23 May 2012

Burberry Group plc

Preliminary results
for the year ended 31 March 2012

Highlights

- **Strong financial results**
  - Revenue up 24% to £1,857m
  - Retail/wholesale operating margin 16.4%, up 80bp (H2: up 130bp)
  - Adjusted PBT up 26% to £376m; reported PBT up 24% to £366m
  - Full year dividend up 25% to 25.0p
  - Net cash increased to £338m after £177m investment spend

- **Strong, balanced foundation supported growth in FY 2011/12**
  - By channel
    - Retail revenue up 31% underlying; 68% of revenue (H2: 72%)
    - Opened 23 mainline stores
    - First flagships in Hong Kong, Paris and Taipei
  - By region
    - All regions up double-digit
    - Asia Pacific largest region at 37% of retail/wholesale revenue
    - Flagship markets in UK and France performed well
  - By product division
    - All product divisions up double-digit
    - Non-apparel largest division at 39% of retail/wholesale revenue
    - Core outerwear and large leather goods about half of revenue
    - Replenishment about 50% of mainline revenue

- **Investing in front-end growth opportunities in FY 2012/13**
  - Capital expenditure planned at £180-200m
  - Retail
    - 12-14% space growth
    - Biased to larger format stores in flagship markets, including London, Chicago and Hong Kong
  - Technology
    - Customer insight and service
    - Innovation in digital marketing and retail
  - Further modest improvement in full year retail/wholesale operating margin planned, delivered in H2

Angela Ahrendts, Chief Executive Officer, commented:

“Burberry has completed another successful year, with revenue up 24% and adjusted profit before tax up 26%. An intense focus by our global teams on business, brand and culture in recent years has resulted in a strong foundation across channels, regions and products. While we remain vigilant about the external environment, we will continue to invest in front-end opportunities within our brand, digital and retail strategies, to drive sustained, profitable growth and enduring customer engagement over the long term.”

All metrics and commentary in the Group Financial Highlights and Business and Financial Review except reported EPS exclude the results of the discontinued Spanish operations.

Adjusted measures exclude:

1. Restructuring costs of nil in 2012 (2011: £1.0m credit relating to the Group's cost efficiency programme announced in January 2009).
2. The put option liability finance charge relating to the third party 15% economic interest in the Chinese business in 2012 of £10.2m (2011: £3.2m).
3. Losses from discontinued Spanish operations in 2012 of £0.3m (2011: £6.2m).

Underlying change is calculated at constant exchange rates.

Certain financial data within this announcement have been rounded.

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There will be a presentation today at 9.30am (UK time) to investors and analysts at Horseferry House, Horseferry Road, London, SW1P 2AW. 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 3140 8286. The supporting slides and an indexed replay will also be available on the website later in the day.

Burberry will update on trading on 11 July 2012 when it will issue its Interim Management Statement in respect of the First Quarter. The AGM will be held on 12 July 2012.

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. Burberry Group plc undertakes no obligation to update these forward-looking statements, and will not publicly release any revisions it may make to these forward-looking statements that may result from events or circumstances arising after the date of this document. All persons, wherever located, should consult any additional disclosures that Burberry Group plc may make in any regulatory announcements or documents which it publishes. All persons, wherever located, should take note of these disclosures. This announcement does not constitute an invitation to underwrite, subscribe for or otherwise acquire or dispose of any Burberry Group plc shares, in the UK, or in the US, or under the US Securities Act 1933 or in any other jurisdiction.

GROUP FINANCIAL HIGHLIGHTS

Total revenue up 24% to £1,857m (2011: £1,501m)

Retail/wholesale revenue up 25% and adjusted operating profit up 31%; operating margin of 16.4% (2011: 15.6%)

Adjusted profit before tax up 26% to £376m (2011: £298m); reported profit before tax up 24% to £366m (2011: £296m)

Tax rate on adjusted profit before tax of 26.7% (2011: 27.9%)

Adjusted diluted earnings per share up 26% to 61.6p (2011: 48.9p); reported diluted earnings per share up 26% to 59.3p (2011: 46.9p)

Full year dividend per share up 25% to 25.0p (2011: 20.0p), consistent with policy of 40% dividend payout based on adjusted EPS

Year-end net cash of £338m (2011: £298m), after £153m capital expenditure, £24m acquisition spend and £61m ESOP share purchase

£ million	Year to 31 March 2012	2011	*% change reported FX*	*underlying*
Revenue	1,857.2	1,501.3	*24*	*23*
Cost of sales	(558.3)	(491.6)	*(14)*	
Gross margin	1,298.9	1,009.7	*29*	
Operating expenses*	(922.0)	(708.6)	*(30)*	
Adjusted operating profit	**376.9**	**301.1**	***25***	***23***
Net finance charge*	(0.7)	(3.2)	-	
Adjusted profit before taxation	**376.2**	**297.9**	***26***	***24***
Exceptional items	(10.2)	(2.2)		
Profit before taxation	**366.0**	**295.7**	***24***	
Taxation	(100.6)	(83.2)		
Discontinued operations#	(0.3)	(6.2)		
Non-controlling interest	(1.8)	2.1		
Attributable profit	263.3	208.4		
Adjusted EPS (pence)~	**61.6**	**48.9**		
EPS (pence)~	59.3	46.9		
Weighted average number of ordinary shares (millions)~	444.3	444.0		

Adjusted measures exclude restructuring costs, the China put option liability finance charge and discontinued operations

* Operating expenses in the table above exclude restructuring costs of nil in 2012 (2011: £1.0m credit) included in the reported expenses of £922.0m (2011: £707.6m). The net finance charge in the table above excludes a £10.2m China put option liability finance charge (2011: £3.2m) included in the reported finance charge of £10.9m (2011: £6.4m)

Discontinued operations in Spain in 2012 delivered a loss of £0.3m (2011: £6.2m)

~ EPS is calculated on a diluted basis

BUSINESS AND FINANCIAL REVIEW

In FY 2011/12, Burberry delivered revenue up 24% and adjusted profit before tax up 26%, balanced by channel, region and product division.

The strong foundation that Burberry has built in recent years will enable sustained, profitable growth over the long term, as much of the investment shifts to drive the front end of the business, especially in flagship markets, digital innovation and customer insight.

Looking forward to FY 2012/13, while vigilant about the external environment, Burberry plans to continue to invest to drive growth. While the phasing of revenue and investment is expected to lead to retail/wholesale operating margin being lower in the six months to September 2012 than in the same period last year, Burberry expects to deliver a further modest improvement in the retail/wholesale operating margin in the full year.

Leverage the franchise

- **Burberry continued to extend its reach and impact through innovative marketing,** leveraging its brand content to engage and connect with consumers globally**.** On Burberry World (burberry.com), traffic and revenue were up double-digit. Burberry continued to advance its leading position on social media in the luxury sector, doubling the number of Facebook fans to 12 million at the year end, extending its presence on key Chinese social media platforms and launching new initiatives like Tweetwalk. With a focus on flagships markets, Burberry increased investment in outdoor advertising at key transport hubs and iconic urban locations.

- **Outerwear remained a primary growth driver in both retail and wholesale,** driven by product innovation, core replenishment and digital marketing. Art of the Trench, Burberry's social media platform, the runway shows and Burberry Bespoke all featured or led with outerwear, keeping it top of mind with consumers.

- **Menswear is a significant growth opportunity for Burberry, given its heritage.** New initiatives such as tailoring, range intensification, retail merchandising, specialised service modules and increased mens only marketing all contributed to the performance. Menswear grew by 26% underlying and represented 24% of retail/wholesale revenue.

Intensify non-apparel

- **Non-apparel grew by 22%** underlying to remain Burberry's largest product division at 39% of retail/wholesale revenue. Replenishment ended the year at around 60% of mainline non-apparel sales.

- **Large leather goods remained around half of mainline non-apparel sales**, helped by innovation in design, materials and shapes.

- **Burberry continued to unlock the potential of global product licences.** The launch of the Burberry Body fragrance was supported by a synchronised global marketing campaign across all platforms and regions.

- **Men's non-apparel sales increased by over 50%** in mainline retail, with growth broadly spread across large leather goods, small leather goods and soft accessories. Men's non-apparel already accounts for around 25% of total non-apparel sales ordered through burberry.com – a higher proportion than in-store.

Accelerate retail-led growth

- **With 31% underlying growth, retail accounted for 68% of revenue in the full year (72% in the second half).** Investment was increasingly concentrated in the flagship markets, which benefit from a high net worth local population and the travelling luxury consumer. Together, these flagship markets accounted for approaching 60% of mainline revenue.

- **Burberry continued to evolve its store portfolio,** opening 23 mainline stores and 25 concessions during the year, while closing 10 and 16 respectively. The openings included the first larger format stores in Hong Kong, Paris and Taipei to better showcase the brand, product and digital innovation.

  About a net 15 mainline stores are planned to open in FY 2012/13, biased towards larger format stores. These include the new, relocated store in Regent Street, London, the rebuilt store in Chicago and Pacific Place in Hong Kong. Capital expenditure for FY 2012/13 is planned at £180-200m (2012: £153m).

- **Burberry increased retail productivity, with comparable store sales growth of 14%.** Better assortment planning, strong execution of monthly floorsets synchronised across all channels, improved replenishment processes and further investment in global customer service all contributed.

Invest in under-penetrated markets

- **Burberry completed the integration of its Chinese operations**, following the acquisition in September 2010. Continued progress was made in developing the capabilities of the central team, enhancing merchandising, marketing (including social media) and store service levels, while implementing SAP and evolving the store portfolio.

