

28 May 2008

## Burberry Group plc

### Preliminary results for the year ended 31 March 2008

Burberry Group plc, the global luxury company, today announces its results for the year ended 31 March 2008.

Angela Ahrendts, Chief Executive Officer, commented:

“Burberry's 18% revenue growth and 14% profit increase demonstrate the robustness of our global luxury business in these challenging times, with consistent performance across our regions, channels and products. Brand momentum remains strong and we are investing in the future, continuing to grow and innovate our iconic outerwear, while developing exciting new businesses such as shoes, jewellery and childrenswear.”

£ million	Year to 31 March		% change	
	2008	2007	reported	underlying <sup>#</sup>
Revenue	995.4	850.3	17	18
Adjusted operating profit *	206.2	185.1	11	14
Operating profit	201.7	157.0	28	32
Profit before taxation	195.7	156.3	25	
Diluted EPS (pence)	30.5	24.7	23	
Adjusted diluted EPS (pence)*	31.6	29.1	9	
Dividend per share (pence)	12.0	10.5	14	

\* “Adjusted” refers to profitability measures calculated before:

1. Atlas costs of £19.6m (2007: £21.6m) which relate to the Group's infrastructure redesign initiative announced in May 2005.
2. Plant closure costs of nil in 2008 (2007: £6.5m).
3. Net profit of £15.1m (2007: nil) relating to the relocation of global headquarters.

<sup>#</sup> Underlying change is calculated at constant exchange rates.

Certain financial data within this announcement have been rounded.

## Operational highlights

- Consistent double-digit underlying revenue growth by region, channel and product
  - 26% growth in Europe and Americas; Asia Pacific up 17%
  - 20% growth in retail and wholesale
  - 39% growth in non-apparel; womens and mens up double-digit
- Retail 49% of sales; opened net
  - 20 mainline stores
  - 49 concessions
  - 10 franchise stores in Emerging Markets
- Non-apparel 32% of retail/wholesale revenue (up from 28% in 2007)
  - Success in luxury handbags and shoes
- Continued transformation of back of house operations
  - SAP core system built and deployed in corporate functions and European retail
  - Sourcing gains achieved
  - Direct deliveries to US started

## Financial highlights

- Total revenue of £995m, up 18% underlying
- For retail and wholesale combined
  - Revenue up 20% underlying
  - Adjusted operating profit up 23% underlying
  - Operating margin up 30 basis points to 14.9%
- Adjusted operating profit including licensing of £206.2m, up 14% underlying
- Reported profit before tax of £195.7m, up 25%
- Adjusted diluted EPS of 31.6 pence, up 9%
- Full year dividend of 12 pence per share, up 14%

## **Enquiries**

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There will be a presentation today at 9am (UK time) to analysts and investors at the Merrill Lynch Financial Centre, 2 King Edward Street, London, EC1A 1HQ. The presentation can be viewed live on the Burberry website ([www.burberryplc.com](http://www.burberryplc.com)) and can also be accessed live via a dial-in facility on 44 (0)20 7081 7194. The supporting slides and an indexed replay will also be available on the website later in the day.

Burberry will update on trading on 15 July 2008 when it will issue its Interim Management Statement in respect of the First Quarter.

Certain statements made in this announcement are forward-looking statements. Such statements are based on current expectations and are subject to a number of risks and uncertainties that could cause actual results to differ materially from any expected future results in forward-looking statements.

This announcement does not constitute an invitation to underwrite, subscribe for or otherwise acquire or dispose of any Burberry Group plc shares. Past performance is not a guide to future performance and persons needing advice should consult an independent financial adviser.

## **BUSINESS AND FINANCIAL REVIEW**

### ***Continued to execute against five key strategic initiatives***

In the year to March 2008, Burberry grew revenue by 18% and adjusted operating profit by 14% on an underlying basis. There was further evolution in the front end of the business, with growth in the top part of the product pyramid, a record number of store openings and increased non-apparel penetration. The back of house infrastructure and processes were further upgraded, especially in IT, supply chain and logistics.

All of this was achieved in an external environment that became increasingly challenging during the second half. Against this background, Burberry continued to deliver operational efficiencies, while maintaining the strong momentum of the brand with consumers worldwide.

### ***Leveraging the franchise***

Historically, Burberry was a collection of decentralised regions and business units, each with an independent approach in areas such as design, merchandising and supply chain. Over the last year, continued progress has been made in working as one company and one brand – with a more cohesive global advertising campaign, small apparel licences brought in house and further strengthening of the regional and corporate teams.

Outerwear, which is the cornerstone of the brand, continues to show strong growth, driven by product and fabric innovation, the launch of Burberry Sport and packables and global replenishment for top styles. For Autumn/Winter 2008, the penetration of outerwear as a proportion of sales is expected to increase by several percentage points for both womenswear (to over 50% of category sales) and menswear (to over 40% of category sales).

### ***Intensifying non-apparel development***

In the year to March 2008, non-apparel sales increased by 39% on an underlying basis, generating 32% of retail and wholesale revenue - up from 28% in 2007. Luxury handbags continued to perform strongly and sales of shoes more than doubled in the year. Soft accessories benefited from increased product innovation, especially in the use of the iconic check. Jewellery was launched for Spring/Summer 2008 and luggage is being tested in Autumn/Winter 2008. Investment in these categories continues, adding dedicated teams in product development and sourcing, for example.

### ***Accelerating retail-led growth***

During the year, a record number of Burberry stores were opened - a net 20 mainline stores, 49 concessions and 10 stores operated under franchise. These included directly-operated mainline stores in key luxury markets such as Florence, Italy, the Beverly Center, Los Angeles and Aspen, Colorado; more concessions in prestige department stores in London, Milan, Dublin and Korea; and franchise stores in high potential markets including Russia and the Middle East.

The culture of Burberry continues to move from a traditional wholesale structure to a more dynamic retail mindset. Initiatives include more frequent flow of products and basic replenishment, which are benefiting the group's retail stores as well as its wholesale and licensing partners.

*Investing in under-penetrated markets*

North America remains a key target market for Burberry. Revenue increased by 26% on an underlying basis in the year to March 2008, with strong growth in both the wholesale and retail channels. In 2008/09, Burberry plans to open 8-10 mainline stores, refurbish several of its higher profile stores including Beverly Hills, Los Angeles and the Venetian, Las Vegas, while further upgrading its wholesale offer, especially in new categories such as childrenswear and shoes.

Wholesale revenue from Emerging Markets, which include China, the Middle East, Eastern Europe, Russia, Brazil and India, increased by over 50% in the year, with strong double-digit comparable store sales growth in these franchised stores. Ten stores were opened during the year, including three in Russia, one in Saudi Arabia and a third store in Turkey. Burberry plans to open about 15-20 stores in conjunction with its franchisees in 2008/09, weighted towards the second half, in locations including South Africa and India.

*Pursuing operational excellence*

As highlighted in the Interim Management Report in November 2007, Burberry faced an intense period of activity in the second half of the year. The business continued to experience high volume growth driven by the strength of its product designs. At the same time, the group was in the most demanding phase of implementing its new IT infrastructure (SAP), while also rapidly evolving its global supply chain and logistics functions.

During the second half, the new SAP platform was used to sell, procure and ship Spring/Summer 2008 products and the retail selling system in Europe (excluding Spain) was implemented. Although typical data and process issues arose, the project is now starting to deliver very early benefits, especially in the core central product and merchandising functions. Full rollout to the US and much of Asia is planned during the year to March 2009. The wider Atlas programme, which included improving business processes as well as the SAP implementation, has delivered the targeted cumulative £20m benefit to profits, mainly through supply chain efficiencies.

## **Outlook**

### *Retail*

In the year to March 2009, Burberry expects average selling space to increase by 12-13% year-on-year, including about 15 mainline store openings.

