**–**	**2.6**	**2.6**
In more than two years, but not more than three years	**–**	**2.0**	**2.0**
In more than three years, but not more than four years	**–**	**1.0**	**1.0**
In more than four years, but not more than five years	**–**	**0.6**	**0.6**
In more than five years	**–**	**151.2**	**151.2**
Total financial liabilities	**–**	**157.4**	**157.4**

As at 31 March 2010			
In more than one year, but not more than two years	0.2	3.2	3.4
In more than two years, but not more than three years	–	0.9	0.9
In more than three years, but not more than four years	–	0.7	0.7
In more than four years, but not more than five years	–	0.6	0.6
In more than five years	–	0.3	0.3
Total financial liabilities	0.2	5.7	5.9

Other non-current financial liabilities relate to lease liabilities, property-related accruals and the put option liability over non-controlling interests. The put option liability is subject to a contractual cap of £200m.

Capital risk

The Group manages its capital (defined as net cash plus equity excluding non-controlling interests) to ensure that entities in the Group are able to operate as going concerns and optimise returns to shareholders. At 31 March 2011, the Group had net cash of £297.9m (2010: £262.0m) and total equity excluding non-controlling interests of £713.6m (2010: £590.1m).

Cash is used to fund the continued investment in the Group and growth of the global brand. It is also used to make routine outflows of capital expenditure, tax and dividends. The Group's dividend policy sets its payout target as 40% of adjusted EPS. The Board reviews the Group's dividend policy and funding requirements annually.

The Group is in compliance with the financial and other covenants within its committed bank credit facilities, and has been in compliance throughout the financial year.

27. Employee costs

Staff costs, including the cost of directors, incurred during the year are as shown below. Directors' remuneration, which is separately disclosed in the Directors' Remuneration Report on pages 76 to 85 and forms part of these financial statements, includes the notional gains arising on the exercise of share options and awards but excludes the charge in respect of these share options and awards recognised in the Group Income Statement.

	Year to 31 March 2011 £m	Year to 31 March 2010 £m
Wages and salaries	**232.3**	190.0
Social security costs	**41.4**	27.1
Share based compensation (all awards and options settled in shares)	**28.3**	18.1
Other pension costs (note 19)	**7.7**	5.3
Total[(1)]	**309.7**	240.5

(1) Figures disclosed for the year to 31 March 2011 and 31 March 2010 include costs from both continuing and discontinued operations.

27. Employee costs (continued)

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

	Number of employees	
	Year to 31 March 2011	Year to 31 March 2010
Europe	**2,986**	2,285
Spain	**430**	892
Americas	**1,385**	1,285
Asia Pacific	**1,733**	1,056
Rest of World	**147**	90
Total(1)	**6,681**	5,608

(1) Figures disclosed for the year to 31 March 2011 and 31 March 2010 are for both continuing and discontinued operations.

Share options granted to directors and employees

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

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

Savings-Related Share Option Scheme

In the financial year ended 31 March 2007, a Savings-Related Share Option Scheme (Sharesave) offering Burberry Group plc ordinary shares was introduced for employees.

On 30 June 2010, further options were granted under this scheme with a three-year and five-year vesting period offered to employees. The contract commencement date of the grant was 1 September 2010. These options are exercisable for a period of up to six months from 1 September 2013 and 1 September 2015 for the three-year and five-year schemes respectively, with vesting dependent on continued employment, as well as a saving obligation over the vesting period. The exercise price for these options is calculated at a 20% discount to market price over the three dealing days preceding the invitation date. Three day averages are calculated by taking middle market quotations of a Burberry Group plc share from the London Stock Exchange.

The fair value of the options granted in the year has been calculated using a risk-free rate of 1.1%, expected volatility of 46.5% and an expected dividend yield of 2.2%. The fair value per option for the grant was determined as £3.64. The Burberry share price at the contract commencement date was £8.55.

Expected volatility was determined by calculating the historical annualised standard deviation of the market price of the shares over a period of time, prior to the grant, equivalent to the life of the option.

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

	Weighted average exercise price	**Number of shares under option as at 31 March 2011**	Weighted average exercise price	Number of shares under option as at 31 March 2010
Outstanding at 1 April	**383.5p**	**800,937**	401.8p	1,007,438
Granted during the year	**557.0p**	**356,026**	321.0p	410,974
Lapsed during the year	**424.3p**	**(88,892)**	395.0p	(153,315)
Withdrawn during the year	**456.2p**	**(48,153)**	411.1p	(91,692)
Exercised during the year	**472.3p**	**(156,647)**	350.0p	(372,468)
Outstanding at 31 March	**430.6p**	**863,271**	383.5p	800,937
Exercisable at 31 March	**505.0p**	**18,383**	350.5p	130

The weighted average share price at the respective exercise dates in the year was £9.83 (2010: £5.25).

27. Employee costs (continued)

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

Option term	Exercise price	Number of shares under option as at 31 March 2011	Number of shares under option as at 31 March 2010
23 June 2006 – 28 February 2010	**350.5p**	**–**	130
30 March 2007 – 30 September 2010	**384.5p**	**–**	28,289
24 August 2007 – 28 February 2011	**505.0p**	**15,861**	108,077
28 September 2007 – 31 March 2011	**505.0p**	**2,522**	68,872
26 June 2008 – 28 February 2012	**399.0p**	**166,345**	200,796
30 June 2009 – 28 February 2013	**321.0p**	**287,978**	332,678
30 June 2009 – 28 February 2015	**321.0p**	**58,996**	62,095
30 June 2010 – 28 February 2014	**557.0p**	**284,263**	–
30 June 2010 – 28 February 2016	**557.0p**	**47,306**	–
Total		**863,271**	800,937

Burberry Senior Executive Restricted Share Plan 2004 (the RSP)

In June and November 2010, further awards of 2,439,400 and 61,555 ordinary shares respectively were made to executive directors and management under the RSP (2010: 5,475,895). Under the Plan, executive directors may be awarded shares, structured as nil-cost options, up to a maximum value of two times base salary per annum.