  Comparable store sales growth for the year was well over 20%, with the fourth quarter lower as the business started to anniversary the benefits of the new practices implemented post acquisition. At the year end, Burberry had 63 stores in mainland China, accounting for about 12% of group retail/wholesale revenue.

- **Burberry continues to invest in high growth luxury markets,** with three directly-operated stores in Brazil, two in Mexico and seven in India. These markets are still in investment phase. Between five to ten new stores are planned for Central and Latin America in FY 2012/13, with further strengthening of the brand presence and operational capabilities.

- **Americas wholesale is currently 8% of group retail/wholesale revenue.** With strong brand momentum, Burberry is in investment phase, opening more brand-enhancing, dedicated shop-in-shops in key US department stores.

Pursue operational excellence

- **With the global implementation of the SAP platform nearly completed,** Burberry is leveraging its technology investment to drive productivity and efficiency through improved reporting, assortment planning, procurement and replenishment processes, aided by further investment in functional modules. Burberry is also building a customer insight platform.

- **Burberry has further invested in its manufacturing and logistics capabilities**. For example, a new European distribution hub was opened in Italy to improve speed of delivery and energy efficiency, while reducing cost per unit.

- **Working with key technology partners, Burberry continues to invest in a social enterprise platform** to enable it to connect better all the constituencies around the brand.

Revenue analysis

Revenue by channel

£ million	Year to 31 March 2012	2011	% growth reported FX	underlying
Retail	1,270.3	962.3	*32*	*31*
Wholesale	478.3	440.6	*9*	*8*
Licensing	108.6	98.4	*10*	*5*
Revenue – continuing operations	**1,857.2**	**1,501.3**	***24***	***23***
Discontinued Spanish operations	-	49.3		
	1,857.2	1,550.6		

Revenue from continuing operations was £1,857m, an increase of 23% on an underlying basis.

Retail

68% of revenue (2011: 64%); generated from 192 mainline stores, 208 concessions within department stores, digital commerce and 44 outlets

- Retail sales increased by 31% on an underlying basis (32% at reported FX)
- Comparable store sales growth was 14% (H1: 16%; H2 12%)
- The acquired stores in China contributed 6% of the 31% underlying growth, up to the anniversary of their acquisition from 1 September 2010
- The balance of growth (11%) came from new space
- Average retail selling space increased by 14%, with the acquired Chinese stores contributing an additional 5% space

In mainline stores in the year, growth was balanced, with double-digit increases in all regions and product divisions, underpinned by core outerwear and large leather goods, which accounted for about half of sales. The penetration of replenishment styles remained at about 50% of mainline revenue. New merchandising strategies gained traction, including knitwear and men’s tailoring (doubling in the year from a small base).

Burberry London and Prorsum accounted for around 45% of mainline apparel revenue (2011: 40%). Average selling prices continued to increase due to product mix, pricing increases and better full price sell-through. Digital commerce sales, including via iPads in store, continued to outperform.

There was double-digit growth in mainline comparable store sales in all four regions.

Asia Pacific

Retail accounted for about 85% of Asia Pacific revenue, including a full year's contribution from the Chinese stores acquired in September 2010.

There was double-digit comparable store sales growth in China, Hong Kong, Singapore and Taiwan, while the Korean market was soft. Burberry's small retail operations in Japan selling the global non-apparel collection made solid progress.

Europe

Retail accounted for about two-thirds of Europe revenue. There was double-digit mainline comparable stores sales growth in the UK, France and Germany, especially in flagship markets. Southern Europe, especially Italy, remained weak.

Americas

Retail accounted for about two-thirds of Americas revenue, with double-digit comparable store sales growth in the year. Space was added mainly in Brazil and Mexico, while continuing to rationalise and upgrade US outlets.

Rest of World

Retail accounted for just over half of revenue for Rest of World. The largest contributor was Burberry Middle East with 17 stores in the United Arab Emirates, Kuwait and Qatar. These delivered double-digit comparable store sales growth during the year, with some slowdown in the fourth quarter. Five franchise stores in Saudi Arabia were transferred into a subsidiary in which Burberry has a 60% stake. The business in India, which has seven stores, continued to perform strongly.

Wholesale

26% of revenue (2011: 29%); generated from sales to department stores, multi-brand specialty accounts, Emerging Market franchisees and Travel Retail

- Wholesale revenue increased by 8% underlying (9% at reported FX)
- Excluding China, underlying growth was 14% (H1: 20%; H2: 7%)
- Outerwear and consistent execution of monthly floorsets drove growth

Wholesale revenue growth was affected by the conversion from wholesale to retail of the China operations, the five Saudi Arabia stores and Spanish menswear; as well as the acceleration of the planned rationalisation of the brand's distribution in the United States and Europe, especially in the second half of the year. Adjusting for all these factors, underlying growth for the year would have been over 20% rather than 8%.

Asia Pacific

The majority of wholesale revenue in Asia Pacific is Travel Retail which had another year of good growth, partly reflecting increased tourism within flagship markets in the region.

Europe

Europe remains Burberry's largest wholesale region, accounting for about 40% of group wholesale revenue. Outperformance with key department store and other partners has more than compensated for the continued rationalisation of small, non brand-enhancing specialty accounts.

Americas

Wholesale growth in the Americas exceeded 20% in the year, excluding the impact of the accelerated rationalisation of the brand's distribution. With the move from generic outerwear departments near completion, upgrading real estate within the key department stores to support the brand's segmentation is a core strategy. Around 30 dedicated shop-in-shops were opened, bringing the total to over 80.

Rest of World

Wholesale revenue in Rest of World, which is mainly to franchise partners, saw strong growth, especially in the two largest markets of Turkey and Russia.

At the year end, Burberry had 57 franchise stores, up by a net one during the year. Five stores in Saudi Arabia were transferred to retail, with franchise stores opened in markets as diverse as Thailand, South Africa and Croatia.

Licensing

6% of revenue (2011: 7%); of which approximately two-thirds from Japan (split roughly three-quarters apparel and one-quarter from various short-term, mainly non-apparel, licences), with the balance from global product licences (fragrance, eyewear and timepieces) and European wholesale childrenswear

- Licensing revenue in the year increased by 5% on an underlying basis (up 10% at reported FX)
- Consistent with full year guidance

At constant exchange rates, royalty income from Japan was broadly unchanged from last year. Income from the apparel licence increased in line with the 2009 renegotiation. This enabled further non-renewals of short-term non-apparel licences, reducing profit by about £7m.

Burberry continued to unlock the potential of its global licence products, with 20% growth in royalty income. This was led by Burberry Body - Burberry's most successful fragrance launch to date. The innovative global digital and outdoor advertising campaign that supported the fragrance gave the brand unprecedented visibility across all its major markets. Further progress was also made on aligning the product and distribution of eyewear and watches more closely with Burberry's luxury positioning.

Discussions continue between Burberry and Interparfums regarding the potential establishment of a new operating model for the Burberry fragrance and beauty business.

Operating profit analysis

Adjusted operating profit

	Year to 31 March		*% growth*	
£ million	2012	2011	*reported FX*	*underlying*
Retail/wholesale	286.9	219.5	*31*	*31*
Licensing	90.0	81.6	*10*	*4*
Adjusted operating profit	**376.9**	**301.1**	***25***	***23***
Adjusted operating margin	*20.3%*	*20.1%*		

Adjusted operating profit increased by 25% to £376.9m, including a £5.4m translation benefit from exchange rates.

Retail/wholesale adjusted operating profit

£ million	Year to 31 March 2012	2011	% change reported FX
Revenue	1,748.6	1,402.9	*25*
Cost of sales	(558.3)	(491.6)	*(14)*
Gross margin	1,190.3	911.3	*31*
Gross margin	*68.1%*	*64.9%*	
Operating expenses	(903.4)	(691.8)	*(31)*
Adjusted operating profit	**286.9**	**219.5**	***31***
Operating expenses as % of sales	*51.7%*	*49.3%*	
Adjusted operating margin	*16.4%*	*15.6%*	

Retail/wholesale adjusted operating profit grew by 31% to £286.9m. Burberry, as guided, dynamically managed gross margin and operating expenses to enable further investment in the business while modestly improving the operating margin – up 80 basis points to 16.4%. The improvement in the operating margin was second half weighted (H1: up 10bp; H2 up 130bp) reflecting the phasing of investment and costs and the higher absolute revenue base in the second half than the first half.

Gross margin for the year increased by 320 basis points to 68.1%. The key drivers were the conversion of China from wholesale to retail, its subsequent outperformance, benefits from pricing and sourcing and further channel and regional mix shifts.

Operating expenses as a percentage of revenue were 51.7%, reflecting the shift to retail. As well as general inflation, the increase in operating expenses is attributable to investment in three key areas:

- New space;
- New markets, especially China until the anniversary of the acquisition in September 2011, as well as Saudi Arabia, Central and Latin America and India; and
- Central functions to support the growth and momentum in the business. Investment was increased in areas such as marketing, client services, customer insight and IT.

Licensing operating profit

£ million	Year to 31 March 2012	2011	*Year to 31 March 2012 underlying*
Revenue	108.6	98.4	*103.2*
Cost of sales	-	-	-
Gross margin	108.6	98.4	*103.2*
Gross margin	*100%*	*100%*	
Operating expenses	(18.6)	(16.8)	*(18.7)*
Operating profit	**90.0**	**81.6**	***84.5***
Operating margin	*82.9%*	*82.9%*	

Licensing revenue increased by 5% on an underlying basis (up 10% at reported FX). With slightly higher operating expenses as Burberry strengthened its in-house team, operating margin was unchanged at 82.9%, giving operating profit of £90.0m, including a £5.5m FX benefit.