### *Wholesale*

Based upon orders received to date, Burberry expects wholesale revenue in the six months to September 2008 to increase by around 10% on an underlying basis. Spain is expected to show further weakness offset by good growth in all other regions, especially North America (up by over 20%) and Emerging Markets.

### *Licensing*

In the year to March 2009, Burberry again expects broadly flat underlying licensing revenue, with modest volume growth in apparel in Japan and good volume growth from global product licences, offset by the non-renewal of certain other licences. The impact of the Yen exchange rate on reported revenue and profit is expected to be about £2m favourable.

### *Capital expenditure*

In the year to March 2009, Burberry expects capital expenditure to be between £90m and £95m (2008: £49m). As previously disclosed, this includes the costs of fitting out the new global headquarters and showrooms (Horseferry House) which will be between £20m to £25m in total. The balance is broadly equally split between new stores, store refurbishments (including Beverly Hills, Los Angeles and Knightsbridge, London) and other spend, including supply chain and IT projects.

### *Net debt*

Burberry had net debt of £64.2m at 31 March 2008 (30 September 2007: £89.2m; 31 March 2007: £2.8m). The net interest charge for the year to March 2008 was £6.0m. A higher charge is expected for 2009 as average net borrowings for the year exceed the year-end debt position, due in part to the seasonality of the business.

Going forward, the Board now believes it is appropriate to carry year-end net debt of up to about £100m, enabling Burberry to return any funds not required for investment in the business to shareholders through share buybacks.

## Group financial highlights

**Revenue of £995m, up 18% on an underlying basis, 17% reported.**  
Exchange rates reduce revenue by £12m.

**Adjusted operating profit of £206.2m, up 14% on an underlying basis, 11% reported.** Exchange rates reduce adjusted operating profit by £5.0m.

**Adjusted operating margin of 20.7%**, or 21.0% at constant exchange rates (2007: 21.8%), as proportion of revenue from high margin licensing declines.

**Adjusted retail/wholesale operating margin up to 14.9%** (2007: 14.6%).

**Profit before tax up 25% reported**, after Atlas costs of £19.6m and £15.1m net profit relating to the relocation of global headquarters.

**Reported tax rate of 30.9%** (2007: 29.5%, including a 1.5% one-off benefit).

**Adjusted diluted EPS of 31.6p**, up 9%, reflecting operating profit growth partly offset by a higher interest charge and tax rate.

**Final dividend of 8.65p per share** giving 12.0p for the full year, as the payout ratio is moved progressively towards 40%.

£ million	Year to 31 March		% change	
	2008	2007	reported	underlying
Revenue	995.4	850.3	17	18
Cost of sales	(377.7)	(329.0)	(15)	
Gross margin	617.7	521.3	18	
Adjusted operating expenses	(411.5)	(336.2)	(22)	
<b>Adjusted operating profit</b>	<b>206.2</b>	<b>185.1</b>	<b>11</b>	<b>14</b>
Atlas costs	(19.6)	(21.6)		
Plant closure costs	-	(6.5)		
Relocation of headquarters	15.1	-		
<b>Operating profit</b>	<b>201.7</b>	<b>157.0</b>	<b>28</b>	<b>32</b>
Net finance charge	(6.0)	(0.7)		
<b>Profit before taxation</b>	<b>195.7</b>	<b>156.3</b>	<b>25</b>	
Taxation	(60.5)	(46.1)	(31)	
Attributable profit	135.2	110.2	23	
<b>Adjusted EPS (pence)</b>	<b>31.6</b>	<b>29.1</b>	<b>9</b>	
EPS (pence)	30.5	24.7	23	
Diluted weighted average number of ordinary shares (millions)	442.8	446.1		

EPS is calculated on a diluted basis.

## Revenue analysis

### Revenue by channel of distribution

£ million	Year to 31 March		% change	
	2008	2007	reported	underlying
Retail	484.4	410.1	18	20
Wholesale	426.2	354.1	20	20
Licensing	84.8	86.1	(2)	3
Total	995.4	850.3	17	18

#### Retail

Retail sales grew by 20% on an underlying basis (18% reported) in the year, contributing 49% of total revenue.

Comparable store sales grew by 8% (11% in H1; 6% in H2), with the economic environment becoming more volatile as the second half progressed. Growth came from successful product innovation, a more frequent flow of new goods and replenishment. Luxury handbags and outerwear performed particularly well, contributing to a further increase in the average unit retail price in mainline stores.

There was double-digit comparable store sales growth in the United States, with strong performances in major metropolitan areas and tourist cities. Europe and Asia Pacific showed positive comparable store sales growth, with France, Italy and Hong Kong among the strongest markets.

Year-on-year average selling space increased by 12% and the total net selling space at 31 March 2008 was approximately 740,000 square feet. During the year, Burberry opened a net 20 mainline stores, bringing the total to 97 stores globally. The number of concessions in prestige department stores increased by 49, including additional and upgraded concession corners in Korea and the conversion to retail of 20 babywear corners in Spain. Store refurbishments continued, increasing selling capacity, sales efficiency and improving aesthetics.

#### Wholesale

Wholesale revenue, which contributed 43% of total sales in the year, increased by 20% on an underlying and reported basis. By region, Europe, North America and Emerging Markets had the strongest growth, while Spain remained down year-on-year.

Wholesale momentum reflects both the strength of Burberry's product designs, as well as its more dynamic, retail-led model, with a more frequent flow of product to customers and inventory now available to replenish core styles during a selling season. Wholesale revenue grew by 16% in the first half of the year to March 2008, increasing to 25% in the second half. This performance builds on 17% growth in the second half of the financial year 2006/07.

In North America, sales of core categories such as outerwear grew strongly, reflecting increasing penetration in existing doors. New doors were selectively added in major department stores in categories such as handbags, shoes and Prorsum.

### Licensing

Total licensing revenue in the year increased by 3% on an underlying basis (down 2% reported). The weakness of the Yen reduced reported revenue by £5.4m in the year, although this was partly compensated for by the strength of the Euro in the second half.

There was modest growth in Japan in both apparel and non-apparel and global product licensees delivered strong growth. New products included Burberry The Beat and Brit Sheer fragrances, as well as Black Label eyewear in Japan, appealing to a young, male consumer. As part of Burberry's strategy to move to a more consistent global product offer, certain licences, predominantly in menswear, were not renewed, which reduced revenue by £1.7m.

### Revenue by region

#### Revenue by origin of business

£ million	Year to 31 March		% change reported
	2008	2007	
Europe*	364.5	270.7	35
Spain	172.8	173.9	(1)
Americas	231.6	192.6	20
Asia Pacific	226.5	213.1	6
Total	995.4	850.3	17

\* Excluding Spain

#### Retail/wholesale revenue by destination

£ million	Year to 31 March		% change	
	2008	2007	reported	underlying
Europe*	291.8	229.8	27	26
Spain	161.6	151.8	6	1
Americas	234.8	196.5	19	26
Asia Pacific	189.1	167.5	13	17
Rest of World	33.3	18.6	79	79
Total retail/wholesale	910.6	764.2	19	20

\* Excluding Spain

The comments below refer to revenue by destination which better reflects the regional demand for Burberry products.

## **Europe**

Revenue in Europe increased by 26% on an underlying basis (27% reported), with Italy and Germany among the best performing markets. Retail and wholesale revenue both grew by over 20%, helped by the strength of product designs, newly opened stores and new and refurbished concessions. Wholesale revenue accounted for just over half of the region's sales.

## **Spain**

Revenue in Spain was up 1% on an underlying and 6% on a reported basis.

Retail sales accounted for nearly 40% of Spain's revenue, with the majority coming from over 100 women's, non-apparel and childrenswear concessions. Comparable store sales were strongly ahead in the first half of the year, but reversed sharply in the second half, falling year-on-year. This reflects a more difficult economic environment in Spain.