Awards granted between 2004 and 2007 vest in full only if Burberry Group plc achieves at least upper quartile Total Shareholder Return (TSR) relative to its global peers and at least 15% per annum profit before tax (PBT) growth. A proportion of an award (12.5%) may vest if TSR performance exceeds the median of the peer group or if PBT growth exceeds 5% per annum over three years. Vesting against each metric occurs on a straight line basis between threshold and maximum. Of the shares which meet the performance criteria, 50% vests after three years. The remaining 50% vests in two equal tranches on the fourth and fifth anniversaries of the date of grant.

Awards granted in 2009 and 2010 will vest in full only if Burberry Group plc achieves at least upper quartile TSR relative to its global peers and at least 10% per annum PBT growth. A proportion of an award (12.5%) may vest if TSR performance exceeds the median of the peer group or if PBT growth exceeds 3% per annum over three years. Vesting against each metric occurs on a straight line basis between threshold and maximum. Of the shares which meet the performance criteria, 50% vests after three years. The remaining 50% vests in two equal tranches on the fourth and fifth anniversaries of the date of grant.

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

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

	Number of awards as at 31 March 2011	Number of awards as at 31 March 2010
Outstanding at 1 April	**9,311,476**	6,478,852
Granted during the year	**2,500,955**	5,475,895
Lapsed during the year	**(1,723,272)**	(1,377,582)
Exercised during the year	**(610,352)**	(1,265,689)
Outstanding at 31 March	**9,478,807**	9,311,476
Exercisable at 31 March	**96,146**	146,813

The weighted average share price at the respective exercise dates in the year was £9.00 (2010: £5.73).

27. Employee costs (continued)

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

Term of the award	**Number of awards as at 31 March 2011**	Number of awards as at 31 March 2010
2 August 2004 – 1 August 2014	**16**	2,021
21 July 2005 – 20 July 2015	**26,777**	87,557
31 January 2006 – 30 January 2016	**–**	95,339
10 August 2006 – 9 August 2016	**172,822**	268,666
1 September 2006 – 31 August 2016	**2,125**	10,000
27 November 2006 – 26 November 2016	**6,770**	13,773
11 June 2007 – 10 June 2017	**367,725**	1,782,458
21 November 2007 – 20 November 2017	**53,806**	298,541
25 June 2008 – 24 June 2018	**1,307,387**	1,357,402
1 June 2009 – 31 May 2019	**5,095,992**	5,376,924
8 June 2009 – 7 June 2019	**1,192**	1,500
30 June 2009 – 29 June 2019	**5,500**	5,500
20 November 2009 – 19 November 2019	**16,184**	11,795
10 June 2010 – 9 June 2020	**2,360,956**	–
22 November 2010 – 21 November 2020	**61,555**	–
Total	**9,478,807**	9,311,476

For the following grants made during the year ended 31 March 2011, the fair value for the restricted shares with the PBT performance condition was determined by applying the Black-Scholes option pricing model. A discount was applied to the restricted shares with the TSR performance condition, by applying the Monte Carlo model. The fair value for these restricted shares was determined as shown below:

Fair value for the restricted shares	10 June 2010	22 November 2010
PBT performance condition	£7.84	£10.29
TSR performance condition	£3.90	£5.12

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

	10 June 2010	22 November 2010
Weighted average share price at grant date	£7.84	£10.29
Exercise price	£nil	£nil
Life of award	Equivalent to vesting period	Equivalent to vesting period
Expected volatility	49.3%	48.4%
Risk free interest rate	3.81%	3.66%

Expected volatility was determined by calculating the historical annualised standard deviation of the market price of the shares over a period of time, prior to the grant, equivalent to the life of the option.

Burberry Restricted Share Reinvestment Plan

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

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

At 1 April 2009, 278,750 share awards were outstanding, all of which were exercised during the year ended 31 March 2010 at a weighted average share price of £4.94. No more share awards remain outstanding in relation to the Burberry Restricted Share Reinvestment Plan.

27. Employee costs (continued)

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

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

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

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

	Weighted average exercise price	Number of shares under option as at 31 March 2011	Weighted average exercise price	Number of shares under option as at 31 March 2010
Outstanding at 1 April	**230.0p**	**125,000**	230.0p	392,086
Exercised during the year	**230.0p**	**(15,000)**	230.0p	(267,086)
Outstanding at 31 March	**230.0p**	**110,000**	230.0p	125,000
Exercisable at 31 March	**230.0p**	**110,000**	230.0p	125,000

The weighted average share price at the respective exercise dates in the year was £11.09 (2010: £6.17).

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

Option term	Exercise price	Number of shares under option as at 31 March 2011	Number of shares under option as at 31 March 2010
11 July 2002 – 11 July 2012	**230.0p**	**110,000**	125,000
Total		**110,000**	125,000

The Burberry Group plc Executive Share Option Scheme 2002

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

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

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

	Weighted average exercise price	Number of shares under option as at 31 March 2011	Weighted average exercise price	Number of shares under option as at 31 March 2010
Outstanding at 1 April	**307.6p**	**226,290**	325.2p	837,762
Exercised during the year	**351.7p**	**(76,038)**	331.7p	(611,472)
Outstanding at 31 March	**285.3p**	**150,252**	307.6p	226,290
Exercisable at 31 March	**285.3p**	**150,252**	307.6p	226,290

The weighted average share price at the respective exercise dates in the year was £9.56.

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

Option term	Exercise price	Number of shares under option as at 31 March 2011	Number of shares under option as at 31 March 2010
13 June 2003 – 12 June 2013	**258.0p**	**116,086**	132,752
2 August 2004 – 1 August 2014	**378.0p**	**34,166**	93,538
Total		**150,252**	226,290

27. Employee costs (continued)

All Employee Share Plan

Employees are offered awards of ordinary shares in the Company at a nil exercise price under an All Employee Share Plan. In June and July 2010, 182,280 and 84,600 ordinary shares respectively were granted under this scheme. All awards vest after three years and the vesting of these share awards is dependent on continued employment over the vesting period.

The fair value of the awards was determined as £7.04 and £8.05 by applying the Black-Scholes option pricing model.