Exceptional items

£ million	Year to 31 March 2012	2011
Restructuring credit	-	1.0
China put option liability finance charge	(10.2)	(3.2)
	(10.2)	(2.2)

The restructuring credit of £1.0m in 2011 relates to the release of a provision held in respect of the cost efficiency programme announced in January 2009.

The China put option liability finance charge relates to the fair value movement on the put option liability over the non-controlling interest in the acquired Chinese business. In 2012, the charge was £10.2m (2011: £3.2m) which has been treated as an exceptional item.

Discontinued operations

£ million	Year to 31 March 2012	2011
Spain operating profit/(loss)	2.5	(2.1)
Restructuring costs	(2.8)	(4.1)
Loss for discontinued Spanish operations	(0.3)	(6.2)

In 2012, the £2.5m operating profit from the discontinued Spanish operations was offset by restructuring costs, including a further write-down of freehold assets held for sale.

Total restructuring cash spend was £8.6m.

Taxation

In FY 2011/12, Burberry had a tax charge of £101m (2011: £83m), giving a tax rate on adjusted profit of 26.7% (2011: 27.9%).

The tax rate on adjusted profit for FY 2012/13 is currently expected to be between 25-26%.

Net cashflow

Net cash at 31 March 2012 was £338m, up from £298m at 31 March 2011. The Group funded £153m of capital expenditure and £24m relating to the China and Saudi Arabia acquisitions. Other major outflows were tax (£108m), dividends (£99m) and the purchase of shares by the Employee Share Option Plan (ESOP) Trust to satisfy historic share scheme awards (£61m).

Capital expenditure at £153m (2011: £108m) was below guidance, reflecting the timing of payments especially on the larger projects. The spend was biased towards larger format new stores and refurbishments, which accounted for about 25% of the total in 2012, compared to around 10% for 2011.

Inventory at 31 March 2012 was £311m (2011: £248m), an increase of 25% year-on-year. Over half of the growth was to support new stores, with the balance largely reflecting increased replenishment and stock in transit due to shipping by sea.

2012/13 outlook

Retail
In the year to 31 March 2013, Burberry plans a 12-14% increase in average retail selling space, with a shift from smaller to larger format stores. Burberry expects to open about a net 15 mainline stores, biased towards Emerging Markets and flagship markets with high tourist inflows.

Wholesale
In the six months to 30 September 2012, Burberry projects underlying wholesale revenue to increase by a mid single-digit percentage, despite further rationalisation of the brand's distribution in both Europe and the United States. Double-digit percentage growth is again expected in key US department store doors, Emerging Markets franchise partners and Asia Travel Retail.

Licensing
In the year to 31 March 2013, Burberry expects licensing revenue at constant and reported exchange rates to be broadly unchanged year-on-year. The global product licences are again expected to deliver double-digit percentage underlying growth. This will be offset by the planned termination and downsizing of Japanese non-apparel licences.

Retail/wholesale operating margin
In FY 2012/13, Burberry plans to continue to invest in areas such as new stores, marketing and IT to drive growth. While the phasing of revenue and investment is expected to lead to retail/wholesale operating margin being lower in the six months to 30 September 2012 than in the same period last year, Burberry expects to deliver a further modest improvement in the retail/wholesale operating margin in the year to 31 March 2013.

Capital expenditure
For FY 2012/13, Burberry is planning capital expenditure of between £180-200m. This will be focused on retail expansion, with about one-third of the spend planned in larger format stores, including Regent Street, London, Chicago and Pacific Place, Hong Kong.

APPENDIX

Retail/wholesale revenue by destination

£ million	Year to 31 March 2012	2011	% growth reported FX	underlying
Asia Pacific	652.5	457.1	*43*	*41*
Europe	552.6	474.6	*16*	*15*
Americas	434.5	386.5	*12*	*15*
Rest of World	109.0	84.7	*29*	*31*
	1,748.6	1,402.9	*25*	*24*

Retail/wholesale revenue by product division

£ million	Year to 31 March 2012	2011	% growth reported FX	underlying
Non-apparel	689.4	563.3	*22*	*22*
Womenswear	582.5	456.6	*28*	*27*
Menswear	410.5	325.9	*26*	*26*
Childrenswear	65.7	55.5	*19*	*19*
Other	0.5	1.6	-	-
	1,748.6	1,402.9	*25*	*24*

Store portfolio

	Directly-operated stores				
	Mainline stores	Concessions	Outlets	Total	*Franchise stores*
At 31 March 2011	174	199	44	417	*56*
Additions	23	25	7	55	*9*
Closures	(10)	(16)	(7)	(33)	*(3)*
Transfers*	5	-	-	5	*(5)*
At 31 March 2012	192	208	44	444	*57*

* Transfers are the five stores in Saudi Arabia

Store portfolio by region

	Directly-operated stores				
At 31 March 2012	Mainline stores	Concessions	Outlets	Total	*Franchise stores*
Asia Pacific	54	152	10	216	*17*
Europe	38	53	16	107	*23*
Americas*	74	1	17	92	*3*
Rest of World	26	2	1	29	*14*
Total	192	208	44	444	*57*

* Three franchise stores in the Americas are in Mexico

Retail net selling square footage

At 31 March	000s square feet
2008	740
2009	845
2010	890
2011	1,010
2012	1,145

GROUP INCOME STATEMENT

	Note	Year to 31 March 2012 £m	Year to 31 March 2011 £m
Continuing operations			
Revenue	2	**1,857.2**	1,501.3
Cost of sales		**(558.3)**	(491.6)
Gross profit		**1,298.9**	1,009.7
Net operating expenses	3	**(922.0)**	(707.6)
Operating profit		**376.9**	302.1
Financing			
Interest income		**2.9**	1.9
Interest expense		**(3.6)**	(5.1)
Other financing charges		**(10.2)**	(3.2)
Net finance charge	5	**(10.9)**	(6.4)
Profit before taxation	4	**366.0**	295.7
Taxation	6	**(100.6)**	(83.2)
Profit for the year from continuing operations		**265.4**	212.5
Loss for the year from discontinued operations	20	**(0.3)**	(6.2)
Profit for the year		**265.1**	206.3
Attributable to:			
Equity holders of the Company		**263.3**	208.4
Non-controlling interest		**1.8**	(2.1)
Profit for the year		**265.1**	206.3
Earnings per share			
– basic	7	**60.4p**	47.9p
– diluted	7	**59.3p**	46.9p
Earnings per share from continuing operations			
– basic	7	**60.4p**	49.3p
– diluted	7	**59.3p**	48.3p
		£m	£m
Reconciliation of adjusted profit before taxation:			
Profit before taxation		**366.0**	295.7
Exceptional items:			
– restructuring credit relating to continuing operations	4	**–**	(1.0)
– put option liability finance charge	4	**10.2**	3.2
Adjusted profit before taxation – non-GAAP measure		**376.2**	297.9
Adjusted earnings per share – non-GAAP measure			
– basic	7	**62.8p**	49.9p
– diluted	7	**61.6p**	48.9p
Dividends per share			
– interim	8	**7.00p**	5.00p
– proposed final (not recognised as a liability at 31 March)	8	**18.00p**	15.00p

GROUP STATEMENT OF COMPREHENSIVE INCOME

	Note	**Year to 31 March 2012 £m**	Year to 31 March 2011 £m
Profit for the year		**265.1**	206.3
Other comprehensive income:			
– cash flow hedges	17	**3.3**	4.9
– foreign currency translation differences		**(3.8)**	(15.3)
Tax on other comprehensive income:			
– cash flow hedges		**(0.8)**	(1.4)
– foreign currency translation differences		**(0.2)**	2.0
Other comprehensive expense for the year, net of tax		**(1.5)**	(9.8)
Total comprehensive income for the year		**263.6**	196.5
Total comprehensive income attributable to:			
Equity holders of the Company		**261.2**	198.8
Non-controlling interest		**2.4**	(2.3)
		263.6	196.5

GROUP BALANCE SHEET

	Note	**As at 31 March 2012 £m**	As at 31 March 2011 £m
ASSETS			
Non-current assets			
Intangible assets	9	**133.1**	114.7
Property, plant and equipment	10	**328.8**	281.8
Investment properties		**2.8**	3.0
Deferred tax assets		**84.1**	70.4
Trade and other receivables	11	**22.3**	15.2
Derivative financial assets		**14.7**	9.2
		585.8	494.3
Current assets			
Inventories	12	**311.1**	247.9
Trade and other receivables	11	**145.2**	132.5
Derivative financial assets		**3.2**	1.6
Income tax receivables		**10.1**	8.3
Cash and cash equivalents	13	**546.9**	466.3
		1,016.5	856.6
Assets classified as held for sale	20	**8.3**	13.5
		1,024.8	870.1
Total assets		**1,610.6**	1,364.4
LIABILITIES			
Non-current liabilities			
Trade and other payables	14	**(104.9)**	(84.4)
Deferred tax liabilities		**(1.4)**	(1.8)
Derivative financial liabilities		**(0.2)**	–
Retirement benefit obligations		**(0.8)**	(0.6)
Provisions for other liabilities and charges	15	**(15.1)**	(9.6)
		(122.4)	(96.4)
Current liabilities			
Bank overdrafts and borrowings	16	**(208.6)**	(168.4)
Derivative financial liabilities		**(1.9)**	(3.9)
Trade and other payables	14	**(324.4)**	(283.4)
Provisions for other liabilities and charges	15	**(8.2)**	(18.6)
Income tax liabilities		**(53.7)**	(60.0)
		(596.8)	(534.3)
Total liabilities		**(719.2)**	(630.7)
Net assets		**891.4**	733.7
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Ordinary share capital	17	**0.2**	0.2
Share premium account		**202.6**	192.5
Capital reserve	17	**33.9**	28.9
Hedging reserve	17	**4.9**	2.4
Foreign currency translation reserve	17	**118.6**	123.2
Retained earnings		**507.1**	366.4
		867.3	713.6
Non-controlling interest in equity		**24.1**	20.1
Total equity		**891.4**	733.7

