19 May 2009

Burberry Group plc

Preliminary results
for the year ended 31 March 2009

Burberry Group plc, the global luxury company, today announces its results for the year ended 31 March 2009.

- Total revenue of £1,202m, up 21%
  - Exceeds £1bn for first time
- Adjusted profit before tax of £175m
  - In line with guidance
- Rapid actions taken in challenging markets
  - Executed £50m global cost efficiency programme
  - Reduced inventory by £50m at constant exchange rates
  - Tight focus on cash, with net cash at year end of £8m (2008: net debt of £64m)
- Full year dividend maintained at 12p per share

Angela Ahrendts, Chief Executive Officer, commented:

"2008/09 was one of the most challenging years the luxury sector has ever faced, especially in the second half. Against this background, Burberry grew revenue to £1.2bn.

We also took rapid action to mitigate the impact of the economic slowdown, aggressively reducing inventory, executing a £50m global cost efficiency programme, resulting in a strong financial position and operating profit in line with guidance. We continued to refine and implement our key brand strategies, adding innovation to core outerwear and accessories, while making significant progress on our IT and operational initiatives.

Entering the new year, we believe Burberry is best positioned to capitalise on opportunities which will deliver sustainable long-term growth."

Operational highlights

- Retail revenue up 14% underlying
    - Now over half of total group revenue
    - Net 16 mainline stores opened; store renovations continued
    - Net 22 department store retail concessions opened

- Wholesale revenue up 2% underlying
    - Increased penetration in US department stores (7% of Group sales)
    - Continued strong growth in Emerging Markets
    - Supply chain enabled improved product flow and deliveries

- All product categories delivered underlying revenue growth
    - Non-apparel up 12% - now 33% of sales
    - Womens apparel up 6%; mens up 5%; outerwear over 50% of apparel
    - Childrenswear up over 50%

- Continued transformation of back-of-house operations
    - SAP now live in 15 countries
    - Supply chain and logistics gains achieved
    - Global planning facilitated improved inventory management

- Global cost efficiency programme well advanced to deliver about £50m annual savings
    - £15-20m from supply chain and corporate processes
    - £30-35m from cost reduction initiatives

Financial highlights

- Total revenue of £1,202m (2008: £995m)
    - Up 21% reported
    - Up 7% underlying

- Adjusted profit before tax of £175m (2008: £200m)

- Adjusted diluted earnings per share of 30.2p (2008: 31.6p)

- After restructuring costs associated with the cost efficiency programme, non-cash impairment charges mainly in Spain and one-off tax credits, attributable loss was £6m

- Full year dividend maintained at 12p per share

- Inventory down year-on-year by 19% or £50m at constant exchange rates

- Net cash of £8m at year end (2008: net debt £64m)

- New banking agreement, giving £260m facilities which run to 2011 and 2012

"Adjusted" refers to profitability measures (pre and post tax) calculated excluding:

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

Underlying change is calculated at constant exchange rates.
Certain financial data within this announcement have been rounded.

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.

Enquiries

Burberry		020 3367 3524
Stacey Cartwright	EVP, Chief Financial Officer	
Fay Dodds	Director of Investor Relations	

Brunswick	020 7404 5959
David Yelland	
Alison Poole	

There will be a presentation today at 9am (UK time) to investors and analysts 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) 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 2009 when it will issue its Interim Management Statement in respect of the First Quarter. The AGM will be held on 16 July 2009.

GROUP FINANCIAL HIGHLIGHTS

Revenue of £1,202m, up 7% on an underlying basis, 21% reported.

Adjusted retail/wholesale operating margin of 9.8% (2008: 14.9%), reflecting a 640 basis point fall in gross margin due to lower full price sales, partly offset by tight management of discretionary expenses.

Adjusted profit before tax of £174.6m (2008: £200.2m).

Tax rate on adjusted profit before tax of 23.8% (2008: 30.1%), largely reflecting different geographical mix of profits.

Adjusted diluted earnings per share of 30.2p (2008: 31.6p), as lower tax rate partly mitigates profit decrease.