Wholesale revenue in the year continued to trend down, reflecting the challenging external environment and the ongoing decline of small independent retailers in Spain. The majority of wholesale revenue comes from selling to about 1,000 multi-brand accounts.

For 2008/09, Burberry is planning on the basis of no improvement in the Spanish economy or retail environment over that seen in the second half of 2007/08. Burberry continues to implement a series of initiatives in Spain - further evolving the product offer and integrating the brand and infrastructure, including the supply chain, more closely with its global business. Childrenswear is one of the group's key growth opportunities and the existing team in Spain is being strengthened to help capitalise on this.

## **Americas**

Americas revenue increased by 26% on an underlying basis (19% reported). There was over 20% underlying growth in the retail channel, which accounts for more than two-thirds of Americas revenue, and exceptional growth in wholesale, driven in both channels by increasing productivity of existing space and new stores and doors.

## **Asia Pacific**

Asia Pacific revenue increased by 17% on an underlying basis (13% reported). Retail and wholesale channels grew roughly equally (retail accounted for over half of the region's revenue).

During the year, significant progress was made in realigning the region under one strengthened management team (historically it reported as eight separate businesses). In Korea, Burberry's largest Asian market outside Japan, the distribution of the brand has been refined, luxury handbags are now 40% of handbag sales (up from 17% a year ago) and concessions are being relocated and refurbished – an initiative which will continue in the current year. Hong Kong remains a strong market for Burberry, with double-digit comparable store sales growth in the year, led by continued focus on non-apparel and outerwear and increased tourism from mainland China.

## Retail/wholesale revenue by product category

£ million	Year to 31 March		% change	
	2008	2007	<i>reported</i>	<i>underlying</i>
Womenswear	345.2	305.5	13	14
Menswear	247.8	227.0	9	10
Non-apparel	289.7	211.2	37	39
Other*	27.9	20.5	36	38
Total retail/wholesale	910.6	764.2	19	20

\* Mainly childrenswear

### **Womenswear** (38% of sales)

Womenswear revenue grew by 14% on an underlying basis, driven by Prorsum, seasonless and fashion outerwear.

### **Menswear** (27% of sales)

Menswear revenue grew by 10% underlying, with new modern outerwear styles driving this performance. The revitalisation of menswear continues in Autumn/Winter 2008, with further product innovation in outerwear, Sport and tailoring (in the London Collection part of the pyramid). The non-renewal of certain menswear licences enables a more cohesive tailored collection.

### **Non-apparel** (32% of sales, up from 28% in 2007)

Non-apparel was the fastest growing of Burberry's main product categories in the year, up 39% underlying, as it benefited from product innovation and prominent positioning in global advertising campaigns.

Luxury handbags continued to drive the growth in both retail and wholesale channels. During the year, revenue from shoes more than doubled at wholesale value, albeit from a small base, as Burberry replicated the strategies it has used successfully in outerwear and luxury handbags. Notably, Burberry invested in dedicated design, merchandising and sourcing teams, expanded the Prorsum and London Collection shoe ranges and supported this with more focused marketing. As a result, the average selling price in shoes increased by over 20% for Autumn/Winter 2007.

### **Other**

Revenue here, which is mainly childrenswear, grew by 38% on an underlying basis. Burberry's first ever standalone childrenswear store was opened in Lee Gardens, Hong Kong in March 2008.

## Operating profit analysis

### Total operating profit

£ million	Year to 31 March		% change	
	2008	2007	reported	underlying
Retail/wholesale	135.6	111.7	21	23
Licensing	70.6	73.4	(4)	1
<b>Adjusted operating profit</b>	<b>206.2</b>	<b>185.1</b>	<b>11</b>	<b>14</b>
<i>Adjusted operating margin</i>	20.7%	21.8%		
Atlas costs	(19.6)	(21.6)		
Plant closure costs	-	(6.5)		
Relocation of headquarters	15.1	-		
<b>Operating profit</b>	<b>201.7</b>	<b>157.0</b>	<b>28</b>	<b>32</b>

Adjusted operating profit grew by 11% to £206.2m in the year. Exchange rates reduced profit by £5.0m or 3%. The adjusted operating margin fell by 110 basis points, with the increase in retail/wholesale operating margin offset by a lower proportion of profit from higher margin licensing.

Atlas costs, which relate to the Group's infrastructure redesign initiative, were £19.6m. As previously announced, Burberry completed the sale of its central London building (Haymarket) during the year, in advance of the global headquarters relocation planned for late 2008. The net profit relating to this disposal was £15.1m and the cash proceeds were £28m.

### Retail/wholesale adjusted operating profit

£ million	Year to 31 March		% change
	2008	2007	reported
Revenue	910.6	764.2	19
Cost of sales	(377.7)	(329.0)	(15)
Gross margin	532.9	435.2	22
<i>Gross margin %</i>	58.5%	56.9%	
Adjusted operating expenses	(397.3)	(323.5)	(23)
<b>Adjusted operating profit</b>	<b>135.6</b>	<b>111.7</b>	<b>21</b>
<i>Adjusted operating expenses as % of sales</i>	43.6%	42.3%	
<i>Adjusted operating margin</i>	14.9%	14.6%	

### Gross margin

Gross margin in retail and wholesale combined increased by 160 basis points for the year as a whole (H1: 300 basis points; H2: 40 basis points).

The majority of the improvement came from Atlas-related benefits, predominantly from better sourcing of products. Burberry also benefited from non-apparel growth, which, as a whole, is a higher gross margin category than apparel. For the year, retail and wholesale revenue grew by broadly the same amount so there was no impact from channel mix. As previously noted, retail sales in the second half came in modestly behind plan, with proportionally more inventory sold during the usual sale period. As expected, this negatively impacted gross margin in the second half.

For 2008/09, Burberry expects a further improvement in gross margin from supply chain savings, although not at the rate experienced during 2007/08, offset in part by the continuing impact of reducing excess inventory.

#### *Operating expenses*

About two-thirds of Burberry's operating expenses are incurred in the regions, with the balance at corporate headquarters, which includes design, product development, merchandising, marketing, supply chain, warehousing and distribution and IT, as well as central functions such as finance, human resources and legal.

In the year to March 2008, operating expenses incurred by the regions fell as a percentage of sales. This reflected the operating leverage benefits of 19% revenue growth and was achieved despite the costs associated with a record number of store openings.

In the corporate headquarters, as previously discussed, there was significant investment to support the current and forecast levels of growth at Burberry. Warehousing and distribution costs also increased significantly as additional shifts and temporary capacity was added to deal with volume growth and changes in the business model.

Combined, these factors led to operating expenses as a percentage of sales increasing by 130 basis points in 2007/08.

For 2008/09, a further reduction in operating expenses as a percentage of sales is expected from the regions.

However, as already included in guidance, two factors are expected to lead to an increase in operating expenses as a percentage of sales of over 100 basis points in 2008/09. As planned, the move to Horseferry House, the new global headquarters and showrooms, will incur one-off double running costs of about £6m, mainly in the first half of the year. Secondly, the roll out of SAP to Asia and the United States will incur about £4m of costs, which will be charged to operating expenses (in 2007/08 the costs were charged below adjusted operating profit).

In addition to these £10m of costs, there will be continued investment in areas such as design and supply chain to support new product categories, as well as the full year impact of the investments made during 2007/08. Given the current challenging external environment, the group is carefully monitoring all discretionary spend in areas such as headcount, travel and marketing.

Burberry has recently implemented new global carrier arrangements for the transport of goods from suppliers to distribution centres. By reducing the number of carriers from over 30 to three, there will be savings of about £2m in the first year by leveraging scale. The initiative will also significantly improve visibility and service levels.