GROUP STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to owners of the Company						
		Ordinary Share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling interest £m	Total equity £m
Balance as at 1 April 2010		**0.2**	**186.1**	**162.4**	**241.4**	**590.1**	**13.4**	**603.5**
Profit/(Loss) for the year		–	–	–	208.4	208.4	(2.1)	206.3
Other comprehensive income:								
Cash flow hedges	17	–	–	4.9	–	4.9	–	4.9
Foreign currency translation differences		–	–	(15.1)	–	(15.1)	(0.2)	(15.3)
Tax on other comprehensive income		–	–	0.6	–	0.6	–	0.6
Total comprehensive (expense)/income for the year		–	–	(9.6)	208.4	198.8	(2.3)	196.5
Transfer between reserves		–	–	1.7	(1.7)	–	–	–
Transactions with owners:								
Employee share incentive schemes								
– value of share options granted		–	–	–	28.3	28.3	–	28.3
– value of share options transferred to liabilities		–	–	–	(0.7)	(0.7)	–	(0.7)
– tax on share options granted		–	–	–	15.2	15.2	–	15.2
– exercise of share awards		–	6.4	–	(5.6)	0.8	–	0.8
Purchase of own shares by ESOP trusts		–	–	–	(6.6)	(6.6)	–	(6.6)
Sale of own shares by ESOP trusts		–	–	–	0.3	0.3	–	0.3
Business combinations		–	–	–	–	–	3.3	3.3
Liability on put option over non-controlling interest		–	–	–	(45.2)	(45.2)	–	(45.2)
Capital contribution by non-controlling interest		–	–	–	–	–	7.0	7.0
Dividends paid in the year		–	–	–	(67.4)	(67.4)	(1.3)	(68.7)
Balance as at 31 March 2011		**0.2**	**192.5**	**154.5**	**366.4**	**713.6**	**20.1**	**733.7**
Profit for the year		–	–	–	263.3	263.3	1.8	265.1
Other comprehensive income:								
Cash flow hedges	17	–	–	3.3	–	3.3	–	3.3
Foreign currency translation differences		–	–	(4.4)	–	(4.4)	0.6	(3.8)
Tax on other comprehensive income		–	–	(1.0)	–	(1.0)	–	(1.0)
Total comprehensive (expense)/income for the year		–	–	(2.1)	263.3	261.2	2.4	263.6
Transfer between reserves		–	–	5.0	(5.0)	–	–	–
Transactions with owners:								
Employee share incentive schemes								
– value of share options granted		–	–	–	31.8	31.8	–	31.8
– value of share options transferred to liabilities		–	–	–	(0.8)	(0.8)	–	(0.8)
– tax on share options granted		–	–	–	17.4	17.4	–	17.4
– exercise of share awards		–	10.1	–	(9.5)	0.6	–	0.6
Purchase of own shares by ESOP trusts		–	–	–	(60.7)	(60.7)	–	(60.7)
Sale of own shares by ESOP trusts		–	–	–	0.1	0.1	–	0.1
Capital contribution by non-controlling interest		–	–	–	–	–	4.9	4.9
Dividends paid in the year		–	–	–	(95.9)	(95.9)	(3.3)	(99.2)
Balance as at 31 March 2012		**0.2**	**202.6**	**157.4**	**507.1**	**867.3**	**24.1**	**891.4**

GROUP STATEMENT OF CASH FLOWS

	Note	**Year to 31 March 2012 £m**	Year to 31 March 2011 £m
Cash flows from operating activities			
Operating profit		**376.9**	302.1
Operating loss from discontinued operations	20	**(0.3)**	(6.2)
Depreciation		**74.3**	53.7
Amortisation		**13.3**	8.9
Net impairment charges		**6.8**	–
Write-down of assets held for sale	20	**4.5**	3.7
Loss on disposal of property, plant and equipment and intangible assets		**0.3**	1.1
Fair value gains on derivative instruments		**(5.7)**	(6.2)
Charges in respect of employee share incentive schemes		**31.8**	28.3
Increase in inventories		**(61.8)**	(58.9)
Increase in receivables		**(17.6)**	(11.4)
Increase in payables		**60.0**	51.3
Cash generated from operating activities		**482.5**	366.4
Interest received		**2.7**	1.9
Interest paid		**(3.3)**	(5.1)
Taxation paid		**(108.2)**	(98.1)
Net cash generated from operating activities		**373.7**	265.1
Cash flows from investing activities			
Purchase of property, plant and equipment		**(126.1)**	(86.5)
Purchase of intangible assets		**(27.0)**	(21.9)
Acquisition of subsidiaries, net of cash acquired	19	**(23.5)**	(51.9)
Net cash outflow from investing activities(1)		**(176.6)**	(160.3)
Cash flows from financing activities			
Dividends paid in the year	8	**(95.9)**	(67.4)
Dividends paid to non-controlling interest		**(3.3)**	(1.3)
Capital contributions by non-controlling interest		**4.9**	7.0
Issue of ordinary share capital		**0.6**	0.8
Sale of own shares by ESOP trusts		**0.1**	0.3
Purchase of own shares by ESOP trusts		**(60.7)**	(6.6)
Proceeds from borrowings		**–**	24.0
Repayments of borrowings		**–**	(24.1)
Net cash outflow from financing activities(1)		**(154.3)**	(67.3)
Net increase in cash and cash equivalents		**42.8**	37.5
Effect of exchange rate changes		**(2.4)**	(1.5)
Cash and cash equivalents at beginning of year		**299.2**	263.2
Cash and cash equivalents at end of year		**339.6**	299.2

ANALYSIS OF NET CASH

	Note	**As at 31 March 2012 £m**	As at 31 March 2011 £m
Cash and cash equivalents as per the Balance Sheet	13	**546.9**	466.3
Bank overdrafts	16	**(207.3)**	(167.1)
Cash and cash equivalents per the Statement of Cash Flows		**339.6**	299.2
Bank and other borrowings	16	**(1.3)**	(1.3)
Net cash		**338.3**	297.9

(1) Net cash outflows from investing and financing activities for the year to 31 March 2011 have been re-presented to reflect the reclassification of capital contributions by non-controlling interest.

NOTES TO THE FINANCIAL INFORMATION

1. Basis of preparation

The financial information contained within this report has been prepared in accordance with EU endorsed International Financial Reporting Standards (IFRS), IFRS Interpretations Committee (IFRS IC) interpretations and parts of the Companies Act 2006 applicable to companies reporting under IFRS. This financial information does not constitute the Burberry Group's (the Group) Annual Report and Accounts within the meaning of section 435 of the Companies Act 2006.

Statutory accounts for the year ended 31 March 2011 have been filed with the Registrar of Companies, and those for 2012 will be delivered in due course. The reports of the auditors on those statutory accounts for years ended 31 March 2011 and 31 March 2012 were unqualified, did not contain an emphasis of matter paragraph and did not contain a statement under either section 400(2) or section 498(3) of the Companies Act 2006.

The principle accounting policies applied in the preparation of the consolidated financial statements are consistent with those set out in the statutory accounts for 2010/11.

2. Segmental analysis

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

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

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

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

	Retail/Wholesale		Licensing		Total	
	Year to 31 March 2012 £m	Year to 31 March 2011 £m	**Year to 31 March 2012 £m**	Year to 31 March 2011 £m	**Year to 31 March 2012 £m**	Year to 31 March 2011 £m
Retail	**1,270.3**	962.3	**–**	–	**1,270.3**	962.3
Wholesale	**478.3**	440.6	**–**	–	**478.3**	440.6
Licensing	**–**	–	**118.9**	116.5	**118.9**	116.5
Total segment revenue	**1,748.6**	1,402.9	**118.9**	116.5	**1,867.5**	1,519.4
Inter-segment revenue(1)	**–**	–	**(10.3)**	(18.1)	**(10.3)**	(18.1)
Revenue from external customers	**1,748.6**	1,402.9	**108.6**	98.4	**1,857.2**	1,501.3
Depreciation and amortisation	**87.6**	58.1	**–**	–	**87.6**	58.1
Net impairment charges	**6.8**	–	**–**	–	**6.8**	–
Other non-cash expenses						
– Share based payments	**25.4**	22.6	**6.4**	5.7	**31.8**	28.3
Adjusted operating profit	**286.9**	219.5	**90.0**	81.6	**376.9**	301.1
Interest receivable and similar income					**2.9**	1.9
Interest payable and similar charges					**(3.6)**	(5.1)
Exceptional items(2)					**(10.2)**	(2.2)
Profit before taxation					**366.0**	295.7

(1) Inter-segment transfers or transactions are entered into under the normal commercial terms and conditions that would be available to unrelated third parties.