Attributable loss of £6.0m (2008: profit of £135.2m), after restructuring costs (£54.9m) and non-cash impairment and other charges (£135.8m), partly offset by one-off tax credits (£32.6m).

Maintained full year dividend of 12p per share.

Net cash of £7.6m (2008: net debt of £64.2m), driven by £50m inventory reduction. Main banking facilities renewed.

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

* See Other Items section for full details
EPS is calculated on a diluted basis

BUSINESS AND FINANCIAL REVIEW

2008/09 saw some of the most challenging markets that luxury companies, including Burberry, have faced as global economies slowed sharply in the second half of the year. Management took rapid action to mitigate the impact of this economic slowdown:

- Aggressively reducing inventory – down 19% underlying at the year end.
- Identifying and executing a £50m global cost efficiency programme.
- Focusing on cash management, to deliver net cash at the year end.
- Focusing on tight cost control, to deliver operating profit in line with guidance.
- While refining and executing its key strategic initiatives, as described below.

Against this background, Burberry grew revenue to £1.2bn. Adjusted profit before tax decreased by 13% to £175m, reflecting a decline in gross margin as reduced consumer demand led to a lower proportion of full price sales. After restructuring costs associated with the cost efficiency programme, non-cash impairment charges, other charges and one-off tax credits, Burberry reported an attributable loss of £6m.

Strategic performance

During the year, Burberry continued to execute against its five key strategic initiatives, summarised below:

Leveraging the franchise

- **Continuing to emphasise luxury credentials** with the move to new headquarters and showrooms in both London (Horseferry House) and New York (444 Madison Avenue); further refurbishment of flagship stores (including Knightsbridge, London and Beverly Hills, Los Angeles) and a greater emphasis on digital marketing and VIP programmes to enhance brand momentum.
- **Innovation in outerwear**, Burberry's heritage and core category. For Autumn/Winter 2009, outerwear accounts for some 60% of womenswear and 40% of menswear, reducing the fashion risk in Burberry's apparel. Childrenswear adds further diversity and balance.
- **Reshaping the product pyramid**. To enable Burberry to gain market share in apparel, a much clearer delineation has been made between the London Collection (wear to work) and Lifestyle (wear at the weekend). New check branding was launched for the London Collection, with strong initial results. The large Lifestyle business was further developed with the expansion of Sport and the launch of a denim strategy.

Intensifying non-apparel development

- **Non-apparel again the best performing product division** - with underlying sales growth of 12%, accounting for **33% of revenue.**
- **Handbags and leather goods now over 60% of non-apparel sales in retail stores.**
- **Accelerated innovation in the check offering,** in both the core ranges (Haymarket, Nova, bridle) and new additions (mega, tonal), as consumers shift to more timeless, iconic styles.
- **Early progress in the Japanese non-apparel joint venture**, formed in November 2008, to develop the retail distribution of Burberry's accessories in this large luxury market. The organisation has been further strengthened and early steps taken to ensure consistent distribution of Burberry's imported accessories.

Accelerating retail-led growth

- **Retail contributed over half of Group revenue for the first time**.
- **A net 16 mainline stores and 22 retail concessions were opened in 2008/09,** while seven stores were refurbished to increase productivity, while reinforcing the brand image. A net 10 to 15 new mainline stores are planned for 2009/10.
- **Double-digit growth in e-commerce,** albeit from a small base.
- **Tested sales and service programme (the Burberry Experience**) from October 2008 in over 30 stores; roll out to all stores from May 2009.

Investing in under-penetrated markets

- **A 50% increase in revenue from Emerging Markets**, which include China, the Middle East, Eastern Europe, Russia and India. Emerging Markets now contribute 9% of sales (up from 6% in 2007/08).
- **Good progress made by Burberry Middle East joint venture** formed in September 2008. Four stores were opened in the second half and the regional organisation was further strengthened.
- **Continuing investment in the Americas**. Having opened a net 10 stores in 2008/09 and further professionalised the wholesale organisation, Burberry gained share in this market. In 2009/10, about five additional stores are planned.