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

	1 June 2010	19 July 2010
Weighted average share price at grant date	£7.04	£8.05
Exercise price	£nil	£nil
Life of award	Equivalent to vesting period	Equivalent to vesting period
Expected volatility	49.2%	49.4%
Risk free interest rate	3.83%	3.60%

Expected volatility was determined by calculating the historical annualised standard deviation of the continuously compounded rates of return on the shares over a period of time, prior to the grant, equivalent to the life of the award. The average expected volatility over the life of the award was used.

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

	Number of awards as at 31 March 2011	Number of awards as at 31 March 2010
Outstanding at 1 April	**81,103**	141,830
Granted during the year	**266,880**	–
Lapsed during the year	**(45,780)**	–
Exercised during the year	**(34,143)**	(60,727)
Outstanding at 31 March	**268,060**	81,103
Exercisable at 31 March	**47,800**	81,103

Share options were exercised on a regular basis during the period. The weighted average share price during the period was £9.63 (2010: £5.25).

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

Term of the award	**Number of awards as at 31 March 2011**	Number of awards as at 31 March 2010
12 July 2002 – 18 July 2082(1)	**8,000**	13,850
30 August 2003 – 18 July 2082(1)	**9,950**	15,900
20 August 2004 – 18 July 2082(1)	**17,250**	24,650
1 September 2005 – 18 July 2082(1)	**12,600**	26,703
1 June 2010 – 18 July 2082(1)	**220,260**	–
Total	**268,060**	81,103

(1) No date has been specified when awards lapse. The cessation date of the trust in which the awards are held is 18 July 2082.

The Burberry Co-Investment Plan

Executive directors and certain senior management are able to defer receipt of all or part of their annual bonus and invest it in ordinary shares in the Company with up to a 2:1 match based on individual and Group performance during the year. The matching share awards do not vest for three years and are forfeited if the executive leaves within that period. The exercise price of these share awards is £nil. During the year to 31 March 2011 2,283,340 shares were awarded (2010: nil).

The 2010 awards are subject to secondary performance conditions: 25% of an award may vest if growth in PBT achieves 5% per annum growth over three years, 100% may vest if growth in PBT exceeds 7% per annum, with vesting occurring on a straight line basis between these points. None of the award shall vest if PBT growth is below 5% per annum.

27. Employee costs (continued)

The fair value of the awards was determined as £7.47 by applying the Black-Scholes option pricing model. The key factors used in determining the fair value were as follows:

	9 June 2010
Weighted average share price at grant date	£7.47
Exercise price	£nil
Life of award	Equivalent to vesting period
Expected volatility	49.2%
Risk free interest rate	3.78%

Expected volatility was determined by calculating the historical annualised standard deviation of the continuously compounded rates of return on the shares over a period of time, prior to the grant, equivalent to the life of the award. The average expected volatility over the life of the award was used.

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

	Number of awards as at 31 March 2011	Number of awards as at 31 March 2010
Outstanding at 1 April	**1,874,026**	3,215,009
Granted during the year	**2,283,340**	–
Lapsed during the year	**(9,507)**	(4,343)
Exercised during the year	**(189,691)**	(1,336,640)
Outstanding at 31 March	**3,958,168**	1,874,026
Exercisable at 31 March	**–**	–

The weighted average share price at the respective exercise dates in the year was £8.20 (2010: £6.25).

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

Term of the award	**Number of awards as at 31 March 2011**	Number of awards as at 31 March 2010
20 June 2007 – 19 June 2012	**–**	147,895
3 June 2008 – 2 June 2013	**1,678,435**	1,726,131
8 June 2010 – 7 June 2014	**2,279,733**	–
Total	**3,958,168**	1,874,026

The Burberry Exceptional Performance Share Plan

In 2007, awards in respect of a total of 4,210,000 ordinary shares were made to executive directors and senior management under the Exceptional Performance Share Plan which was introduced as a one-off long-term incentive plan.

The awards vest in two stages: 50% are exercisable after three years and 50% are exercisable after four years. The vesting of these share awards is dependent on two performance conditions. The award is based 50% on relative TSR and 50% on growth in profits over the three and four year performance periods to 2010 and 2011. No awards vest unless Burberry's TSR exceeds the median of the comparator group or growth in adjusted PBT per share exceeds 50% over the four year performance period to 2010 or 75% over the five year performance period to 2011. The vesting of these share awards is also dependent on continued employment over the vesting period. The exercise price of these share awards is £nil.

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

	Number of awards as at 31 March 2011	Number of awards as at 31 March 2010
Outstanding at 1 April	**3,935,000**	3,935,000
Exercised during the year	**(564,250)**	–
Lapsed during the year	**(1,382,788)**	–
Outstanding at 31 March	**1,987,962**	3,935,000
Exercisable at 31 March	**35,837**	–

27. Employee costs (continued)

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

Term of the award	**Number of awards as at 31 March 2011**	Number of awards as at 31 March 2010
26 July 2007 – 25 July 2012	**1,932,500**	3,850,000
21 November 2007 – 25 July 2012	**55,462**	85,000
Total	**1,987,962**	3,935,000

The weighted average share price at the respective exercise dates in the year was £9.22 (2010: £nil).

December 2010 One-Off Grant

On 8 December 2010, options in respect of 850,000 ordinary shares were granted as a one-off award.

The options are due to vest on 1 April 2015. Strategic and financial objectives linked to the long term growth of the Group must be met in order for 500,000 of the options to vest. The vesting of all of the options is dependent on continued employment for the vesting period. The exercise price of these share options is £nil.

The fair value of the awards was determined as £11.56 by applying the Black-Scholes option pricing model. The key factors used in determining the fair value were as follows:

	8 December 2010
Weighted average share price at grant date	£11.56
Exercise price	£nil
Life of award	Equivalent to vesting period
Expected volatility	40.9%
Risk free interest rate	3.87%

Expected volatility was determined by calculating the historical annualised standard deviation of the continuously compounded rates of return on the shares over a period of time, prior to the grant, equivalent to the life of the award. The average expected volatility over the life of the award was used.