(2) Refer to note 4 for details of exceptional items.

NOTES TO THE FINANCIAL INFORMATION CONTINUED

2. Segmental analysis (continued)

	Retail/Wholesale		Licensing		Total	
	Year to 31 March 2012 £m	Year to 31 March 2011 £m	**Year to 31 March 2012 £m**	Year to 31 March 2011 £m	**Year to 31 March 2012 £m**	Year to 31 March 2011 £m
Additions to non-current assets	**150.7**	123.1	**–**	–	**150.7**	123.1
Total segment assets	**875.5**	728.6	**4.5**	4.2	**880.0**	732.8
Goodwill					**81.2**	73.1
Cash and cash equivalents					**546.9**	466.3
Taxation					**94.2**	78.7
Assets held for sale					**8.3**	13.5
Total assets per Balance Sheet					**1,610.6**	1,364.4

Revenue by product	**Year to 31 March 2012 £m**	Year to 31 March 2011 £m
Non-apparel	**689.4**	563.3
Womenswear	**582.5**	456.6
Menswear	**410.5**	325.9
Childrenswear/Other	**66.2**	57.1
Retail/Wholesale	**1,748.6**	1,402.9
Licensing	**108.6**	98.4
Total	**1,857.2**	1,501.3

Revenue by destination	**Year to 31 March 2012 £m**	Year to 31 March 2011 £m
Asia Pacific	**652.5**	457.1
Europe	**552.6**	474.6
Americas	**434.5**	386.5
Rest of the world	**109.0**	84.7
Retail/Wholesale	**1,748.6**	1,402.9
Licensing	**108.6**	98.4
Total	**1,857.2**	1,501.3

Revenue to external customers originating in the UK totalled £471.2m for the year to 31 March 2012 (2011: £402.9m).

Revenue to external customers originating in foreign countries totalled £1,386.0m for the year to 31 March 2012 (2011: £1,098.4m). This amount includes £392.9m of external revenues originating in the US (2011: £357.6m) and £213.9m of external revenues originating in China (2011: £93.1m).

The total of non-current assets other than financial instruments and deferred tax assets located in the UK is £111.7m (2011: £90.2m). The remaining £375.3m of non-current assets are located in other countries (2011: £324.5m), with £146.8m located in the US (2011: £141.3m) and £67.0m located in China (2011: £57.6m).

3. Net operating expenses

	Note	**Year to 31 March 2012 £m**	Year to 31 March 2011 £m
Selling and distribution costs		**459.4**	333.5
Administrative expenses		**463.4**	375.9
Property rental income under operating leases		**(0.8)**	(0.8)
Exceptional items			
Restructuring costs	4	**–**	(1.0)
Total		**922.0**	707.6

NOTES TO THE FINANCIAL INFORMATION CONTINUED

4. Profit before taxation

	Year to 31 March 2012 £m	Year to 31 March 2011 £m
Profit before taxation is stated after charging/(crediting):		
Depreciation of property, plant and equipment		
– within cost of sales	**0.3**	0.3
– within distribution costs	**13.4**	7.6
– within administrative expenses	**60.5**	41.3
Amortisation of intangible assets (included within administrative expenses)	**13.3**	8.9
Loss on disposal of property, plant and equipment and intangible assets	**0.3**	1.1
Net impairment charge relating to retail assets	**3.8**	–
Net impairment charge relating to intangible assets	**3.0**	–
Employee costs	**358.7**	298.9
Operating lease rentals		
– minimum lease payments	**112.0**	88.5
– contingent rents	**70.9**	51.7
Net exchange loss/(gain) included in the Income Statement	**3.3**	(1.0)
Trade receivables net impairment charge	**1.4**	1.3
Exceptional items		
Put option liability finance charges	**10.2**	3.2
Restructuring costs	**–**	(1.0)

The above table excludes any amounts relating to the discontinued Spanish operations. Depreciation of property, plant and equipment in the discontinued Spanish operation was nil for the current year (2011: £4.4m).

Exceptional financing charges

The exceptional financing charge for the years ended 31 March 2012 and 31 March 2011 relates to fair value movements and the unwinding of the discount on the put option liability over the non-controlling interest in Burberry (Shanghai) Trading Co., Ltd. Refer to note 14 for further details of the carrying value of the put option liability.

Exceptional operating items

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

Auditor remuneration

Fees incurred during the year in relation to audit and non-audit services are analysed below. All work performed by the external auditors is controlled by an authorisation policy agreed by the Audit Committee. The overriding principle precludes the auditors from engaging in non-audit services that would compromise their independence. Non-audit services are provided by the auditors where they are best placed to provide the service due to their previous experience or market leadership in a particular area.

	Year to 31 March 2012 £m	Year to 31 March 2011 £m
Audit services in respect of the accounts of the Company and consolidation	**0.3**	0.3
Audit services in respect of the accounts of subsidiary companies	**1.1**	0.9
	1.4	1.2
Audit related assurance services	**0.2**	0.1
Services relating to taxation		
– compliance services	**0.1**	0.3
– advisory services	**0.3**	0.3
Other non-audit related services	**0.1**	–
Total	**2.1**	1.9

The Group has early adopted the statutory changes in relation to the Group auditor's remuneration in line with the UK Companies' Regulations 2011 (Statutory Instrument 2011/2198) for the year ended 31 March 2012.

NOTES TO THE FINANCIAL INFORMATION CONTINUED

5. Net finance charge

	Note	**Year to 31 March 2012 £m**	Year to 31 March 2011 £m
Bank interest income		**2.9**	1.9
Interest income		**2.9**	1.9
Interest expense on bank loans and overdrafts		**(3.6)**	(5.1)
Interest expense		**(3.6)**	(5.1)
Other financing charges - put option liability	4	**(10.2)**	(3.2)
Net finance charge		**(10.9)**	(6.4)

6. Taxation

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

	Year to 31 March 2012 £m	Year to 31 March 2011 £m
Current tax		
UK corporation tax		
Current tax on income for the year to 31 March 2012 at 26% (2011: 28%)	**79.9**	69.5
Double taxation relief	**(1.7)**	(2.2)
Adjustments in respect of prior years	**(1.7)**	(5.2)
	76.5	62.1
Foreign tax		
Current tax on income for the year	**36.8**	39.7
Adjustments in respect of prior years	**(1.5)**	0.2
Total current tax	**111.8**	102.0
Deferred tax		
UK deferred tax		
Origination and reversal of temporary differences	**(1.1)**	(4.8)
Impact of changes to tax rates	**1.3**	1.0
Adjustments in respect of prior years	**(0.4)**	(1.7)
	(0.2)	(5.5)
Foreign deferred tax		
Origination and reversal of temporary differences	**(16.0)**	(11.0)
Impact of changes to tax rates	**(0.1)**	–
Adjustments in respect of prior years	**5.1**	(2.3)
Total deferred tax	**(11.2)**	(18.8)
Total tax charge on profit	**100.6**	83.2

NOTES TO THE FINANCIAL INFORMATION CONTINUED

6. Taxation (continued)

Analysis of charge for the year recognised in other comprehensive income and directly in equity:

	Year to 31 March 2012 £m	Year to 31 March 2011 £m
Current tax		
Recognised in other comprehensive income		
Current tax charge/(credit) on exchange differences on loans (foreign currency translation reserve)	**0.1**	(0.9)
Total current tax recognised in other comprehensive income	**0.1**	(0.9)
Recognised in equity		
Current tax credit on share options (retained earnings)	**(13.8)**	(2.1)
Total current tax recognised directly in equity	**(13.8)**	(2.1)
Deferred tax		
Recognised in other comprehensive income		
Deferred tax (credit)/charge on cash flow hedges deferred in equity (hedging reserve)	**(0.6)**	2.2
Deferred tax charge/(credit) on cash flow hedges transferred to income (hedging reserve)	**1.4**	(0.8)
Deferred tax charge/ (credit) on exchange differences on loans (foreign currency translation reserve)	**0.1**	(1.1)
Total deferred tax recognised in other comprehensive income	**0.9**	0.3
Recognised in equity		
Deferred tax credit on share options (retained earnings)	**(3.6)**	(13.1)
Total deferred tax recognised directly in equity	**(3.6)**	(13.1)

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

	Year to 31 March 2012 £m	Year to 31 March 2011 £m
Tax at 26% (2011: 28%) on profit before taxation	**95.2**	82.8
Rate adjustments relating to overseas profits	**(8.9)**	(8.0)
Permanent differences	**8.3**	11.8
Current year tax losses not recognised	**3.2**	4.6
Adjustments in respect of prior years	**1.5**	(9.0)
Adjustments to deferred tax relating to changes in tax rates	**1.3**	1.0
Total taxation charge	**100.6**	83.2

Total taxation recognised in the Group Income Statement arises on:

	Year to 31 March 2012 £m	Year to 31 March 2011 £m
Adjusted profit before taxation	**100.6**	83.0
Exceptional items	**–**	0.2
Total taxation charge	**100.6**	83.2

NOTES TO THE FINANCIAL INFORMATION CONTINUED

7. Earnings per share

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

	Year to 31 March 2012 £m	Year to 31 March 2011 £m
Attributable profit for the year before exceptional items[1] and discontinued operations	**273.8**	217.0
Effect of exceptional items[1] (after taxation)	**(10.2)**	(2.4)
Attributable profit for the year from continuing operations	**263.6**	214.6
Attributable loss from discontinued operations[2]	**(0.3)**	(6.2)
Attributable profit for the year	**263.3**	208.4

(1) Refer to note 4 for details of exceptional items.