### Licensing adjusted operating profit

£ million	Year to 31 March		Year to 31 March 2008
	2008	2007	<i>At constant FX</i>
Revenue	84.8	86.1	88.3
Cost of sales	-	-	-
Gross margin	84.8	86.1	88.3
<i>Gross margin %</i>	100%	100%	100%
Adjusted operating expenses	(14.2)	(12.7)	(14.2)
<b>Adjusted operating profit</b>	<b>70.6</b>	<b>73.4</b>	<b>74.1</b>
<i>Adjusted operating margin</i>	83.3%	85.2%	83.9%

As outlined earlier, on an underlying basis, licensing revenue was up by 3% (down 2% reported). As the table above shows, exchange rates reduced both revenue and gross margin by £3.5m, leading to compression of the operating margin. The exchange rate impact reflects a weak Yen (£5.4m negative impact), partly offset by a stronger Euro in the second half. In the year to March 2009, the impact of the Yen exchange rate on reported revenue and profit is expected to be minimal (about £2m favourable).

### Taxation

The taxation rate on reported profit before tax for the year was 30.9%. This compares to 29.5% for 2006/07 when there was a 1.5% one-time benefit relating to the settlement of certain transfer pricing arrangements.

The taxation rate on adjusted profit before tax was 30.1%, after an adjustment relating to the net profit on the disposal of its central London building (Haymarket).

For 2008/09, Burberry expects a similar taxation rate on reported profit before tax of about 31%.

### Cash flow and net debt

Net debt at 31 March 2008 was £64.2m, compared to £89.2m at 30 September 2007 and £2.8m at 31 March 2007. The major cash flow movement was a £123m outflow for inventory, as a result of three main factors. The largest of these was a one-off step change in stock required to support the new business model, particularly holding inventory for replenishment and the new market calendar with an April floorset. The second largest factor was inventory to support growth in the business, with the balance being an outflow due to retail sales modestly behind plan in the second half of the year.

Other major cash flows were capital expenditure (2008: £49m up from £34m in 2007), taxation paid (£53m), a £28m inflow from the disposal of the central London building (Haymarket), dividend payments of £47m (2007: £37m) and a £40m outflow on the share buyback programme, where 6.2m shares were purchased.

### Store portfolio

	Directly-operated stores				Franchise stores <sup>#</sup>
	Mainline stores	Concessions	Outlets	Total	
At 31 March 2007	77	182	33	292	58
Additions	21	60	10	91	21
Closures	(1)	(11)	(3)	(15)	-
At 31 March 2008	97	231	40	368	79

### Store portfolio by region

At 31 March 2008	Directly-operated stores				Franchise stores <sup>#</sup>
	Mainline stores	Concessions	Outlets	Total	
Europe*	28	17	15	60	8
Spain	6	126	4	136	-
Americas	47	-	19	66	-
Asia Pacific	16	88	2	106	52
Rest of World	-	-	-	-	19
Total	97	231	40	368	79

<sup>#</sup> Note reclassification of 11 wholesale accounts to franchise stores in H2 2007/08

\* Excluding Spain

Sales to franchise stores reported in wholesale revenue

### Net retail selling square footage

	000s square feet
At 30 September 2006	630
At 31 March 2007	650
At 30 September 2007	700
At 31 March 2008	740

Retail selling square footage at period end; not the average for the period

## GROUP INCOME STATEMENT

	Note	Year to 31 March 2008 £m	Year to 31 March 2007 £m
Revenue	2	<b>995.4</b>	850.3
Cost of sales		<b>(377.7)</b>	(329.0)
Gross profit		<b>617.7</b>	521.3
Net operating expenses	3	<b>(416.0)</b>	(364.3)
Operating profit		<b>201.7</b>	157.0
Financing			
Interest receivable and similar income	5	<b>5.7</b>	5.5
Interest payable and similar charges	5	<b>(11.7)</b>	(6.2)
Net finance charge	5	<b>(6.0)</b>	(0.7)
Profit before taxation	4	<b>195.7</b>	156.3
Taxation	6	<b>(60.5)</b>	(46.1)
Attributable profit for the year		<b>135.2</b>	110.2

The profit for the year is attributable to the equity holders of the Company and relates to continuing operations.

Earnings per share			
– basic	7	<b>31.3p</b>	25.2p
– diluted	7	<b>30.5p</b>	24.7p

		£m	£m
Non-GAAP measures			
Operating profit		<b>201.7</b>	157.0
Project Atlas costs	3	<b>19.6</b>	21.6
Treorchy closure costs	3	–	6.5
Relocation of Headquarters net profit	3	<b>(15.1)</b>	–
Adjusted operating profit		<b>206.2</b>	185.1
Adjusted earnings per share			
– basic	7	<b>32.4p</b>	29.7p
– diluted	7	<b>31.6p</b>	29.1p
Dividends per share			
– interim	8	<b>3.35p</b>	2.875p
– proposed final (not recognised as a liability at 31 March)	8	<b>8.65p</b>	7.625p

## GROUP STATEMENT OF RECOGNISED INCOME AND EXPENSE

	Note	Year to 31 March 2008 £m	Year to 31 March 2007 £m
Cash flow hedges – (losses)/gains deferred in equity	17	<b>(8.9)</b>	9.1
Foreign currency translation differences	17	<b>41.0</b>	(28.9)
Net actuarial gains on defined benefit pension scheme	17	–	3.4
Restriction of asset on defined benefit pension scheme	17	<b>(0.7)</b>	(3.9)
Tax on items taken directly to equity	17	<b>5.6</b>	(1.5)
Net income/(expense) recognised directly in equity		<b>37.0</b>	(21.8)
Cash flow hedges – transferred to the income statement	17	<b>(2.2)</b>	(5.9)
Tax on items transferred from equity to the income statement	17	<b>0.9</b>	1.8
Net income/(expense) recognised directly in equity net of transfers		<b>35.7</b>	(25.9)
Attributable profit for the year	17	<b>135.2</b>	110.2
Total recognised income for the year	17	<b>170.9</b>	84.3

All the recognised income and expense for the year is attributable to the equity holders of the Company.

## GROUP BALANCE SHEET

	Note	As at 31 March 2008 £m	As at 31 March 2007 £m
<b>ASSETS</b>			
Non-current assets			
Intangible assets		<b>150.4</b>	133.6
Property, plant and equipment	9	<b>177.5</b>	162.7
Deferred tax assets		<b>29.5</b>	24.6
Trade and other receivables	10	<b>7.4</b>	5.1
		<b>364.8</b>	326.0
Current assets			
Inventories	11	<b>268.6</b>	149.8
Trade and other receivables	10	<b>169.2</b>	137.2
Derivative financial assets		<b>11.0</b>	5.3
Income tax receivables		<b>12.0</b>	–
Cash and cash equivalents	12	<b>127.6</b>	131.4
		<b>588.4</b>	423.7
<b>Total assets</b>		<b>953.2</b>	749.7
<b>LIABILITIES</b>			
Non-current liabilities			
Long term payables	13	<b>(13.3)</b>	(10.4)
Deferred tax liabilities		<b>(4.3)</b>	(10.2)
Retirement benefit obligations		<b>(0.4)</b>	(1.8)
Provisions	14	<b>(3.7)</b>	–
		<b>(21.7)</b>	(22.4)
Current liabilities			
Bank overdrafts and borrowings	15	<b>(191.8)</b>	(134.2)
Derivative financial liabilities		<b>(18.2)</b>	(0.5)
Trade and other payables	16	<b>(174.3)</b>	(170.7)
Income tax liabilities		<b>(51.9)</b>	(25.0)
		<b>(436.2)</b>	(330.4)
<b>Total liabilities</b>		<b>(457.9)</b>	(352.8)
<b>Net assets</b>		<b>495.3</b>	396.9
<b>EQUITY</b>			
Capital and reserves attributable to the Company's equity holders			
Ordinary share capital	17	<b>0.2</b>	0.2
Share premium account	17	<b>174.3</b>	167.3
Capital reserve	17	<b>26.6</b>	26.0
Hedging reserve	17	<b>(5.8)</b>	1.8
Foreign currency translation reserve	17	<b>37.8</b>	(6.2)
Retained earnings	17	<b>262.2</b>	207.8
<b>Total equity</b>		<b>495.3</b>	396.9