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

	Number of awards as at 31 March 2011
Outstanding at 1 April	**–**
Granted during the year	**850,000**
Outstanding at 31 March	**850,000**
Exercisable at 31 March	**–**

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

Term of the award	**Number of awards as at 31 March 2011**
8 December 2010 – 31 March 2016	**850,000**
Total	**850,000**

28. Business combinations

Burberry (Shanghai) Trading Co., Ltd

On 16 July 2010, the Group entered into an agreement to acquire the Burberry retail and distribution business within China from its master franchisee in Hong Kong, Kwok Hang Holdings Ltd. The acquisition allows the Group to further leverage its proven brand in China's high growth luxury market.

On 1 September 2010, Burberry (Shanghai) Trading Co., Ltd, a wholly owned Group company incorporated in the People's Republic of China, took control of key store assets and inventory across 50 retail stores. Daily operations at 43 of the stores fully transferred to the Group on that date. The remaining 7 stores had all transferred daily operations by 31 January 2011.

Details of the net assets acquired and goodwill are as follows:

	£m
Cash consideration	39.4
Deferred consideration	27.3
Total purchase consideration	66.7
Fair value of net identifiable assets acquired	29.1
Goodwill	37.6

Sparkle Roll Holdings Limited, a non-Group company, retains a 15% economic interest in the Burberry retail and distribution business within China. Recognition of this interest at acquisition date has given rise to additional goodwill of £2.5m. Put and call options exist over this interest stake which are exercisable after five years in the case of the call option, and ten years in the case of the put option. Refer to note 18 for further details of the carrying value of the put option liability.

In total, goodwill of £40.1m arose on the acquisition of the Chinese retail and distribution business and is included within intangible assets. This is attributable to the acquisition of the distribution rights and the benefits expected from further expansion in this region. The goodwill is not tax deductible.

The assets and liabilities arising from the acquisition are as follows:

	Fair value £m
Inventories	23.1
Property, plant and equipment	6.3
Liabilities	(0.3)
Net identifiable assets acquired	29.1
Net identifiable assets acquired attributable to non-controlling interest	4.4

Outflow of cash to acquire business, net of cash acquired:	£m
Cash consideration on acquisition date	39.4
Cash consideration post-acquisition	12.5
Cash and cash equivalents in subsidiaries acquired	–
Cash outflow to acquire business	51.9

The Group incurred transaction costs of £0.9m in respect of the acquisition.

The acquired China retail assets generated revenue of £77m and operating profit of £28m for the Group for the period to 31 March 2011, excluding any allocation of regional and corporate costs.

Pro forma full year information

Had the acquisition occurred on 1 April 2010, it would have contributed approximately £26m of additional Group revenue and approximately £2m of additional Group operating profit for the year to 31 March 2011.

29. Discontinued operations and assets classified as held for sale

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

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

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

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

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

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

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

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

	Note	**Year to 31 March 2011**	Year to 31 March 2010
Earnings per share from discontinued operations			
– basic	8	**(1.4)p**	(16.3)p
– diluted	8	**(1.4)p**	(15.9)p

Assets classified as held for sale

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

30. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. The related party transactions relate to total compensation in respect of key management, who are defined as the Board of Directors and certain members of senior management.

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

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

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

31. Auditor remuneration

Fees incurred during the year in relation to audit and non-audit services are analysed below. All work performed by the external auditors is controlled by an authorisation policy agreed by the Audit Committee. The overriding principle precludes the auditors from engaging in non-audit services that would compromise their independence. Non-audit services are provided by the auditors where they are best placed to provide the service due to their previous experience or market leadership in a particular area.

	Year to 31 March 2011 £m	Year to 31 March 2010 £m
Audit services in respect of the accounts of the Company	**0.1**	0.1
Audit services in respect of the accounts of subsidiary companies	**1.1**	1.6
Other audit services supplied pursuant to legislation	**0.1**	0.3
Services relating to taxation		
– compliance services	**0.3**	0.4
– advisory services	**0.3**	0.4
Total[(1)]	**1.9**	2.8

(1) Figures disclosed for the year to 31 March 2011 and 31 March 2010 include costs for both continuing and discontinued operations.

Included in services relating to taxation above is £0.3m (2010: £0.2m) which arose in relation to advice on expatriate tax matters.

32. Principal subsidiaries

Company	Country of incorporation	Nature of business
EMEA		
Burberry Limited	UK	Luxury goods retailer, wholesaler and licensor
Burberry Italy Retail Limited	UK	Luxury goods retailer
The Scotch House Limited(1)	UK	Luxury goods brand and licensor
Woodrow-Universal Limited(1)	UK	Textile manufacturer
Burberry France SASU	France	Luxury goods retailer and wholesaler
Burberry (Suisse) SA(1)	Switzerland	Luxury goods retailer
Burberry Italy SRL(1)	Italy	Luxury goods wholesaler
Burberry (Deutschland) GmbH	Germany	Luxury goods retailer and wholesaler
Burberry (Austria) GmbH	Austria	Luxury goods retailer
Burberry Antwerp N.V.	Belgium	Luxury goods retailer
Burberry Czech Rep s.r.o.	Czech Republic	Luxury goods retailer
Burberry Hungary kft.	Hungary	Luxury goods retailer
Burberry Ireland Limited	Ireland	Luxury goods retailer
Burberry Netherlands BV	Netherlands	Luxury goods retailer
Burberry Middle East LLC (49%)	United Arab Emirates	Luxury goods retailer and wholesaler
Burberry India Private Limited (51%)	India	Luxury goods retailer and wholesaler
Spain		
Burberry (Spain) S.A.	Spain	Luxury goods retailer and wholesaler
Burberry (Spain) Retail SL	Spain	Luxury goods retailer
Americas		
Burberry Limited	USA	Luxury goods retailer
Burberry (Wholesale) Limited	USA	Luxury goods wholesaler
Burberry Canada Inc	Canada	Luxury goods retailer
Burberry Brasil Participacoes Ltd	Brasil	Luxury goods retailer
Horseferry Mexico SA de CV	Mexico	Luxury goods retailer
Asia Pacific		
Burberry (Shanghai) Trading Co., Ltd	China	Luxury goods retailer
Burberry Asia Limited	Hong Kong	Luxury goods retailer and wholesaler
Burberry (Singapore) Distribution Company Pte Ltd	Singapore	Luxury goods retailer and wholesaler
Burberry Pacific Pty Ltd	Australia	Luxury goods retailer and wholesaler
Burberry Korea Limited	Republic of Korea	Luxury goods retailer and wholesaler
Burberry (Taiwan) Co Ltd	Taiwan	Luxury goods retailer
Burberry (Malaysia) Sdn. Bhd	Malaysia	Luxury goods retailer
Burberry Japan K.K.	Japan	Luxury goods retailer, wholesaler and licensor
Burberry International K.K. (51%)	Japan	Luxury goods retailer
Burberry Guam, Inc	Guam	Luxury goods retailer

(1) Held directly by Burberry Group plc.