Pursuing operational excellence

- **SAP now live in 15 countries**. With the recent retail and distribution implementations in Hong Kong and the United States, about 75% of retail/wholesale revenue is now processed through SAP. Over 80% of mainline stores are now also on SAP, giving greater visibility from design through to the consumer.
- **Further cost efficiencies from supply chain and logistics**, including savings in raw materials, trims and labour costs, as well as strategic sourcing of large volume projects.
- **Early improvement in inventory management process,** including replenishment, facilitated by the IT investment and new global planning function.

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

There are two main parts to this programme:

- **Accelerating the benefits from investments made in supply chain, IT and infrastructure** to deliver some £15-20m of annual savings:
  - With about half from supply chain: changing the default for shipping from air to sea where appropriate; consolidating distribution centres; and improving sourcing by further rationalisation of the supplier base.
  - The balance of savings will come from corporate processes, such as changing the Prorsum business model; implementing an integrated design process; and rolling out the partnership buy model where the regions work early on in conjunction with the product divisions to develop a more targeted assortment, reducing style and option counts.

- **Cost reduction initiatives** to deliver some £30-35m of annual savings**,** having:
  - Restructured the Spanish operations, by modernising the supply chain, closing the underperforming Thomas Burberry brand after Spring/Summer 2009 and streamlining operations to reflect the lower level of sales in this market.
  - Rationalised internal manufacturing facilities.
  - Closed one European showroom.
  - Reduced corporate headcount.
  - Controlling expenses, including a headcount freeze and a focus on all areas of discretionary spend.

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

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

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

Capital expenditure for 2009/10 is now forecast to be around £60m (excluding Japan), as Burberry takes advantage of better real estate terms from developers around the world.

Revenue analysis

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

Revenue by channel of distribution

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

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

Retail

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

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

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

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

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

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

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

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

In partnership with local franchisees, Burberry opened a net 8 stores during the year, in markets such as India, China (including a flagship store in Jinbao Place in Beijing) and Turkey (including a trial childrenswear store). At 31 March 2009, there were 81 franchise stores around the world, with mid single-digit comparable store sales growth. Saudi Arabia and China were particularly strong. In line with global trends, trading in all Emerging Markets became more challenging during the second half. About 15 franchise store openings are planned for 2009/10.

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

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

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

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

Revenue by region

Revenue by origin of business

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

* Excluding Spain, including Burberry Middle East

Retail/wholesale revenue by destination

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

* Excluding Spain
# Including Burberry Middle East

Comments in this announcement refer to revenue by destination which better reflects the regional demand for Burberry products.

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

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

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

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

Retail sales accounted for just over 40% of Spain's revenue, with the majority coming from over 100 women's, non-apparel and childrenswear concessions. Comparable store sales were down double-digit throughout the year. Underlying wholesale revenue declined 30% year-on-year, as the number of domestic independent retail customers declined by more than 10% for Spring/Summer 2009 - a more rapid contraction than in past seasons.

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

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

Retail contributed about three-quarters of Americas revenue. Comparable store sales were up double-digit in the first half but reversed in the second half, reflecting the slowdown in the economy from Autumn 2008. A net 10 stores were opened and several were renovated in key markets such as the West Coast (Beverly Hills and Costa Mesa).

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

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

Asia Pacific

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

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

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

Retail/wholesale revenue by product category

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

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

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

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

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

Operating profit analysis

Total operating profit

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

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

Retail/wholesale adjusted operating profit

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

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

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

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

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

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

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

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

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

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

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

Licensing operating profit

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

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

Other items

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

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

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

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

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

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

Cash flow and net debt
Net cash at 31 March 2009 was £7.6m, compared to net debt of £114.3m at 30 September 2008 and net debt of £64.2m at 31 March 2008, benefiting mainly from management's intense focus on reducing inventory. At 31 March 2009, inventory was £263m, compared to £331m at 30 September 2008 and £269m at 31 March 2008. This is a year-on-year reduction of 19% (or £50m) at constant exchange rates, even after 14% space growth.

Major outflows were capital expenditure of £90m (2008: £49m), including £23m on Horseferry House in 2008/09. Tax paid at £26m was lower (2008: £53m) and dividends were slightly higher (£52m compared to £47m in 2008). There was no share buyback during the year (2008: £40m). For the year to March 2010, capital expenditure, excluding Japan, is now planned at about £60m, in line with Burberry's normalised spend.