## GROUP CASH FLOW STATEMENT

	Note	Year to 31 March 2008 £m	Year to 31 March 2007 £m
<b>Cash flows from operating activities</b>			
Operating profit		<b>201.7</b>	157.0
Depreciation		<b>28.9</b>	25.9
Amortisation		<b>3.8</b>	1.8
Net impairment releases		<b>(0.5)</b>	(1.0)
(Profit)/loss on disposal of property, plant and equipment		<b>(19.1)</b>	1.1
Fair value losses on derivative instruments		<b>(0.5)</b>	–
Charges in respect of employee share incentive schemes		<b>14.3</b>	10.8
Increase in inventories		<b>(122.6)</b>	(33.4)
Increase in receivables		<b>(29.1)</b>	(33.8)
Increase in payables		<b>28.8</b>	32.8
Cash generated from operations		<b>105.7</b>	161.2
Interest received		<b>4.8</b>	4.6
Interest paid		<b>(11.8)</b>	(6.2)
Taxation paid		<b>(53.3)</b>	(45.8)
Net cash inflow from operating activities		<b>45.4</b>	113.8
<b>Cash flows from investing activities</b>			
Purchase of tangible and intangible fixed assets		<b>(48.5)</b>	(34.3)
Proceeds from sale of property, plant and equipment		<b>28.3</b>	0.1
Payment of deferred consideration		<b>(10.0)</b>	(1.4)
Acquisition of subsidiary		–	(0.1)
Net cash outflow from investing activities		<b>(30.2)</b>	(35.7)
<b>Cash flows from financing activities</b>			
Dividends paid in the year	8	<b>(47.4)</b>	(36.5)
Issue of ordinary share capital		<b>0.5</b>	0.6
Purchase of shares through share buy back	17	<b>(39.6)</b>	(62.2)
Sale of own shares by ESOPs	17	<b>4.4</b>	6.1
Purchase of own shares by ESOPs	17	<b>(1.5)</b>	–
Draw down on loan facility	17	<b>49.0</b>	10.0
Net cash outflow from financing activities		<b>(34.6)</b>	(82.0)
Net decrease in cash and cash equivalents		<b>(19.4)</b>	(3.9)
Effect of exchange rate changes on opening balances		<b>7.0</b>	(1.4)
Cash and cash equivalents at beginning of period		<b>57.2</b>	62.5
Cash and cash equivalents at end of period		<b>44.8</b>	57.2

## ANALYSIS OF CASH AND CASH EQUIVALENTS

	Note	Year to 31 March 2008 £m	Year to 31 March 2007 £m
Cash and cash equivalents as per the balance sheet		<b>127.6</b>	131.4
Bank overdrafts	15	<b>(82.8)</b>	(74.2)
Cash and cash equivalents per the cash flow statement		<b>44.8</b>	57.2
Bank borrowings	15	<b>(109.0)</b>	(60.0)
Net debt		<b>(64.2)</b>	(2.8)

## NOTES TO THE FINANCIAL INFORMATION

### 1. Basis of preparation

The financial information contained in this report has been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, IFRIC interpretations and those parts of the Companies Act 1985 applicable to companies reporting under IFRS. These financial statements do not constitute the Group's Annual Report and Accounts within the meaning of Section 240 of the Companies Act 1985.

Statutory accounts for the year ended 31 March 2007 have been filed with the Registrar of Companies, and those for 2008 will be delivered in due course. The reports of the auditors on the statutory accounts for the year ended 31 March 2007 and 31 March 2008 were unqualified, did not contain an emphasis of matter paragraph and did not contain a statement under Section 237 of the Companies Act 1985.

The principal accounting policies applied in the preparation of the consolidated financial statements are consistent with those set out in the statutory accounts for 2006/07.

### 2. Segmental analysis

#### Primary segment – analysis by origin

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

#### Revenue and profit before taxation – by origin of business

Year to 31 March	Europe <sup>(1)</sup>		Spain		Americas		Asia Pacific		Total	
	2008 £m	2007 £m	2008 £m	2007 £m	2008 £m	2007 £m	2008 £m	2007 £m	2008 £m	2007 £m
Gross segment revenue	<b>626.9</b>	450.0 <sup>(2)</sup>	<b>193.9</b>	177.6	<b>231.6</b>	192.6	<b>226.5</b>	214.4	<b>1,278.9</b>	1,034.6 <sup>(2)</sup>
Inter-segment revenue	<b>(262.4)</b>	(179.3) <sup>(2)</sup>	<b>(21.1)</b>	(3.7)	–	–	–	(1.3)	<b>(283.5)</b>	(184.3) <sup>(2)</sup>
Revenue	<b>364.5</b>	270.7	<b>172.8</b>	173.9	<b>231.6</b>	192.6	<b>226.5</b>	213.1	<b>995.4</b>	850.3
Operating profit	<b>134.6</b>	104.1 <sup>(2)</sup>	<b>14.4</b>	13.4	<b>14.4</b>	5.3 <sup>(2)</sup>	<b>38.3</b>	34.2	<b>201.7</b>	157.0
Net finance charge									<b>(6.0)</b>	(0.7)
Profit before taxation									<b>195.7</b>	156.3
Taxation									<b>(60.5)</b>	(46.1)
Attributable profit for the year									<b>135.2</b>	110.2

<sup>(1)</sup> Excludes Spain

<sup>(2)</sup> Restated for the advanced pricing agreement in relation to internal sales between the UK and USA, previously under negotiation with the UK and USA Competent Authorities, which has been finalised in the period.

The results above are stated after the allocation of costs of a Group wide nature. Inter-segment revenue reflects the level of revenue between segments and is priced at arm's length.

#### Secondary segment – analysis by class of business

Year to 31 March	Retail		Wholesale		Total Retail and Wholesale		Licensing		Total	
	2008 £m	2007 £m	2008 £m	2007 £m	2008 £m	2007 £m	2008 £m	2007 £m	2008 £m	2007 £m
Gross segment revenue	<b>484.4</b>	410.1	<b>589.5</b>	498.8 <sup>(1)</sup>	<b>1,073.9</b>	908.9 <sup>(1)</sup>	<b>84.8</b>	86.1	<b>1,158.7</b>	995.0 <sup>(1)</sup>
Inter-segment revenue	–	–	<b>(163.3)</b>	(144.7) <sup>(1)</sup>	<b>(163.3)</b>	(144.7) <sup>(1)</sup>	–	–	<b>(163.3)</b>	(144.7) <sup>(1)</sup>
Revenue	<b>484.4</b>	410.1	<b>426.2</b>	354.1	<b>910.6</b>	764.2	<b>84.8</b>	86.1	<b>995.4</b>	850.3
Other segmental items										
Segment assets					<b>640.1</b>	470.3	<b>14.0</b>	6.5	<b>654.1</b>	476.8
Capital expenditure					<b>50.3</b>	38.7	–	0.1	<b>50.3</b>	38.8

<sup>(1)</sup> Restated for the advanced pricing agreement in relation to internal sales between the UK and USA, previously under negotiation with the UK and USA Competent Authorities, which has been finalised in the period.

The results above are stated after the allocation of costs of a Group wide nature.