In accordance with Section 410(2)(a) of the Companies Act 2006, the above information is provided solely in relation to principal subsidiaries.

As at 31 March 2011, all principal subsidiary undertakings are wholly owned except where indicated differently above and operate in the country in which they are incorporated with the exception of Burberry Italy Retail Limited, which operates principally in Italy. All the subsidiary undertakings have been consolidated as at 31 March 2011. Burberry has a 59% share in profits of Burberry Middle East LLC and has the power to appoint the majority of directors. Non-operating intermediate holding and financing companies are excluded from the list above.

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

					Continuing operations	
Year to 31 March **Revenue by channel**	2007 £m	2008 £m	2009 £m	2010 £m	2010 £m	**2011** **£m**
Retail	410.1	484.4	629.7	748.8	710.1	**962.3**
Wholesale	354.1	426.2	489.2	433.6	377.5	**440.6**
Licensing	86.1	84.8	82.6	97.5	97.5	**98.4**
Total	850.3	995.4	1,201.5	1,279.9	1,185.1	**1,501.3**
Revenue by product	£m	£m	£m	£m	£m	**£m**
Womenswear	305.5	345.2	412.8	415.5	373.4	**456.6**
Menswear	227.0	247.8	298.4	288.5	249.4	**325.9**
Non-apparel	211.2	289.7	366.3	419.6	416.6	**563.3**
Childrenswear/Other	20.5	27.9	41.4	58.8	48.2	**57.1**
Retail/Wholesale	764.2	910.6	1,118.9	1,182.4	1,087.6	**1,402.9**
Licensing	86.1	84.8	82.6	97.5	97.5	**98.4**
Total	850.3	995.4	1,201.5	1,279.9	1,185.1	**1,501.3**
Revenue by destination	£m	£m	£m	£m	£m	**£m**
Europe	229.8	291.8	379.8	408.1	421.8	**474.6**
Spain	151.8	161.6	144.5	107.1	–	**–**
Americas(1)	196.5	234.8	308.9	324.8	324.7	**386.5**
Asia Pacific	167.5	189.1	240.0	282.7	282.7	**457.1**
Rest of World(1)	18.6	33.3	45.7	59.7	58.4	**84.7**
Retail/Wholesale	764.2	910.6	1,118.9	1,182.4	1,087.6	**1,402.9**
Licensing	86.1	84.8	82.6	97.5	97.5	**98.4**
Total	850.3	995.4	1,201.5	1,279.9	1,185.1	**1,501.3**
Profit by channel	£m	£m	£m	£m	£m	**£m**
Retail/Wholesale	111.7	135.6	110.1	137.7	137.7	**219.5**
Licensing	73.4	70.6	70.7	82.2	82.2	**81.6**
Adjusted operating profit(2)	185.1	206.2	180.8	219.9	219.9	**301.1**
Put option liability finance charge	–	–	–	–	–	**(3.2)**
Net interest expense	(0.7)	(6.0)	(6.2)	(5.1)	(5.1)	**(3.2)**
Restructuring costs	–	–	(54.9)	(48.8)	(3.4)	**1.0**
Goodwill impairment	–	–	(116.2)	–	–	**–**
Store impairments and onerous lease provisions	–	–	(13.4)	–	–	**–**
Negative goodwill	–	–	1.7	–	–	**–**
Relocation of headquarters	–	15.1	(7.9)	–	–	**–**
Project Atlas costs	(21.6)	(19.6)	–	–	–	**–**
Treorchy closure costs	(6.5)	–	–	–	–	**–**
Profit/(loss) on ordinary activities before taxation	156.3	195.7	(16.1)	166.0	211.4	**295.7**
Tax on profit/(loss) on ordinary activities	(46.1)	(60.5)	11.0	(83.8)	(58.8)	**(83.2)**
Profit/(loss) on ordinary activities after taxation	110.2	135.2	(5.1)	82.2	152.6	**212.5**
Margin analysis	%	%	%	%	%	**%**
Retail/Wholesale gross margin as percentage of Retail/Wholesale revenue	56.9	58.5	52.1	59.7	61.0	**64.9**
Retail/Wholesale adjusted operating profit(2) as a percentage of Retail/Wholesale revenue	14.6	14.9	9.8	11.6	12.7	**15.6**
Licensing adjusted operating profit(2) as a percentage of Licensing revenue	85.2	83.3	85.6	84.3	84.3	**82.9**
Total adjusted operating profit(2) as a percentage of revenue	21.8	20.7	15.0	17.2	18.6	**20.1**

(1) Revenue amounts reported for 2009 have been restated on the adoption of IFRS 8.
(2) Adjusted for exceptional items.

Year to 31 March Earnings and dividends	2007 pence per share	2008 pence per share	2009 pence per share	2010 pence per share	**2011 pence per share**
Earnings per share – basic	25.2	31.3	(1.4)	18.8	**47.9**
Earnings per share from continuing operations – basic	–	–	–	35.1	**49.3**
Adjusted earnings per share – basic(1)	29.7	32.4	30.6	35.9	**49.9**
Earnings per share – diluted	24.7	30.5	(1.4)	18.4	**46.9**
Earnings per share from continuing operations – diluted	–	–	–	34.4	**48.3**
Adjusted earnings per share – diluted(1)	29.1	31.6	30.2	35.1	**48.9**
Dividend per share (on a paid basis)	8.4	11.0	12.0	12.2	**15.5**
Diluted weighted average number of ordinary shares in issue during the year (millions)	446.1	442.8	438.1	441.9	**444.0**
Dividend cover (on a paid basis)(2)	3.5	2.9	2.5	2.9	**3.2**