(2) Refer to note 20 for details of basic and diluted earnings per share from discontinued operations.

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

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

	Year to 31 March 2012 Millions	Year to 31 March 2011 Millions
Weighted average number of ordinary shares in issue during the year	**435.9**	435.0
Dilutive effect of the employee share incentive schemes	**8.4**	9.0
Diluted weighted average number of ordinary shares in issue during the year	**444.3**	444.0

8. Dividends paid to owners of the Company

	Year to 31 March 2012 £m	Year to 31 March 2011 £m
Prior year final dividend paid 15.00p per share (2011: 10.50p)	**65.4**	45.7
Interim dividend paid 7.00p per share (2011: 5.00p)	**30.5**	21.7
Total	**95.9**	67.4

A final dividend in respect of the year to 31 March 2012 of 18.00p (2011: 15.00p) per share, amounting to £79.0m (2011: £65.4m), has been proposed for approval by the shareholders at the Annual General Meeting subsequent to the balance sheet date. The final dividend to Burberry Group plc shareholders has not been recognised as a liability at the year end and will be paid on 2 August 2012 to shareholders on the register at the close of business on 6 July 2012.

NOTES TO THE FINANCIAL INFORMATION CONTINUED

9. Intangible assets

Cost	Goodwill £m	Trade marks and other intangible assets £m	Computer software £m	Total £m
As at 1 April 2010	34.9	17.1	38.2	90.2
Effect of foreign exchange rate changes	(1.9)	0.1	(0.4)	(2.2)
Additions	–	6.6	14.4	21.0
Disposals	–	–	(0.4)	(0.4)
Business combination	40.1	–	–	40.1
As at 31 March 2011	73.1	23.8	51.8	148.7
Effect of foreign exchange rate changes	1.5	(0.9)	(0.1)	0.5
Additions	–	1.1	22.7	23.8
Disposals	–	(0.2)	(5.8)	(6.0)
Reclassification from assets under construction (note 10)	–	1.9	1.3	3.2
Business combinations (note 19)	6.6	–	–	6.6
As at 31 March 2012	**81.2**	**25.7**	**69.9**	**176.8**
Accumulated amortisation				
As at 1 April 2010	–	9.0	16.6	25.6
Effect of foreign exchange rate changes	–	0.1	(0.2)	(0.1)
Charge for the year	–	1.9	7.0	8.9
Disposals	–	–	(0.4)	(0.4)
As at 31 March 2011	–	11.0	23.0	34.0
Effect of foreign exchange rate changes	–	(0.5)	(0.1)	(0.6)
Charge for the year	–	2.0	11.3	13.3
Disposals	–	(0.2)	(5.8)	(6.0)
Net impairment charge on assets	–	–	3.0	3.0
As at 31 March 2012	**–**	**12.3**	**31.4**	**43.7**
Net book value				
As at 31 March 2012	**81.2**	**13.4**	**38.5**	**133.1**
As at 31 March 2011	73.1	12.8	28.8	114.7

NOTES TO THE FINANCIAL INFORMATION CONTINUED

9. Intangible assets (continued)

Impairment testing of goodwill

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

	As at 31 March 2012 £m	As at 31 March 2011 £m
China	**41.9**	38.9
Korea	**22.8**	23.4
Other	**16.5**	10.8
Total	**81.2**	73.1

The Group tests goodwill for impairment annually or where there is an indication that goodwill might be impaired. The recoverable amount of all cash generating units has been determined on a value-in-use basis. Value-in-use calculations for each cash generating unit are based on projected three year pre-tax discounted cash flows together with a discounted terminal value. The cash flows have been discounted at pre-tax rates reflecting the Group's weighted average cost of capital adjusted for country specific tax rates and risks. Where the cash generating unit has a non-controlling interest which was recognised as its proportionate interest in the net identifiable assets of the acquired subsidiary at the acquisition date, the carrying amount of the goodwill has been grossed up, to include the goodwill attributable to the non-controlling interest, for the purpose of impairment testing the goodwill attributable to the cash generating unit. The key assumptions contained in the value-in-use calculations include the future revenues, the margins achieved, the assumed life of the business and the discount rates applied.

The value-in-use calculations for the initial review have been prepared using management's approved financial plans for the year ending 31 March 2013 as the source for the first year cash flow. These plans contain management's best view of the expected performance for the year ended 31 March 2013, based on the performance achieved in the current year and management's knowledge of the market environment and future business plans.

In China and Korea, which contain the most material goodwill balances, the cash flows included in the value-in-use calculation for the following two years and for the terminal value have assumed no growth beyond that contained within the financial plan for the year ending 31 March 2013. The Group carries out an initial review for indication of impairment using conservative growth assumptions beyond the first year cash flow. Should this initial review indicate that impairment may have arisen, a further review will be carried out, using more detailed assumptions, to confirm and then quantify any potential impairment. This approach is considered appropriate by management due to the amount of headroom between recoverable amount and carrying value of goodwill at present.

The adjusted weighted average cost of capital rates for China and Korea were 14.4% and 12.5% respectively (2011: 13.5%; 14.1%). No impairment has been recognised in respect of the carrying value of the goodwill balance in the year as, for each cash generating unit, the recoverable amount of goodwill exceeds its carrying value.

As the initial review using conservative assumptions does not indicate that impairment may have arisen, management do not consider it appropriate to conduct a further sensitivity analysis because a reasonably possible change in assumptions would not result in an impairment.

NOTES TO THE FINANCIAL INFORMATION CONTINUED

10. Property, plant and equipment

Cost	Freehold land and buildings £m	Leasehold improvements £m	Fixtures, fittings and equipment [1] £m	Assets in the course of construction £m	Total £m
As at 1 April 2010	92.2	169.2	226.2	9.6	497.2
Effect of foreign exchange rate changes	(3.7)	(6.5)	(4.4)	–	(14.6)
Additions	–	18.7	62.2	21.4	102.3
Disposals	–	(0.3)	(23.9)	(0.2)	(24.4)
Reclassification from assets under construction	–	4.3	6.6	(10.9)	–
Transfers to investment properties	(3.8)	–	–	–	(3.8)
Business combination (note 19)	–	–	6.3	–	6.3
Transfers to assets held for sale (note 20)	(29.6)	–	(6.6)	–	(36.2)
As at 31 March 2011	55.1	185.4	266.4	19.9	526.8
Effect of foreign exchange rate changes	(0.1)	(1.0)	(3.4)	0.3	(4.2)
Additions	0.5	40.5	54.2	31.7	126.9
Disposals	(1.3)	(8.0)	(32.8)	–	(42.1)
Reclassification from assets under construction	–	3.2	11.0	(17.4)	(3.2)
Business combination (note 19)	–	–	3.0	–	3.0
Reclassification[2]	–	27.5	(27.5)	–	–
As at 31 March 2012	**54.2**	**247.6**	**270.9**	**34.5**	**607.2**

Accumulated depreciation and impairment					
As at 1 April 2010	33.1	62.5	145.5	–	241.1
Effect of foreign exchange rate changes	(1.3)	(2.1)	(3.1)	–	(6.5)
Charge for the year	1.9	19.6	32.1	–	53.6
Disposals	–	(0.3)	(23.0)	–	(23.3)
Transfers to investment properties	(0.7)	–	–	–	(0.7)
Transfers to assets held for sale (note 20)	(16.7)	–	(2.5)	–	(19.2)
As at 31 March 2011	16.3	79.7	149.0	–	245.0
Effect of foreign exchange rate changes	–	(0.7)	(2.1)	–	(2.8)
Charge for the year	1.9	27.9	44.4	–	74.2
Disposals	(1.3)	(7.9)	(32.6)	–	(41.8)
Net impairment charge on assets	–	2.5	1.3	–	3.8
Reclassification[2]	–	8.9	(8.9)	–	–
As at 31 March 2012	**16.9**	**110.4**	**151.1**	**–**	**278.4**

Net book value					
As at 31 March 2012	**37.3**	**137.2**	**119.8**	**34.5**	**328.8**
As at 31 March 2011	38.8	105.7	117.4	19.9	281.8

(1) Included in fixtures, fittings and equipment are finance lease assets with a net book value of £2.0m (2011: £2.3m).

(2) During the current year, £18.6m of assets have been reclassified from fixtures and fittings to leasehold improvements as this is more representative of the nature of these assets. There is no impact on the depreciation charge for the year as a result of this reclassification.

During the year to 31 March 2012, a net impairment charge of £3.8m (2011: £nil) was identified as part of the annual impairment review.

Where indicators of impairment were identified, the impairment review compared the value-in-use of the assets to the carrying values at 31 March 2012. The pre-tax cash flow projections were based on financial plans approved by management and extrapolated beyond the budget year to the lease exit dates using growth rates and inflation rates appropriate to each country's economic conditions. The pre-tax discount rates used in these calculations were between 10.8% and 16.7% (2011: between 12.2% and 18.5%), based on the Group's weighted average cost of capital adjusted for country-specific tax rates and risks.

NOTES TO THE FINANCIAL INFORMATION CONTINUED

11. Trade and other receivables

	As at 31 March 2012 £m	As at 31 March 2011 £m
Non-current		
Deposits and prepayments	**22.3**	15.2
Total non-current trade and other receivables	**22.3**	15.2
Current		
Trade receivables	**103.0**	100.7
Provision for doubtful debts	**(7.6)**	(12.1)
Net trade receivables	**95.4**	88.6
Other receivables	**26.4**	22.3
Prepayments and accrued income	**23.4**	21.6
Total current trade and other receivables	**145.2**	132.5
Total trade and other receivables	**167.5**	147.7

Of the non-current deposits and prepayments balance, £16.3m (2011: £10.4m) is due within five years from the balance sheet date, with the remainder due at various stages after this. The entire balance is non-interest bearing.