## 2. Segmental analysis (continued)

### Additional information

Analysis of revenue is shown below as additional information:

Revenue by product	Year to 31 March 2008 £m	Year to 31 March 2007 £m
Womenswear	345.2	305.5
Menswear	247.8	227.0
Non-apparel	289.7	211.2
Other	27.9	20.5
Wholesale and Retail	910.6	764.2
Licensing	84.8	86.1
<b>Total</b>	<b>995.4</b>	<b>850.3</b>

Revenue by destination	Year to 31 March 2008 £m	Year to 31 March 2007 £m
Europe <sup>(1)</sup>	291.8	229.8
Spain	161.6	151.8
Americas	234.8	196.5
Asia Pacific	189.1	167.5
Rest of the World	33.3	18.6
Wholesale and Retail	910.6	764.2
Licensing	84.8	86.1
<b>Total</b>	<b>995.4</b>	<b>850.3</b>

<sup>(1)</sup> Excludes Spain

Number of directly operated stores, concessions and outlets open at 31 March	368	292
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## 3. Net operating expenses

	Year to 31 March 2008 £m	Year to 31 March 2007 £m
Distribution costs	(180.9)	(149.7)
Administrative expenses (excluding Atlas and Treorchy costs)	(234.7)	(185.5)
Project Atlas costs	(19.6)	(21.6)
Treorchy closure costs	–	(6.5)
Property rental income under operating leases	0.1	0.1
Profit/(loss) on disposal of property, plant and equipment	19.1	(1.1)
<b>Total</b>	<b>(416.0)</b>	<b>(364.3)</b>

Operating profit for the year to 31 March 2008 includes a charge of £19.6m (2007: £21.6m) relating to Project Atlas, our major infrastructure redesign initiative. This project is designed to create a substantially stronger platform to support long term operations and growth of the Group through the redesign of Burberry's business processes and systems. The total investment in Project Atlas charged over the three year period to 31 March 2008 to net operating expenses was £52.3m.

Included in operating profit for the year to 31 March 2008 is a net profit of £15.1m relating to the Group's plans to relocate their global headquarters later in the year. This net profit is represented by a profit on the sale of freehold property of £19.6m, the cost of accelerated depreciation of £0.9m and a provision for onerous leases as a result of the relocation for £3.6m.

#### 4. Profit before taxation

	Year to 31 March 2008 £m	Year to 31 March 2007 £m
Profit before taxation is stated after charging/(crediting):		
Depreciation of property, plant and equipment		
– within cost of sales	3.1	1.5
– within distribution costs	3.2	3.2
– within administrative expenses	22.6	21.2
Amortisation of intangible assets (included in administrative expenses)	3.8	1.8
Fixed asset impairment charge relating to certain retail assets (included in administrative expenses)	1.2	–
Release of impairment charge relating to certain retail assets (included in administrative expenses)	(1.7)	(1.0)
(Profit)/loss on disposal of property, plant and equipment	(19.1)	1.1
Project Atlas costs	19.6	21.6
Treorchy closure costs	–	6.5
Employee costs	189.7	174.0
Operating lease rentals		
– minimum lease payments	43.0	31.0
– contingent rents	32.3	17.1
Auditor's remuneration	2.8	2.8
Net exchange gain included in income statement	(2.9)	(0.6)
Net loss/(gain) on derivatives held for trading	0.4	(0.9)
Trade receivables net impairment charge/(reversal)	2.1	(0.5)

#### 5. Net finance charge

	Year to 31 March 2008 £m	Year to 31 March 2007 £m
Bank interest income	4.8	4.6
Other interest income	0.9	0.9
Interest receivable and similar income	5.7	5.5
Interest expense on bank loans and overdrafts	(11.0)	(6.2)
Loss on derivatives held for trading	(0.7)	–
Net finance charge	(6.0)	(0.7)

#### 6. Taxation

The actual effective rate of tax for the year ended 31 March 2008 was 30.9% (2007: 29.5% which included a 1.5% benefit relating to previous years as a result of the advanced pricing agreement in relation to internal sales between the UK and US. On an underlying basis the rate of tax was 31.0%).

## 7. Earnings per share

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

	Year to 31 March 2008 £m	Year to 31 March 2007 £m
Attributable profit for the year before Atlas costs, relocation of Headquarters and Treorchy costs	<b>140.0</b>	130.0
Effect of Atlas costs, relocation of Headquarters and Treorchy costs (after taxation)	<b>(4.8)</b>	(19.8)
Attributable profit for the year	<b>135.2</b>	110.2

The weighted average number of ordinary shares represents the weighted average number of Burberry Group plc ordinary shares in issue throughout the year, excluding ordinary shares held in Burberry Group's Employee share option plans ("ESOPs").

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

	Year to 31 March 2008 Millions	Year to 31 March 2007 Millions
Weighted average number of ordinary shares in issue during the year	<b>432.1</b>	437.8
Dilutive effect of the share incentive schemes	<b>10.7</b>	8.3
Diluted weighted average number of ordinary shares in issue during the year	<b>442.8</b>	446.1

	Year to 31 March 2008 Pence	Year to 31 March 2007 Pence
Basic earnings per share		
Basic earnings per share before Atlas costs, relocation of Headquarters and Treorchy costs	<b>32.4</b>	29.7
Effect of Atlas costs, relocation of Headquarters and Treorchy costs	<b>(1.1)</b>	(4.5)
Basic earnings per share	<b>31.3</b>	25.2

	Year to 31 March 2008 Pence	Year to 31 March 2007 Pence
Diluted earnings per share		
Diluted earnings per share before Atlas costs, relocation of Headquarters and Treorchy costs	<b>31.6</b>	29.1
Effect of Atlas costs, relocation of Headquarters and Treorchy costs	<b>(1.1)</b>	(4.4)
Diluted earnings per share	<b>30.5</b>	24.7

## 8. Dividends

	Year to 31 March 2008 £m	Year to 31 March 2007 £m
Prior year final dividend paid 7.625p per share (2007: 5.5p)	<b>33.0</b>	24.0
Interim dividend paid 3.35p per share (2007: 2.875p)	<b>14.4</b>	12.5
Total	<b>47.4</b>	36.5

A final dividend in respect of the year to 31 March 2008 of 8.65p (2007: 7.625p) per share, amounting to £37.4m (2007: £33.0m), has been proposed for approval by the shareholders at the AGM subsequent to the balance sheet date. The final dividend has not been recognised as a liability at the year end and will be paid on 31 July 2008 to shareholders on the register at the close of business on 4 July 2008.

## 9. 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 2006	86.1	71.4	112.2	2.7	272.4
Effect of foreign exchange rate changes	(5.8)	(7.1)	(5.1)	(0.2)	(18.2)
Additions	0.3	11.3	17.8	4.8	34.2
Disposals	(0.1)	(2.1)	(7.6)	–	(9.8)
Reclassifications	–	0.6	1.4	(2.0)	–
As at 31 March 2007	80.5	74.1	118.7	5.3	278.6
Effect of foreign exchange rate changes	5.1	1.5	9.6	0.3	16.5
Additions	–	13.9	24.4	6.2	44.5
Disposals	(8.7)	(0.3)	(7.5)	–	(16.5)
Reclassifications	–	1.5	1.8	(3.3)	–
As at 31 March 2008	76.9	90.7	147.0	8.5	323.1
Accumulated depreciation					
As at 1 April 2006	20.7	18.2	66.5	–	105.4
Effect of foreign exchange rate changes	(1.3)	(1.6)	(2.9)	–	(5.8)
Charge for the year	3.0	5.4	17.5	–	25.9
Impairment release on certain retail assets	–	(0.1)	(0.9)	–	(1.0)
Disposals	(0.1)	(1.4)	(7.1)	–	(8.6)
As at 31 March 2007	22.3	20.5	73.1	–	115.9
Effect of foreign exchange rate changes	2.1	0.7	5.8	–	8.6
Charge for the year	1.9	6.7	20.3	–	28.9
Net impairment charge/(release) on certain retail assets	–	0.5	(1.0)	–	(0.5)
Disposals	(2.3)	(0.3)	(4.7)	–	(7.3)
As at 31 March 2008	24.0	28.1	93.5	–	145.6
Net book value					
As at 31 March 2008	52.9	62.6	53.5	8.5	177.5
As at 31 March 2007	58.2	53.6	45.6	5.3	162.7

During the year to 31 March 2008 a net impairment release of £0.5m (2007: £1m) was identified as part of the annual impairment review. This includes an impairment charge of £1.2m relating to certain retail stores in the USA where trading conditions are becoming more challenging. It is offset by a £1.7m release due to improved trading conditions on previously impaired stores in Europe.