As at 31 March Balance Sheet	2007 £m	2008 £m	2009 £m	2010 £m	**2011 £m**
Fixed assets and other intangible assets	179.5	197.8	283.0	285.8	**323.4**
Working capital (excluding cash and borrowings)	136.1	260.0	221.2	61.3	**103.4**
Other long-term liabilities	(12.2)	(13.7)	(24.4)	(27.0)	**(83.1)**
Net operating assets	303.4	444.1	479.8	320.1	**343.7**
Goodwill	116.9	130.1	33.1	34.9	**73.1**
Assets held for sale	–	–	–	–	**13.5**
Investment properties	–	–	–	–	**3.0**
Deferred consideration for acquisitions	(10.0)	–	–	–	**(14.4)**
Cash at bank, net of overdraft and borrowings	(2.8)	(64.2)	7.6	262.0	**297.9**
Taxation (including deferred taxation)	(10.6)	(14.7)	23.4	(13.5)	**16.9**
Net assets	396.9	495.3	543.9	603.5	**733.7**

Year to 31 March Cash Flow	2007 £m	2008 £m	2009 £m	2010 £m	**2011 £m**
Adjusted operating profit from continuing and discontinued operations(1)	185.1	206.2	180.8	219.9	**299.0**
Restructuring costs	–	–	(54.9)	(48.8)	**(3.1)**
Goodwill impairment	–	–	(116.2)	–	**–**
Store impairments and onerous lease provisions	–	–	(13.4)	–	**–**
Negative goodwill	–	–	1.7	–	**–**
Relocation of headquarters	–	15.1	(7.9)	–	**–**
Project Atlas costs	(21.6)	(19.6)	–	–	**–**
Treorchy closure costs	(6.5)	–	–	–	**–**
Operating profit/(loss) from continuing and discontinued operations	157.0	201.7	(9.9)	171.1	**295.9**
Depreciation, impairment, amortisation and negative goodwill	26.7	32.2	174.7	60.0	**66.3**
Loss/(profit) on disposal of fixed assets and similar non-cash charges	1.1	(19.1)	2.0	4.2	**1.1**
Fair value (gains)/losses on derivative instruments	–	(0.5)	10.7	(11.9)	**(6.2)**
Charges in respect of employee share incentive schemes	10.8	14.3	4.5	18.1	**28.3**
(Increase)/decrease in inventories	(33.4)	(122.6)	55.7	87.4	**(58.9)**
(Increase)/decrease in receivables	(33.8)	(29.1)	2.1	56.2	**(11.4)**
Increase in payables	32.8	28.8	2.2	40.5	**51.3**
Net cash inflow from operations before capital expenditure	161.2	105.7	242.0	425.6	**366.4**
Purchase of tangible and intangible assets	(34.3)	(48.5)	(89.9)	(69.9)	**(108.4)**
Proceeds from sale of property, plant and equipment	0.1	28.3	0.1	–	**–**
Net cash inflow from operations adjusted for capital expenditure	127.0	85.5	152.2	355.7	**258.0**

(1) Adjusted for exceptional items.
(2) Based on adjusted diluted earnings per share.

We have audited the parent Company financial statements of Burberry Group plc for the year ended 31 March 2011 which comprise the Company Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 86, the directors are responsible for the preparation of the parent Company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent Company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the parent Company financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2011;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the Group financial statements of Burberry Group plc for the year ended 31 March 2011.

Andrew Kemp (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors
London, 25 May 2011

	Note	As at 31 March 2011 £m	As at 31 March 2010 £m
Fixed assets			
Investments	C	**2,023.5**	1,975.0
Other assets		**–**	1.7
		2,023.5	1,976.7
Current assets			
Debtors receivable within one year	D	**0.4**	1,007.3
Debtors receivable after one year	D	**995.0**	0.8
Derivative assets maturing within one year		**–**	0.8
Derivative assets maturing after one year		**9.2**	–
Cash at bank and in hand		**0.5**	3.1
		1,005.1	1,012.0
Current liabilities			
Creditors – amounts falling due within one year	E	**(214.2)**	(2,246.5)
Net current assets/(liabilities)		**790.9**	(1,234.5)
Total assets less current liabilities		**2,814.4**	742.2
Non-current liabilities			
Creditors – amounts falling due after more than one year	E	**(2,101.3)**	(0.2)
Provisions for liabilities		**(1.4)**	–
Net assets		**711.7**	742.0
Capital and reserves			
Called up share capital	F	**0.2**	0.2
Share premium account	F	**192.5**	186.1
Capital reserve	F	**0.9**	0.9
Hedging reserve	F	**4.1**	4.1
Profit and loss account	F	**514.0**	550.7
Total equity	F	**711.7**	742.0

The financial statements on pages 136 to 140 were approved by the Board on 25 May 2011 and signed on its behalf by:

John Peace
Chairman

Stacey Cartwright
Executive Vice President, Chief Financial Officer

A. Basis of preparation

Burberry Group plc ('the Company') is the parent Company of the Burberry Group. Burberry Group plc is listed on the London Stock Exchange and its principal business is investment.

Burberry Group is a global luxury goods manufacturer, wholesaler and retailer. Retail/Wholesale revenues are generated by the sale of luxury goods through Burberry mainline stores, concessions and outlets as well as Burberry franchisees and prestige department stores globally. Licensing revenues are generated through the receipt of royalties from Burberry's licensees in Japan and global licensees of fragrances, eyewear, timepieces and European childrenswear. All of the companies, which comprise Burberry Group, are controlled by the Company either directly or indirectly.

These financial statements have been prepared on a going concern basis under the historical cost convention, with the exception of financial instruments which are included in the financial statements at fair value, and in accordance with applicable accounting standards in the United Kingdom and the Companies Act 2006.

B. Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Share schemes

Employees in Burberry Group (including executive directors) receive certain share incentives relating to Burberry Group plc shares.

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

The cost of the share based incentives is recharged to the relevant entity via a capital contribution. A corresponding increase is recognised in equity.

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

Dividend distribution

Dividend distributions to Burberry Group plc's shareholders are recognised as a liability in the period in which the dividends are approved by the shareholders in the case of final dividends or when they are paid in respect of interim dividends.