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

Store portfolio

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

Store portfolio by region

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

* Six stores operated by Burberry Middle East at 1 October 2008, which have been reclassified as mainline stores
# Excluding Spain
Sales to franchise stores reported in wholesale revenue

Net retail selling square footage

	000s square feet
At 31 March 2007	650
At 31 March 2008	740
At 30 September 2008	780
At 31 March 2009*	845

* Including Burberry Middle East
Retail selling square footage at period end; not the average for the period

Group income statement

	Note	Year to 31 March 2009 £m	Year to 31 March 2008 £m
Revenue	2	1,201.5	995.4
Cost of sales		(535.7)	(377.7)
Gross profit		665.8	617.7
Net operating expenses	3	(675.7)	(416.0)
Operating (loss)/profit		(9.9)	201.7
Financing			
Interest receivable and similar income	5	7.2	5.7
Interest payable and similar charges	5	(13.4)	(11.7)
Net finance charge	5	(6.2)	(6.0)
(Loss)/profit before taxation	4	(16.1)	195.7
Taxation	6	11.0	(60.5)
(Loss)/profit for the year	2	(5.1)	135.2
Attributable to:			
Equity holders of the company		(6.0)	135.2
Minority interest		0.9	–
(Loss)/profit for the year		(5.1)	135.2

(Loss)/earnings per share			
– basic	7	(1.4p)	31.3p
– diluted	7	(1.4p)	30.5p

Non-GAAP measures		£m	£m
Operating (loss)/profit		(9.9)	201.7
Restructuring costs	3	54.9	–
Goodwill impairment charge	3	116.2	–
Store impairments and onerous lease provisions	3	13.4	–
Negative goodwill	3	(1.7)	–
Relocation of headquarters	3	7.9	(15.1)
Project Atlas	3	–	19.6
Adjusted operating profit		180.8	206.2
Additional tax related Non-GAAP measures are disclosed in note 6.			
Adjusted earnings per share			
– basic	7	30.6p	32.4p
– diluted	7	30.2p	31.6p

Dividends per share			
– interim	8	3.35p	3.35p
– proposed final (not recognised as a liability at 31 March)	8	8.65p	8.65p

Group statement of recognised income and expense

	Note	Year to 31 March 2009 £m	Year to 31 March 2008 £m
Cash flow hedges – losses deferred in equity	17	(27.4)	(8.9)
Foreign currency translation differences	17	116.8	41.0
Restriction of asset on defined benefit pension scheme	17	–	(0.7)
Tax on items taken directly to equity	17	3.5	5.6
Net income recognised directly in equity		92.9	37.0
Cash flow hedges – gains/(losses) transferred to the income statement	17	16.7	(2.2)
Tax on items transferred from equity to the income statement	17	(4.7)	0.9
Net income recognised directly in equity net of transfers		104.9	35.7
(Loss)/profit for the year		(5.1)	135.2
Total recognised income for the year		99.8	170.9
Attributable to:			
Equity holders of the company	17	98.8	170.9
Minority interest	17	1.0	-
Total recognised income for the year		99.8	170.9