The individually impaired receivables relate to balances with trading parties which have passed their payment due dates or where uncertainty exists over recoverability. As at 31 March 2012, trade receivables of £28.0m (2011: £18.4m) were impaired. The amount of the provision against these receivables was £7.6m as of 31 March 2012 (2011: £12.1m). It was assessed that a portion of the receivables is expected to be recovered. Individually impaired receivables of £2.1m (2011: £3.7m) relate to the discontinued Spanish operations. The ageing of the impaired trade receivables is as follows:

	As at 31 March 2012 £m	As at 31 March 2011 £m
Current	**0.2**	3.2
Less than one month overdue	**21.8**	7.0
One to three months overdue	**1.3**	3.1
Over three months overdue	**4.7**	5.1
	28.0	18.4

As at 31 March 2012, trade receivables of £0.1m (2011: £5.3m) were overdue but not impaired. The ageing of these overdue receivables is as follows:

	As at 31 March 2012 £m	As at 31 March 2011 £m
Less than one month overdue	**0.1**	4.6
One to three months overdue	**–**	0.6
Over three months overdue	**–**	0.1
	0.1	5.3

Movement on the provision for doubtful debts is as follows:

	Year to 31 March 2012 £m	Year to 31 March 2011 £m
As at 1 April	**12.1**	16.8
Increase in provision for doubtful debts	**2.1**	5.6
Receivables written off during the year as uncollectable	**(5.9)**	(0.8)
Unused provision reversed	**(0.7)**	(9.5)
As at 31 March	**7.6**	12.1

There were £0.4m of impaired receivables within other receivables (2011: nil). 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.

NOTES TO THE FINANCIAL INFORMATION CONTINUED

11. Trade and other receivables (continued)

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

	Year to 31 March 2012 £m	Year to 31 March 2011 £m
Sterling	**39.1**	59.0
US Dollar	**24.3**	22.9
Euro	**39.5**	12.1
Chinese Yuan Renminbi	**23.9**	23.5
Other currencies	**40.7**	30.2
	167.5	147.7

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

12. Inventories

	As at 31 March 2012 £m	As at 31 March 2011 £m
Raw materials	**5.7**	5.1
Work in progress	**0.5**	0.6
Finished goods	**304.9**	242.2
Total inventories	**311.1**	247.9

The cost of inventories recognised as an expense and included in cost of sales for the continuing and discontinued operations amounted to £539.3m (2011: £500.0m). The net movement in inventory provisions included in cost of sales for the year ended 31 March 2012 was a cost of £4.4m (2011: credit of £17.9m).

In the year to 31 March 2012, the Group reversed £1.5m (2011: £4.6m) of previous inventory writedowns in relation to the stock held in the discontinued Spanish operations. The cost of inventories physically destroyed in the year is £8.3m (2011: £6.6m).

13. Cash and cash equivalents

	As at 31 March 2012 £m	As at 31 March 2011 £m
Cash at bank and in hand	**262.6**	235.1
Short-term deposits	**284.3**	231.2
Total	**546.9**	466.3

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

14. Trade and other payables

	As at 31 March 2012 £m	As at 31 March 2011 £m
Non-current		
Deferred consideration	**1.1**	1.9
Put option liability over non-controlling interest	**57.8**	47.3
Other creditors, accruals and deferred income	**46.0**	35.2
Total non-current trade and other payables	**104.9**	84.4
Current		
Trade creditors	**118.8**	85.8
Other taxes and social security costs	**23.3**	16.7
Deferred consideration	**1.1**	12.5
Other creditors	**5.8**	20.5
Accruals and deferred income	**175.4**	147.9
Total current trade and other payables	**324.4**	283.4
Total trade and other payables	**429.3**	367.8

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

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

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

	As at 31 March 2012 £m	As at 31 March 2011 £m
Between one and two years	**3.7**	3.2
Between two and three years	**3.8**	3.3
Between three and four years	**1.8**	2.5
Between four and five years	**4.3**	2.7
Over five years	**33.5**	25.4
Total	**47.1**	37.1

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

NOTES TO THE FINANCIAL INFORMATION CONTINUED

15. Provisions for other liabilities and charges

	Property obligations £m	Restructuring costs £m	Other costs £m	Total £m
Balance as at 1 April 2010	9.7	30.2	–	39.9
Effect of foreign exchange rate changes	(0.1)	(0.5)	–	(0.6)
Created during the year	5.0	7.0	3.1	15.1
Utilised during the year	(3.1)	(20.3)	–	(23.4)
Released during the year	–	(2.8)	–	(2.8)
Balance as at 31 March 2011	11.5	13.6	3.1	28.2
Effect of foreign exchange rate changes	0.1	(0.3)	(0.2)	(0.4)
Created during the year	9.4	–	1.2	10.6
Utilised during the year	(2.2)	(8.4)	(2.7)	(13.3)
Released during the year	(0.3)	(1.4)	(0.1)	(1.8)
Balance as at 31 March 2012	**18.5**	**3.5**	**1.3**	**23.3**

	As at 31 March 2012 £m	As at 31 March 2011 £m
Analysis of total provisions:		
Non-current	**15.1**	9.6
Current	**8.2**	18.6
Total	**23.3**	28.2

The non-current provisions relate to provisions for onerous leases and property reinstatement costs which are expected to be utilised within 18 years. Of the total restructuring provision of £3.5m (2011: £13.6m), £3.3m (2011: £13.4m) represents a current liability. The majority of this relates to the closure of the Spanish operations. The £0.2m (2011: £0.2m) non-current portion relates to onerous leases.

16. Bank overdrafts and borrowings

	As at 31 March 2012 £m	As at 31 March 2011 £m
Unsecured:		
Bank overdrafts	**207.3**	167.1
Bank borrowings	**0.8**	0.8
Other borrowings	**0.5**	0.5
Total	**208.6**	168.4

Included within bank overdrafts is £204.7m (2011: £166.1m) representing balances on cash pooling arrangements in the Group. The remaining overdrafts of £2.6m (2011: £1.0m) are provided by a number of committed and uncommitted arrangements agreed with third party banks.

On 28 March 2011, a £300m multi-currency revolving credit facility was agreed with a syndicate of third party banks. At 31 March 2012, there were no outstanding drawings (2011: £nil). Interest is charged on this facility at LIBOR plus 0.90% on drawings less than £100m, at LIBOR plus 1.05% on drawings between £100m and £200m and at LIBOR plus 1.20% on drawings over £200m. The facility matures on 30 June 2016.

On 1 October 2010, a Yen 145m bilateral facility was agreed with a third party bank. At 31 March 2012, the amount drawn down was Yen 100.8m (2011: Yen 100.8m). Interest is charged on this facility at the Japanese short-term prime rate plus 0.5%. The facility matures on 30 September 2012. The undrawn facility at 31 March 2012 was Yen 44.2m.

Other borrowings relate to a loan provided by a minority interest partner totalling £0.5m due to mature on 8 November 2012. Interest is charged on this loan at the Japanese short-term prime rate plus 0.5%.

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

NOTES TO THE FINANCIAL INFORMATION CONTINUED

17. Share capital and reserves

Allotted, called up and fully paid share capital	Number	£m
Ordinary shares of 0.05p (2011: 0.05p) each		
As at 1 April 2011	435,811,738	0.2
Allotted on exercise of options during the year	2,956,370	–
As at 31 March 2012	**438,768,108**	**0.2**

At 31 March 2012, 30,027 of the 0.05p ordinary shares in issue are held as treasury shares (2011: 77,215).

The Company has a general authority from shareholders, renewed at each Annual General Meeting, to repurchase a maximum of 10% of its issued share capital. During the year to 31 March 2012, no ordinary shares were repurchased by the Company under this authority (2011: nil).

The cost of own shares held by the Group has been offset against retained earnings, as the amounts paid reduce the profits available for distribution by the Company. As at 31 March 2012 the amounts offset against this reserve are £41.9m (2011: £2.8m). In the year to 31 March 2012 the Burberry Group plc ESOP trust has waived its entitlement to dividends of £0.2m (2011: £nil).

During the year profits of £5.0m (2011: £1.7m) 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 2010	(1.1)	136.3	27.2	162.4
Other comprehensive income:				
Cash flow hedges – losses deferred in equity	(2.6)	–	–	(2.6)
Cash flow hedges – losses transferred to income	7.5	–	–	7.5
Foreign currency translation differences	–	(15.1)	–	(15.1)
Tax on other comprehensive income/(expense)	(1.4)	2.0	–	0.6
Total comprehensive income/(expense) for the year	3.5	(13.1)	–	(9.6)
Transfer between reserves	–	–	1.7	1.7
Balance as at 31 March 2011	2.4	123.2	28.9	154.5
Other comprehensive income:				
Cash flow hedges – losses deferred in equity	(2.2)	–	–	(2.2)
Cash flow hedges – losses transferred to income	5.5	–	–	5.5
Foreign currency translation differences	–	(4.4)	–	(4.4)
Tax on other comprehensive income/(expense)	(0.8)	(0.2)	–	(1.0)
Total comprehensive income/(expense) for the year	2.5	(4.6)	–	(2.1)
Transfer between reserves	–	–	5.0	5.0
Balance as at 31 March 2012	4.9	118.6	33.9	157.4

18. Capital commitments

	As at 31 March 2012 £m	As at 31 March 2011 £m
Capital commitments contracted but not provided for:		
– property, plant and equipment	**35.7**	10.3
– intangible assets	**2.0**	1.2
Total	**37.7**	11.5

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.