Investments in Group companies

Investments in Group companies are stated at cost, less any provisions to reflect impairment in value.

Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's net realisable value and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (income-generating units).

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

B. Accounting policies (continued)

Derivative financial instruments

Financial instruments are reported and measured in accordance with FRS 25 and FRS 26 respectively. The Company used the exemption not to present FRS 25 disclosures in the notes to the entity financial statements as full equivalent disclosures are presented within the consolidated financial statements.

Equity swap contracts are marked to market with gains and losses arising on these contracts recognised in the profit and loss account.

Foreign currency transactions

Transactions denominated in foreign currencies are translated into Sterling at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies, which are held at the year end, are translated into Sterling at the exchange rate ruling at the balance sheet date. Exchange differences on monetary items are recognised in the profit and loss account in the period in which they arise.

Related party transactions

FRS 8 'Related Party Disclosures' requires the disclosure of the details of material transactions and balances between the reporting entity and related parties. The Company has taken advantage of the exemption under the terms of FRS 8 not to disclose details of transactions with entities that are wholly owned subsidiaries.

C. Investments in Group companies

Cost	£m
As at 31 March 2010	1,975.0
Additions	48.5
As at 31 March 2011	**2,023.5**

The principal subsidiaries of the Burberry Group are listed in note 32 of the Group financial statements.

D. Debtors

	As at 31 March 2011 £m	As at 31 March 2010 £m
Amounts owed by Group companies	**–**	1,006.6
Prepayments and other debtors	**0.4**	0.7
Debtors receivable within one year	**0.4**	1,007.3
Amounts owed by Group companies	**993.3**	–
Prepayments	**1.7**	0.8
Debtors receivable after one year	**995.0**	0.8
Total debtors	**995.4**	1,008.1

Included in amounts receivable from Group companies are loans of £74.7m (2010: £88.3m) which are interest bearing. The interest rate earned is based on relevant national LIBOR equivalents plus 0.177%. The change in maturity of amounts owed by Group companies is principally due to the renewal of loan agreements under extended terms.

E. Creditors

	As at 31 March 2011 £m	As at 31 March 2010 £m
Amounts owed to Group companies	**214.0**	2,243.6
Accruals	**0.2**	2.9
Creditors – amounts falling due within one year	**214.2**	2,246.5
Amounts owed to Group companies	**2,100.9**	–
Accruals	**0.4**	0.2
Creditors – amounts falling due after more than one year	**2,101.3**	0.2
Total creditors	**2,315.5**	2,246.7

Amounts due to Group companies are unsecured, interest free and repayable on 1 March 2016. The change in maturity of amounts owed to Group companies is principally due to the renewal of loan agreements under extended terms.

F. Capital and reserves

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

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

Reconciliation of movement in Company shareholders' funds

	Share capital £m	Share premium £m	Capital reserve £m	Profit and loss account £m	Hedging reserve £m	Total equity £m
As at 31 March 2010	0.2	186.1	0.9	550.7	4.1	742.0
Retained profit for the year before dividends paid	–	–	–	8.7	–	8.7
Dividends paid	–	–	–	(67.4)	–	(67.4)
Total recognised gain for the year	–	–	–	(58.7)	–	(58.7)
Employee share option scheme						
– value of share options granted	–	–	–	28.3	–	28.3
– exercise of share options	–	6.4	–	–	–	6.4
Purchase of shares by ESOP trusts	–	–	–	(6.6)	–	(6.6)
Sale of shares by ESOP trusts	–	–	–	0.3	–	0.3
As at 31 March 2011	**0.2**	**192.5**	**0.9**	**514.0**	**4.1**	**711.7**

Profit on ordinary activities, but before dividends payable, was £8.7m (2010: £146.2m). As permitted by section 408 of the Companies Act 2006, the Company has not presented its own profit and loss account.

The Company has a general authority from shareholders, renewed at each Annual General Meeting, to repurchase a maximum of 10% of its issued share capital. During the year to 31 March 2011, no ordinary shares were repurchased by the Company under this authority.

The cost of own shares held by the Group has been offset against the profit and loss account, as the amounts paid reduce the profits available for distribution by the Company. As at 31 March 2011 the amounts offset against this reserve are £2.8m (2010: £2.0m). In the year to 31 March 2011 the Burberry Group plc ESOP trust has waived its entitlement to dividends of £nil (2010: £0.2m).

The capital reserve consists of non-distributable reserves and the capital redemption reserve arising on the purchase of own shares.

G. Dividends

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

A final dividend in respect of the year to 31 March 2011 of 15.00p (2010: 10.50p) per share, amounting to £65.4m (2010: £45.7m), has been proposed for approval by the shareholders at the Annual General Meeting subsequent to the balance sheet date. The final dividend has not been recognised as a liability at the year end and will be paid on 4 August 2011 to shareholders on the register at the close of business on 8 July 2011.

H. Financial guarantees

Burberry Group plc, together with Burberry Limited, Burberry Treasury Limited, Burberry Asia Limited, Burberry (Wholesale) Limited (US) and Burberry Limited (US) make up the Guarantor Group for a £300m multi-currency revolving facility agreement which commenced 28 March 2011 and matures 30 June 2016. Interest is charged on this facility at LIBOR plus 0.90% on drawings less than £100m, at LIBOR plus 1.05% on drawings between £100m and £200m, and at LIBOR plus 1.20% on drawings over £200m.

This facility replaces the £200m three year multi-currency revolving facility in place from 16 March 2009, which was due to mature on 30 June 2012, and the two bilateral multi-currency revolving credit facilities, totalling £60m, which were due to mature on 13 June 2011.

The fair value of the financial guarantee as at 31 March 2011 is £nil (2010: £nil).

A potential liability may arise in the future if one of the Group members defaults on the loan facility. Each guarantor, including Burberry Group plc, would be liable to cover the amounts outstanding, including principal and interest elements.

I. Audit fees

The Company has not been recharged audit fees of £0.1m for the current year which are borne by Burberry Limited (2010: £0.1m).