Group balance sheet

	Note	As at 31 March 2009 £m	As at 31 March 2008 £m
ASSETS			
Non-current assets			
Intangible assets	9	57.5	150.4
Property, plant and equipment	10	258.6	177.5
Deferred tax assets		57.7	29.5
Trade and other receivables	11	9.5	7.4
		383.3	364.8
Current assets			
Inventories	12	262.6	268.6
Trade and other receivables	11	187.2	169.2
Derivative financial assets		23.2	11.0
Income tax receivables		17.1	12.0
Cash and cash equivalents	13	252.3	127.6
		742.4	588.4
Total assets		1,125.7	953.2
LIABILITIES			
Non-current liabilities			
Trade and other payables	14	(23.8)	(13.3)
Deferred tax liabilities		(2.3)	(4.3)
Derivative financial liabilities		(0.4)	-
Retirement benefit obligations		(0.6)	(0.4)
Provisions for other liabilities and charges	15	(7.9)	(3.7)
		(35.0)	(21.7)
Current liabilities			
Bank overdrafts and borrowings	16	(244.7)	(191.8)
Derivative financial liabilities		(57.1)	(18.2)
Trade and other payables	14	(162.4)	(174.3)
Provisions for other liabilities and charges	15	(33.5)	-
Income tax liabilities		(49.1)	(51.9)
		(546.8)	(436.2)
Total liabilities		(581.8)	(457.9)
Net assets		543.9	495.3
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Ordinary share capital	17	0.2	0.2
Share premium account	17	175.9	174.3
Capital reserve	17	27.2	26.6
Hedging reserve	17	(13.4)	(5.8)
Foreign currency translation reserve	17	150.2	37.8
Retained earnings	17	199.2	262.2
		539.3	495.3
Minority interests in equity	17	4.6	-
Total equity		543.9	495.3

Group cash flow statement

	Note	Year to 31 March 2009 £m	Year to 31 March 2008 £m
Cash flows from operating activities			
Operating (loss)/profit		(9.9)	201.7
Depreciation		44.8	28.9
Amortisation		4.8	3.8
Net impairment charges/(releases)		126.8	(0.5)
Negative goodwill		(1.7)	-
Loss/(profit) on disposal of property, plant and equipment		2.0	(19.1)
Fair value losses/(gains) on derivative instruments		10.7	(0.5)
Charges in respect of employee share incentive schemes		4.5	14.3
Decrease/(increase) in inventories		55.7	(122.6)
Decrease/(Increase) in receivables		2.1	(29.1)
Increase in payables		2.2	28.8
Cash generated from operations		242.0	105.7
Interest received		7.7	4.8
Interest paid		(13.6)	(11.8)
Taxation paid		(26.3)	(53.3)
Net cash inflow from operating activities		209.8	45.4
Cash flows from investing activities			
Purchase of tangible and intangible fixed assets		(89.9)	(48.5)
Proceeds from sale of property, plant and equipment		0.1	28.3
Payment of deferred consideration		–	(10.0)
Acquisition of subsidiaries, net of cash acquired	20	(0.3)	–
Net cash outflow from investing activities		(90.1)	(30.2)
Cash flows from financing activities			
Dividends paid in the year	8	(51.7)	(47.4)
Issue of ordinary share capital		–	0.5
Purchase of shares through share buy back	17	–	(39.6)
Sale of own shares by ESOPs	17	0.2	4.4
Purchase of own shares by ESOPs	17	(5.4)	(1.5)
Repayments of borrowings		(109.0)	–
Proceeds from borrowings		35.5	49.0
Derivatives matured during the year and remaining in equity		5.7	–
Net cash outflow from financing activities		(124.7)	(34.6)
Net decrease in cash and cash equivalents		(5.0)	(19.4)
Effect of exchange rate changes		13.2	7.0
Cash and cash equivalents at beginning of period		44.8	57.2
Cash and cash equivalents at end of period		53.0	44.8

Analysis of cash and cash equivalents

	Note	As at 31 March 2009 £m	As at 31 March 2008 £m
Cash and cash equivalents as per the balance sheet	13	252.3	127.6
Bank overdrafts	16	(199.3)	(82.8)
Cash and cash equivalents per the cash flow statement		53.0	44.8
Bank borrowings at date of drawdown		(35.5)	(109.0)
Effect of exchange rate changes on foreign currency borrowings		(9.9)	–
Bank borrowings	16	(45.4)	(109.0)
Net cash/(debt)		7.6	(64.2)

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

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 2008 have been filed with the Registrar of Companies, and those for 2009 will be delivered in due course. The reports of the auditors on the statutory accounts for the year ended 31 March 2008 and 31 March 2009 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 2007/08.

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. EMEA (Europe, Middle East and Africa) comprises operations principally in the UK and also in France, Germany, Italy, Switzerland, Austria, Belgium, Czech Republic, Ireland, Hungary, the Netherlands and Middle East. The Americas comprises operations in the USA, Canada and other parts of the region. Asia Pacific comprises operations in Australia, Hong Kong, Japan, Korea, Malaysia, Singapore, Guam and Taiwan. This segmentation follows management organisation and reporting lines.