NOTES TO THE FINANCIAL INFORMATION CONTINUED

19. Business combinations

Year ended 31 March 2012

Burberry Saudi Company Limited

On 19 June 2011, the Group formed Burberry Saudi Company Limited (Burberry Saudi), a company registered in the Kingdom of Saudi Arabia, with Fawaz Abdulaziz Alhokair & Co SLSC, a third party company registered in the Kingdom of Saudi Arabia. Burberry Saudi will manage the Burberry retail business within the Saudi Arabian market.

Burberry has a 60% interest in the issued share capital of the company, the majority of the voting rights and the power to appoint the majority of the directors. Burberry Saudi has been consolidated as a subsidiary as at 31 March 2012. The non-controlling interest in the consolidated net assets of this company has been identified as a separate component of equity.

On 19 June 2011, the distribution agreement with the existing franchise partner in Saudi Arabia expired, and Burberry Saudi acquired the Burberry retail business from that franchisee.

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

	£m
Cash consideration	10.0
Total purchase consideration	10.0
Fair value of net identifiable assets acquired	4.3
Goodwill	5.7

The goodwill arising on the acquisition, which is included within intangible assets, is attributable to the acquisition of the Saudi Arabian business assets and the benefits expected from further expansion in this region. The goodwill recognised relates to equity attributable to the owners of the company and to non-controlling interest and is not tax deductible.

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

	Fair value £m
Inventories	1.4
Property, plant and equipment	3.0
Liabilities	(0.1)
Net identifiable assets acquired	4.3
Net identifiable assets acquired attributable to non-controlling interest	1.7

The Group incurred transaction costs of £0.1m in respect of the acquisition.

The acquired Saudi Arabian retail assets generated revenues of £9.1m and a profit of £2.7m to the Group for the period from acquisition to 31 March 2012.

Pro forma full year information

Had the acquisition occurred on 1 April 2011, it would have contributed approximately £1.8m of Group revenue in addition to that noted above, while the Group operating profit impact in addition to that noted above would have been neutral for the year ended 31 March 2012.

NOTES TO THE FINANCIAL INFORMATION CONTINUED

19. Business combinations (continued)

Year ended 31 March 2011

Burberry (Shanghai) Trading Co., Ltd

On 16 July 2010, the Group entered into an agreement to acquire the Burberry retail and distribution business within China from its distributor in Hong Kong, Kwok Hang Holdings Ltd. The acquisition allows the Group to further leverage its proven brand in China's high growth luxury market.

On 1 September 2010, Burberry (Shanghai) Trading Co., Ltd, a wholly owned Group company incorporated in the People's Republic of China, took control of key store assets and inventory across 50 retail stores. Daily operations at 43 of the stores fully transferred to the Group on that date. The remaining 7 stores had all transferred daily operations by 31 January 2011.

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

	£m
Cash consideration	39.4
Deferred consideration(1)	28.2
Contribution of share of the Group's existing China business	(1.9)
Total purchase consideration	65.7

(1) A change in assumptions applied to the value of deferred consideration to be paid was made subsequent to initial recognition, but within the measurement period. This resulted in an increase of £0.9m to goodwill.

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

	Fair value £m
Inventories	23.1
Property, plant and equipment	6.3
Liabilities	(0.3)
Net identifiable assets acquired	29.1
Net identifiable assets acquired attributable to non-controlling interest	(4.4)
Goodwill	41.0
Total purchase consideration	65.7

Sparkle Roll Holdings Limited, a non Group company, retains a 15% economic interest in the Burberry retail and distribution business within China. Put and call options exist over this economic interest which are exercisable after five years in the case of the call option, and ten years in the case of the put option. Refer to note 14 for further details of the carrying value of the put option liability.

In total, goodwill of £41.0m arose on the acquisition of the China retail and distribution business and is included within intangible assets. This is attributable to the benefits expected from further expansion in this region. The goodwill is not tax deductible.

Outflow of cash to acquire business, net of cash acquired:	£m
Cash consideration on acquisition date	39.4
Cash consideration post-acquisition	26.0
Cash and cash equivalents in subsidiaries acquired	–
Cash outflow to acquire business	65.4

Of the total cash outflow disclosed above, £51.9m was paid in the year ended 31 March 2011. The remaining £13.5m was paid in the year ended 31 March 2012.

Deferred consideration of £2.2m remains outstanding at 31 March 2012 (refer to note 14).

The Group incurred transaction costs of £0.9m in respect of the acquisition.

NOTES TO THE FINANCIAL INFORMATION CONTINUED

20. Discontinued operations and assets classified as held for sale

In the year to 31 March 2010, the Group announced the restructuring of its Spanish operations. By 31 March 2011, the production of the local Spanish collection, and related operations had ceased. The Spanish operations have been treated as discontinued for the years ended 31 March 2012 and 31 March 2011, and the results from the discontinued operations have been shown separately from the results of the Group's continuing operations.

An analysis of the results of the discontinued Spanish operations is presented below:

	Year to 31 March 2012 £m	Year to 31 March 2011 £m
Revenue	**–**	49.3
Cost of sales[(1)]	**1.5**	(24.8)
Gross profit	**1.5**	24.5
Net operating expenses[(2)]	**(1.8)**	(30.7)
Operating loss	**(0.3)**	(6.2)
Net finance charges	**–**	–
Loss before taxation for discontinued operations	**(0.3)**	(6.2)
Taxation	**–**	–
Loss after taxation for discontinued operations	**(0.3)**	(6.2)

(1) Cost of sales for the year ended 31 March 2012 results from a provision release due to more effective than anticipated clearance of residual inventory.

(2) Net operating expenses includes a charge of £4.5m (2011: £3.7m) in relation to the write-down of assets held for sale to fair value less cost to sell.

Cash flows generated from the discontinued Spanish operations have been included in the Group consolidated Statement of Cash Flows. The cash flows relating to the discontinued operations for the years ended 31 March 2012 and 31 March 2011 are:

	Year to 31 March 2012 £m	Year to 31 March 2011 £m
Net cash inflow from operating activities	**1.3**	3.6
Net cash outflow from investing activities	**–**	–
Net cash outflow from financing activities[(1)]	**(0.1)**	(7.9)
Net increase/(decrease) in cash and cash equivalents	**1.2**	(4.3)
Effect of exchange rate changes	**–**	–
Cash and cash equivalents at beginning of period	**0.1**	4.4
Cash and cash equivalents at end of period	**1.3**	0.1

(1) The net cash outflow from financing activities represents the repayment of intercompany loans from Group entities which form part of continuing operations.

The earnings per share attributable to the discontinued Spanish operations for the years ended 31 March 2012 and 31 March 2011 are:

	Notes	**Year to 31 March 2012**	Year to 31 March 2011
Earnings per share from discontinued operations			
– basic	7	**(0.0)p**	(1.4)p
– diluted	7	**(0.0)p**	(1.4)p

Assets classified as held for sale

In September 2010, £17.0m of assets were reclassified to assets held for sale, representing the carrying value of the freehold properties in Spain. These assets have subsequently been written down to fair value less costs to sell and at 31 March 2012 the carrying value of the assets is £8.3m (2011: £13.5m). Management remains committed to selling these properties and continues to actively market them as such.

NOTES TO THE FINANCIAL INFORMATION CONTINUED

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. Total compensation in respect of key management, who are defined as the Board of Directors and certain members of senior management, is considered to be a related party transaction.

The total compensation in respect of key management for the year was as follows:

	Year to 31 March 2012 £m	Year to 31 March 2011 £m
Salaries and short-term benefits	**10.2**	9.7
Post-employment benefits	**0.2**	0.3
Share based compensation	**6.9**	7.0
Total	**17.3**	17.0

22. 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.

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

The principal exchange rates used were as follows:

	Average rate		Closing rate	
	Year to 31 March 2012	Year to 31 March 2011	**As at 31 March 2012**	As at 31 March 2011
Euro	**1.16**	1.18	**1.20**	1.13
US Dollar	**1.60**	1.56	**1.60**	1.61
Chinese Yuan Renminbi	**10.15**	10.51	**10.07**	10.52
Hong Kong Dollar	**12.38**	12.11	**12.41**	12.49
Korean Won	**1,775**	1,786	**1,811**	1,763

The average exchange rate achieved by the Group on its Yen royalty income, taking into account its use of Yen forward foreign exchange contracts on a monthly basis approximately twelve months in advance of royalty receipts, was Yen 133.1: £1 in the year to 31 March 2012 (2011: Yen 143.7: £1).

23. Adjusted profit before taxation and exceptional items

Exceptional items include those items that are largely one-off and material in nature. Fair value movements on options held over equity interests, which are held for the purpose of future business developments, rather than speculative purposes, are also considered to be exceptional items and are separately presented in the Income Statement. These items are added back/deducted from profit/loss before taxation to arrive at adjusted profit/loss before taxation. These items and their related tax impacts are added back/deducted from profit attributable to equity holders of the Company to arrive at adjusted earnings per share. These measures are disclosed in order to provide additional consideration of the underlying performance of the Group's ongoing business. Details of exceptional items are disclosed in note 4.