General shareholder enquiries

Enquiries relating to shareholdings, such as the transfer of shares, change of name or address, lost share certificates or dividend cheques, should be referred to the Company's Registrar, Equiniti, using the details below:

Equiniti
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA
Tel: 0871 384 2839
Tel: +44 121 415 7047 (from outside the UK)
Email: burberry@equiniti.com

American Depositary Receipts

The Company has a sponsored Level 1 American Depositary Receipt (ADR) programme to enable US investors to purchase ADRs. Each ADR represents two Burberry Group plc ordinary shares.

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

Deutsche Bank Trust Company Americas
c/o American Stock Transfer & Trust Company
Peck Slip Station
PO Box 2050
New York, NY 10272-2050
Tel: toll free within the US: +1 800 301 3517
Tel: International: +1 (718) 921 8137
Email enquiries: DB@amstock.com

Annual General Meeting

The Company's Annual General Meeting will be held on Thursday, 14 July 2011 at 9.30am at the offices of Slaughter and May:

One Bunhill Row
London
EC1Y 8YY

The Notice of Meeting, together with details of the business to be conducted at the meeting, is available on the Company's website www.burberryplc.com.

The voting results for the 2011 Annual General Meeting will be accessible on the Company's website at www.burberryplc.com shortly after the meeting.

Company website

This Annual Report and other information about the Company, including share price information and details of results announcements, is available on the Company's website www.burberryplc.com.

Dividends

Dividends can be paid by BACS directly into a UK bank account on completion of a dividend mandate form, which is available from Equiniti or online at www.shareview.co.uk.

Record date	8 July 2011
Final date for return of DRIP mandate forms	14 July 2011
Payment date	4 August 2011
Interim dividend payable	February 2012

The ADR local payment date will be approximately five business days after the dividend payment date for ordinary shareholders.

Dividends payable in foreign currencies

Equiniti are able to pay dividends to shareholders in over 30 countries worldwide through the Overseas Payment Service. An administrative fee will be deducted from each dividend payment. Further details can be obtained from Equiniti or online at www.shareview.co.uk.

Dividend Reinvestment Plan

Burberry's Dividend Reinvestment Plan (DRIP) enables shareholders to use their dividends to buy further shares in the Company. Full details of the DRIP can be obtained from Equiniti or online at www.shareview.co.uk. If you would like your final dividend for 2011 and future dividends to qualify for the DRIP, completed application forms must be received by Equiniti by 14 July 2011.

Duplicate accounts

Shareholders who have more than one account may avoid duplicate mailings by contacting Equiniti and requesting the amalgamation of their accounts.

Electronic communication

Shareholders may at any time choose to receive all shareholder documentation in electronic form via the internet, rather than in paper format. Shareholders who decide to register for this option will receive an email each time shareholder documents are published. Shareholders who wish to receive documentation in electronic form should register online at www.shareview.co.uk.

Equiniti offers a range of shareholder information and services online at www.shareview.co.uk. A textphone facility for those with hearing difficulties is available by calling: 0871 384 2255 (or +44 121 415 7028 from outside the UK).

Financial calendar

First quarter trading update	13 July 2011
Annual General Meeting	14 July 2011
First half trading update	12 October 2011
Interim results announcement	15 November 2011
Third quarter trading update	January 2012
Second half trading update	April 2012
Preliminary results announcement	May 2012

Registered office

Burberry Group plc
Horseferry House
Horseferry Road
London
SW1P 2AW

Registered in England and Wales
Registered Number 03458224
www.burberryplc.com

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

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

ShareGift
Shareholders with a small number of shares, the value of which makes them uneconomic to sell, may wish to consider donating their shares to charity through ShareGift, a donation scheme operated by The Orr Mackintosh Foundation. A ShareGift donation form can be obtained from Equiniti. Further information is available at www.sharegift.org or by telephone on 020 7930 3737.

Share price information
The latest Burberry Group plc share price is available on the Company's website www.burberryplc.com.

Unauthorised brokers (boiler room scams)
Shareholders are advised to be wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports. These are typically from overseas-based 'brokers' who target UK shareholders offering to sell them what often turn out to be worthless or high-risk shares in US or UK investments. These operations are commonly known as boiler rooms.

If you receive any unsolicited investment advice:

- Make sure you get the correct name of the person and organisation
- Check that they are properly authorised by the FSA before getting involved by visiting:

  www.fsa.gov.uk/register/
- Report the matter to the FSA either by calling 0845 606 1234 or visiting:

  www.fsa.gov.uk/pages/consumerinformation
- If the calls persist, hang up.

If you deal with an unauthorised firm, you will not be eligible to receive payment under the Financial Services Compensation Scheme. The FSA can be contacted by completing an online form at http://www.fsa.gov.uk/Pages/Doing/Regulated/Law/Alerts/form.shtml

Details of any share dealing facilities that the company endorses will be included in company mailings.

More detailed information can be found on the FSA website at www.fsa.gov.uk/pages/consumerinformation.

Executive directors

Angela Ahrendts
Chief Executive Officer

Stacey Cartwright
Executive Vice President
Chief Financial Officer

Senior management

Christopher Bailey
Chief Creative Officer

John Douglas
Chief Information Officer

Fabrizio Fabbro
Senior Vice President
Product Development

Alessandro Fabrini
Senior Vice President
Licensing

Carol Fairweather
Senior Vice President
Group Finance

Emilio Foa
Senior Vice President
Emerging Markets

Stephen Gilbert
Senior Vice President
Retail Development

Andy Janowski
Chief Operations Officer

William Kim
Senior Vice President
Digital Commerce

Donald Kohler
Senior Vice President
Planning

Andrew Maag
President, Europe

Michael Mahony
Senior Vice President
Commercial Affairs and General Counsel

Sarah Manley
Chief Marketing Officer

Matt McEvoy
Senior Vice President
Strategy and New Business Development

Pascal Perrier
President, Asia Pacific

Paul Price
Senior Vice President
Menswear and Non-Apparel

Reg Sindall
Executive Vice President
Corporate Resources

Michele Smith
Senior Vice President
Womenswear

Mark Taylor
Senior Vice President
Human Resources

Eugenia Ulasewicz
President, Americas

WWW.BURBERRY.COM