The impairment release was based on a review of the value of the assets in use and on pre-tax cash flows attributable to these assets in accordance with IAS 36 "Impairment of Assets". Pre-tax cash flow projections are based on financial plans approved by management and extrapolated beyond the budget year to the anticipated lease exit dates using growth rates and inflation rates appropriate to each country's economic conditions. The pre-tax discount rate used in these calculations was 13.8%.

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

## 10. Trade and other receivables

	As at 31 March 2008 £m	As at 31 March 2007 £m
Non-current		
Deposits and prepayments	7.4	5.1
Total non-current trade and other receivables	7.4	5.1
Current		
Trade receivables	141.3	114.7
Provision for doubtful debts	(5.0)	(3.5)
Net trade receivables	136.3	111.2
Other receivables	13.3	9.4
Prepayments and accrued income	19.6	16.6
Total current trade and other receivables	169.2	137.2
Total trade and other receivables	176.6	142.3

The principal non-current receivable of £4.0m is due within five years from the balance sheet date, with the remainder due at various stages after this. Of the total non-current receivables, £0.7m bears interest at local market rates. The remainder is non-interest bearing.

As at 31 March 2008, trade receivables of £7.1m (2007: £7.5m) were impaired. The amount of the provision was £5.0m as of 31 March 2008 (2007: £3.5m). The individually impaired receivables relate to balances with trading parties which have passed their payment due dates. It was assessed that in some instances a portion of the receivables is expected to be recovered. The ageing of these overdue receivables is as follows:

	As at 31 March 2008 £m	As at 31 March 2007 £m
Less than 1 month overdue	0.2	4.2
1 to 3 months overdue	3.5	0.5
Over 3 months overdue	3.4	2.8
	7.1	7.5

As at 31 March 2008, trade receivables of £19.7m (2007: £1.0m) were overdue but not impaired. The ageing of these overdue receivables is as follows:

	As at 31 March 2008 £m	As at 31 March 2007 £m
Less than 1 month overdue	5.3	0.8
1 to 3 months overdue	14.4	0.2
Over 3 months overdue	—	—
	19.7	1.0

Movement on the provision for doubtful debts is as follows:

	Year to 31 March 2008 £m	Year to 31 March 2007 £m
At 1 April	3.5	4.2
Increase in provision for doubtful debts	2.2	0.8
Receivables written off during the year as uncollectable	(0.6)	(0.2)
Unused provision reversed	(0.1)	(1.3)
As at 31 March	5.0	3.5

## 10. Trade and other receivables (continued)

Within the other classes of trade and other receivables there are £5.1m (2007: £4.6m) of fully impaired receivables. The maximum exposure to credit risk at the reporting date with respect to trade receivables is the carrying amount on the Balance Sheet. The Group does not hold any collateral as security.

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

	Year to 31 March 2008 £m	Year to 31 March 2007 £m
Sterling	26.9	33.9
US Dollar	21.1	12.6
Euro	109.0	82.2
Other currencies	19.6	13.6
	<b>176.6</b>	<b>142.3</b>

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

## 11. Inventories

	As at 31 March 2008 £m	As at 31 March 2007 £m
Raw materials	25.0	17.7
Work in progress	5.5	5.9
Finished goods	238.1	126.2
Total inventories	<b>268.6</b>	<b>149.8</b>

	As at 31 March 2008 £m	As at 31 March 2007 £m
Cost of inventories recognised as an expense during the year	376.3	333.5
Inventories physically destroyed in the year	1.6	1.1
Reversal during the year of previous inventory write downs	(0.2)	(5.6)
Total cost of sales	<b>377.7</b>	<b>329.0</b>

The reversal during the year of the previous write down of inventories was considered appropriate as a result of the changes in market conditions.

## 12. Cash and cash equivalents

	As at 31 March 2008 £m	As at 31 March 2007 Restated £m
Cash at bank and in hand	127.6	117.1
Short term deposits	–	14.3 <sup>(1)</sup>
Total	<b>127.6</b>	<b>131.4</b>

<sup>(1)</sup> After reclassification of a £45.1 cash pool account from short term deposits to cash at bank.

The effective interest rate on short term deposits during the year was 5.1% (2007: 3.6%). These deposits had an average maturity of nine days (2007: 28 days). The effective interest rate is the weighted average annual interest rate for the Group based on local market rates on short term deposits.

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

### 13. Long term payables

	As at 31 March 2008 £m	As at 31 March 2007 £m
Unsecured:		
Other creditors, accruals and deferred income	13.3	10.4
Total	13.3	10.4

The maturity of long term liabilities, all of which do not bear interest, is as follows:

	As at 31 March 2008 £m	As at 31 March 2007 £m
Between one and two years	2.6	1.9
Between two and three years	1.5	1.0
Between three and four years	1.3	0.9
Between four and five years	1.4	0.8
Over five years	6.5	5.8
Total	13.3	10.4

The fair value of long term liabilities approximate their carrying amounts.

### 14. Provisions

	Property obligations £m
As at 1 April 2007	–
Created during the year	3.7
As at 31 March 2008	3.7

These provisions have arisen from leasehold obligations which the Group expect will be utilised within one to three years.

### 15. Bank overdrafts and borrowings

	As at 31 March 2008 £m	As at 31 March 2007 £m
Unsecured:		
Bank overdrafts	82.8	74.2
Bank borrowings	109.0	60.0
Total	191.8	134.2

Bank overdrafts represent balances on cash pooling arrangements in the Group. The effective interest rate for the overdraft balances is 3.2% (2007: 4.5%).

A £200m five year multi-currency revolving facility was agreed with a syndicate of third party banks commencing on 30 March 2005. At 31 March 2008, the amount drawn down was £109m (2007: £60m). This drawdown was made in Sterling. Interest is charged on this loan at LIBOR plus 0.325% per annum on drawings less than £100m and at LIBOR plus 0.375% per annum on drawings over £100m. The borrowing matures on 30 March 2010. The undrawn facility at 31 March 2008 was £91m (2007: £140m).

As part of the Group's obligations under its revolving credit facility Burberry (Wholesale) Limited (US) and Burberry Limited (US) were introduced as a guarantor to the facility during the year.

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

## 16. Trade and other payables

	As at 31 March 2008 £m	As at 31 March 2007 £m
Unsecured:		
Trade creditors	62.5	56.8
Other taxes and social security costs	5.2	6.4
Other creditors	19.1	19.4
Accruals and deferred income	87.5	78.1
Deferred consideration for acquisitions	–	10.0
Total	174.3	170.7

Deferred consideration arising on the acquisition of the Burberry business in Korea was fully paid during the year.