Revenue and profit before taxation – by origin of business

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

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

Secondary segment – analysis by class of business

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

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

2. Segmental analysis (continued)

Additional information

Analysis of revenue is shown below as additional information:

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

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

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

3. Net operating expenses

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

Non-GAAP measures

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

The Group has impaired the entire goodwill relating to the Spanish business. This has resulted in an impairment charge of £116.2m in the year to 31 March 2009 (see note 9).

The Group has impaired certain retail stores in the US and Europe. This has resulted in an impairment charge of £10.6m in the year to 31 March 2009 (see note 10) and an increase in the provision for onerous leases of £2.8m (see note 15).

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

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

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

4. (Loss)/profit before taxation

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

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

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

5. Net finance charge

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

6. Taxation

Analysis of charge for the year recognised in the Income Statement

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

6. Taxation (continued)

Analysis of charge for the year recognised in equity

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

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

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

Total taxation recognised in the Income Statement arises on:

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

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

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 and the underlying effective tax rate are also disclosed to indicate the underlying profitability of Burberry Group.

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

[1]Refer to group income statement for Non-GAAP measures

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

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

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

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

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

[1]Refer to group income statement for Non-GAAP measures

8. Dividends

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

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

9. Intangible assets

Cost	Goodwill £m	Trademarks, trading licences and other £m	Computer software £m	Total £m
As at 1 April 2007	116.9	12.4	13.8	143.1
Effect of foreign exchange rate changes	13.2	2.0	0.6	15.8
Additions	–	1.3	4.4	5.7
As at 31 March 2008	130.1	15.7	18.8	164.6
Effect of foreign exchange rate changes	17.9	2.3	0.8	21.0
Additions	1.3	0.1	7.2	8.6
Impairment charge	(116.2)	–	–	(116.2)
As at 31 March 2009	33.1	18.1	26.8	78.0
Accumulated amortisation				
As at 1 April 2007	–	4.1	5.4	9.5
Effect of foreign exchange rate changes	–	0.7	0.2	0.9
Charge for the year	–	1.0	2.8	3.8
As at 31 March 2008	–	5.8	8.4	14.2
Effect of foreign exchange rate changes	–	0.9	0.6	1.5
Charge for the year(1)	–	1.3	3.5	4.8
As at 31 March 2009	–	8.0	12.5	20.5
Net book value				
As at 31 March 2009	33.1	10.1	14.3	57.5
As at 31 March 2008	130.1	9.9	10.4	150.4

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

Impairment testing of goodwill

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

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

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

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

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

10. Property, plant and equipment

Cost	Freehold land and buildings £m	Leasehold improvements £m	Fixtures, fittings and equipment £m	Assets in the course of construction £m	Total £m
As at 1 April 2007	80.5	74.1	118.7	5.3	278.6
Effect of foreign exchange rate changes	5.1	1.5	9.6	0.3	16.5
Additions	–	13.9	24.4	6.2	44.5
Disposals	(8.7)	(0.3)	(7.5)	–	(16.5)
Reclassifications	–	1.5	1.8	(3.3)	–
As at 31 March 2008	76.9	90.7	147.0	8.5	323.1
Effect of foreign exchange rate changes	20.1	31.1	26.5	3.0	80.7
Additions	0.1	38.0	38.5	11.5	88.1
Disposals	–	(3.2)	(7.7)	(0.1)	(11.0)
Reclassifications	–	3.6	0.1	(3.7)	–
Acquisition of subsidiary (note 20)	–	0.7	–	0.9	1.6
As at 31 March 2009	97.1	160.9	204.4	20.1	482.5

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

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

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

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

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

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

11. Trade and other receivables

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

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

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

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

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

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

Movement on the provision for doubtful debts is as follows:

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

11. Trade and other receivables (continued)

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

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

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

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

12. Inventories

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

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

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

13. Cash and cash equivalents

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

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

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

Notes to the financial information

14. Trade and other payables

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

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

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

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

15. Provisions for other liabilities and charges

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

(1) Refer note 3.