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

## 17. Share capital and reserves

Authorised share capital	2008 £m	2007 £m
1,999,999,998,000 (2007: 1,999,999,998,000) Ordinary Shares of 0.05p (2007: 0.05p) each	1,000.0	1,000.0
1,600,000,000 redeemable preference shares of 0.05p (2007: 0.05p) each	0.8	0.8
Total	1,000.8	1,000.8

Allotted, called up and fully paid share capital	Number	£m
Ordinary shares of 0.05p (2007: 0.05p) each		
As at 1 April 2007	437,779,382	0.2
Allotted on exercise of options during the year	1,081,064	–
Cancelled on repurchase of own shares	(6,198,167)	–
As at 31 March 2008	432,662,279	0.2

## 17. Share capital and reserves (continued)

### Statement of changes in shareholders' equity

	Ordinary share capital £m	Share premium account £m	Hedging reserve £m	Foreign currency translation reserve £m	Capital reserve £m	Retained earnings £m	Total equity £m
Balance as at 1 April 2006	0.2	151.8	(0.2)	21.2	25.8	187.8	386.6
Cash flow hedges – losses deferred in equity	–	–	9.1	–	–	–	9.1
Foreign currency translation differences	–	–	–	(28.9)	–	–	(28.9)
Net actuarial gains on defined benefit pension scheme	–	–	–	–	–	3.4	3.4
Restriction of asset on defined benefit pension scheme	–	–	–	–	–	(3.9)	(3.9)
Tax on items taken directly to equity	–	–	(3.0)	1.5	–	–	(1.5)
Net income/(expense) recognised directly in equity	–	–	6.1	(27.4)	–	(0.5)	(21.8)
Cash flow hedges – transferred to the income statement	–	–	(5.9)	–	–	–	(5.9)
Tax on items transferred from equity	–	–	1.8	–	–	–	1.8
Attributable profit for the year	–	–	–	–	–	110.2	110.2
Total recognised income/(expenses) for the year	–	–	2.0	(27.4)	–	109.7	84.3
Employee share option scheme							
– value of share options granted	–	–	–	–	–	10.8	10.8
– tax on share options granted	–	–	–	–	–	7.2	7.2
– exercise of share options	–	15.5	–	–	–	–	15.5
– price differential on exercise of shares	–	–	–	–	–	(14.9)	(14.9)
Share buy back costs	–	–	–	–	–	(62.2)	(62.2)
Sale of shares by ESOPs	–	–	–	–	–	6.1	6.1
Transfer between reserves	–	–	–	–	0.2	(0.2)	–
Dividend paid in the year	–	–	–	–	–	(36.5)	(36.5)
Balance as at 31 March 2007	0.2	167.3	1.8	(6.2)	26.0	207.8	396.9
Cash flow hedges – gains deferred in equity	–	–	(8.9)	–	–	–	(8.9)
Foreign currency translation differences	–	–	–	41.0	–	–	41.0
Restriction of asset on defined benefit pension scheme	–	–	–	–	–	(0.7)	(0.7)
Tax on items taken directly to equity	–	–	2.6	3.0	–	–	5.6
Net income/(expense) recognised directly in equity	–	–	(6.3)	44.0	–	(0.7)	37.0
Cash flow hedges – transferred to the income statement	–	–	(2.2)	–	–	–	(2.2)
Tax on items transferred from equity	–	–	0.9	–	–	–	0.9
Attributable profit for the year	–	–	–	–	–	135.2	135.2
Total recognised income/(expenses) for the year	–	–	(7.6)	44.0	–	134.5	170.9
Employee share option scheme							
– value of share options granted	–	–	–	–	–	14.3	14.3
– tax on share options granted	–	–	–	–	–	(3.2)	(3.2)
– exercise of share options	–	7.0	–	–	–	–	7.0
– price differential on exercise of shares	–	–	–	–	–	(6.5)	(6.5)
Share buy back costs	–	–	–	–	–	(39.6)	(39.6)
Sale of shares by ESOPs	–	–	–	–	–	4.4	4.4
Purchase of shares by ESOPs	–	–	–	–	–	(1.5)	(1.5)
Transfer between reserves	–	–	–	–	0.6	(0.6)	–
Dividend paid in the year	–	–	–	–	–	(47.4)	(47.4)
Balance as at 31 March 2008	0.2	174.3	(5.8)	37.8	26.6	262.2	495.3

During the year to 31 March 2008, the Company repurchased and subsequently cancelled 6,198,167 ordinary shares, representing 1.4% of the issued share capital, at a total cost of £39.6m. The nominal value of the shares was £3,099 which was transferred to a capital redemption reserve. Retained earnings were reduced by £39.6m. The share repurchase programme commenced in January 2005 and since then a total of 79,063,397 ordinary shares have been repurchased and subsequently cancelled. This represents 15.8% of the original issued share capital at a total cost of £351.8m. The nominal value of the shares was £39,532 and has been transferred to a capital redemption reserve and the retained earnings have been reduced by £351.8m since this date.

## 17. Share capital and reserves (continued)

The cost of own shares held in the Burberry Group ESOP Trusts has been offset against the profit and loss account, as the amounts paid reduce the profits available for distribution by the Burberry Group and the Company. As at 31 March 2008 the amount offset against this reserve are £4.9m (2007: £9.2m). In the year to 31 March 2008 the Burberry Group plc ESOP Trust has waived its entitlement to dividends of £0.3m (2007: £0.4m).

During the year profits of £0.6m (2007: £0.2m) have been transferred to capital reserves due to statutory requirements of subsidiaries.

## 18. Capital commitments

	As at 31 March 2008 £m	As at 31 March 2007 £m
Capital commitments contracted but not provided for		
– property, plant and equipment	1.5	2.5
– intangible assets	0.1	0.1
<b>Total</b>	<b>1.6</b>	<b>2.6</b>

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.

## 19. Contingent liabilities

Since 31 March 2007 the following changes to material contingent liabilities have occurred:

Under the terms of a Demerger Agreement, entered into with GUS plc on 13 December 2005, Burberry continued to participate in the Experian Pension Scheme until 31 December 2007. Under this scheme Burberry was jointly and severally liable with the other participating GUS companies for the deficit in this scheme. Burberry was required to pay any debt due under Section 75 or 75A of the Pensions Act 1995. This debt has been determined to be £1.25m and was settled in April 2008.

Other material contingent liabilities reported at 31 March 2007 remain unchanged and were:

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

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

During the year ended 31 March 2008, Burberry Group has provided guarantee letters to certain raw material suppliers. The total value of these guarantees, which expire on 30 September 2008, amount to £0.4m at 31 March 2008 (2007: £1.1m).

## 20. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. The only related party transactions relate to total compensation paid to key management, who are defined as the Board of Directors. With effect from 1 April 2007 certain members of senior management have been included under the definition of key management personnel. The total compensation paid during the year was as follows:

	Year to 31 March 2008 £m	Year to 31 March 2007 £m
Salaries and short term benefits	8.4	6.2
Post-employment benefits	0.4	0.5
Share based compensation	4.5	2.3
<b>Total</b>	<b>13.3</b>	<b>9.0</b>

In addition, aggregate gains on the exercise of options in the year to 31 March 2008 were £4.4m (2007: £14.2m).

## 21. Foreign currency translation

### *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.

The principal exchange rates used were as follows:

	Weighted average profit rate		Closing rate	
	Year to 31 March 2008	Year to 31 March 2007	Year to 31 March 2008	Year to 31 March 2007
Euro	<b>1.42</b>	1.49	<b>1.26</b>	1.47
US dollar	<b>2.02</b>	1.91	<b>1.98</b>	1.97
Hong Kong dollar	<b>15.63</b>	14.80	<b>15.44</b>	15.38
Korean won	<b>1,873</b>	1,801	<b>1,966</b>	1,851

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 average exchange rate achieved by Burberry Group on its Yen royalty income, taking into account its use of Yen forward sale contracts on a monthly basis approximately 12 months in advance of royalty receipts, was Yen 221.5: £1 in the year to 31 March 2008 (2007: Yen 199.2: £1).

## 22. Non-GAAP measures

Non-GAAP measures are presented in order to provide a clear and consistent presentation of the underlying performance of the Group's ongoing business.