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

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

16. Bank overdrafts and borrowings

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

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

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

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

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

17. Share capital and reserve

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

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

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

17. Share capital and reserves (continued)

Statement of changes in shareholders' equity

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

17. Share capital and reserves (continued)

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

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

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

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

18. Capital commitments

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

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

19. Contingent liabilities

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

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

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

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

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

20. Business combinations

On 30 September 2008 the Group formed Burberry Middle East LLC, a company registered in the United Arab Emirates, with its longstanding franchisee in the Middle East, The Jashanmal Group. Burberry Middle East will manage all Burberry retail and wholesale distribution within the United Arab Emirates markets of Dubai and Abu Dhabi, as well as Qatar, Oman and Kuwait.

Burberry has a 49% interest in the issued share capital of the company and a 59% interest in profits generated by this business. Burberry has the power to appoint the majority of the directors. Burberry Middle East LLC has been consolidated as a subsidiary as at 31 March 2009. The minority interest in the consolidated net assets of this company has been identified as a separate component of equity. This business contributed revenues of £11.7m and profit of £3.2m to the Group for the period from acquisition to 31 March 2009.

On 30 August 2008, the Group also terminated its franchisee agreement in Guam, an island in the Western Pacific Ocean, and incorporated a new company Burberry Guam Inc which acquired the Burberry retailing business from the terminated franchisee in Guam. This business contributed revenues of £0.7m and profit of £0.1m to the Group for the period from acquisition to 31 March 2009.

If both the business combinations had occurred on 1 April 2008, these acquisitions would have contributed £22.2m to revenue and £4.6m to operating profit for the full year to 31 March 2009.

In November 2008, Burberry entered into an arrangement with its longstanding licensing partners, Sanyo Shokai and Mitsui & Co., in Japan. This venture, Burberry International KK, is owned 51% by Burberry and will develop the retail distribution of Burberry's international non-apparel products in Japan, the largest luxury accessories market in the world. At 31 March 2009, the shareholders had contributed capital of £3.0m. The venture plans to be operational in 2009/10.

20. Business combinations (continued)

Details of the net assets acquired and goodwill are as follows:

	£m
Cash paid	2.9
Direct costs relating to the acquisitions	0.4
Total purchase consideration	3.3
Fair value of net identifiable assets acquired	(3.7)
Goodwill	(0.4)
Goodwill is represented by:	
– Negative goodwill	(1.7)
– Positive goodwill	1.3

The negative goodwill of £1.7m arising on the Burberry Middle East LLC combination has been recognised within Non-GAAP measures for the period and is attributable to the excess of the net assets acquired over the cost of the acquisition. Positive goodwill of £1.3m arose on Burberry Guam Inc combination and is included in intangible assets. This is attributable to the acquisition of the distribution rights and the benefits expected from further expansion in this region.

The assets and liabilities arising from the acquisitions are as follows:

	Acquiree's carrying amount £m	Fair value £m
Cash and cash equivalents	3.0	3.0
Inventories	4.6	4.6
Property, plant and equipment	1.6	1.5
Receivables	1.0	1.1
Payables	(2.9)	(2.9)
Net identifiable assets	7.3	7.3
Minority interest (note 17)		(3.6)
Net identifiable assets acquired		3.7

Outflow of cash to acquire businesses, net of cash acquired:

	£m
Cash consideration	2.9
Direct costs relating to acquisitions	0.4
Cash and cash equivalents in subsidiaries acquired	(3.0)
Cash outflow on acquisitions	0.3

21. Related party transactions

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

	Year to 31 March 2009 £m	Year to 31 March 2008 £m
Salaries and short term benefits	4.7	8.4
Post-employment benefits	0.4	0.4
Share based compensation	1.8	4.5
Total	6.9	13.3

In addition, aggregate gains on the exercise of options in the year to 31 March 2009 were £1.5m (2008: £4.4m).

22. Foreign currency translation

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

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

The principal exchange rates used were as follows:

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

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

23. Non-GAAP measures

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