21 May 2014

Burberry Group plc

Preliminary results
for the year ended 31 March 2014

Strong growth in revenue and profit
Japan and Beauty: platforms for future growth

Burberry has today reported a strong financial performance for FY 2014. Retail, wholesale and digital initiatives have delivered a 17% increase in revenue to £2,330m, with adjusted profit before tax up 8% to £461m and reported profit before tax up 27%

As Burberry gave more detail about its strategies for future growth, Christopher Bailey, Chief Creative and Chief Executive Officer, commented:

"Burberry delivered record sales and profit in 2013/14. The strength of this performance reflects sustained strategic focus, continued investment, disciplined execution and outstanding brand momentum during the year.

As we enter a new chapter, our teams are united and energised by the opportunities ahead - from unlocking Japan, to accelerating Beauty and further integrating the physical and digital to deliver distinctive experiences. While mindful of macroeconomic uncertainties and currency headwinds, we remain focused on the things we can control and confident of driving sustainable future growth, benefiting all our stakeholders."

Strong financial performance

- Revenue £2,330m, up 17%
- Adjusted profit before tax £461m, up 8%
    - Reflecting the shift of Beauty from licensing to direct operation
- Reported profit before tax £444m, up 27%
- Full year dividend 32.0p, up 10%
    - Moving progressively from 40% payout ratio to 50% over three years
- Net cash £403m at year-end, up £106m

Strong brand and business momentum

- Retail/wholesale revenue up 19%; adjusted operating profit up 17%
- Comparable sales up 12%, demonstrating ongoing strength of the brand
- Continued digital leadership in engagement, operations and commerce
    - Innovative collaborations with Amazon, Apple and Google
- Improved productivity through investment in customer service and insight
- Focused investment in flagship markets, including four openings in Shanghai
- Outerwear, large leather goods and menswear key growth drivers

Securing platforms for future growth

- Japan transformation well underway
    - Building brand presence in the second largest luxury market globally
    - Investing in retail presence in key markets including Tokyo and Osaka
    - Orderly transition from licensed product
- Beauty infrastructure built; now positioned for growth
    - Building on Brit Rhythm launches
    - Testing Burberry Beauty Box concept
- Management transition successfully completed

All metrics and commentary in the Group Financial Highlights and Business and Financial Review exclude adjusting items unless stated otherwise.

Adjusting items are:

- A charge of £14.9m in reported operating expenses being the amortisation of the fragrance and beauty licence intangible asset (2013: nil)
- A put option liability finance charge of £1.7m in the reported net finance charge relating to the third party 15% economic interest in the Chinese business (2013: credit of £5.2m)
- A charge of £82.9m in 2013 in reported operating expenses relating to the termination of the fragrance and beauty licence relationship (2014: nil)
- A credit of £0.6m in 2013 in reported operating expenses relating to restructuring (2014: nil)

Details of adjusting items are contained in Note 7 of the Notes to the Financial Statements. Underlying change is calculated at constant exchange rates. Certain financial data within this announcement have been rounded.

Enquiries

Burberry

Carol Fairweather	Chief Financial Officer	020 3367 3524
Fay Dodds	VP, Investor Relations	
Julian Payne	VP, PR and Corporate Relations	020 3428 8975

Brunswick 020 7404 5959

Nick Claydon
Laura Buchanan

- 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 3427 1928
- The supporting slides and an indexed replay will be available on the website later in the day.
- Burberry will update on trading on 10 July 2014 when it will issue its Interim Management Statement in respect of the First Quarter
- The AGM will be held on 11 July 2014

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. Nothing in this announcement should be construed as a profit forecast. 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.

Burberry is listed on the London Stock Exchange (BRBY.L) and is a constituent of the FTSE 100 index. ADR symbol OTC: BURBY.

GROUP FINANCIAL HIGHLIGHTS

Total revenue up 17% to £2,330m (2013: £1,999m)

Retail/wholesale revenue up 19% and adjusted operating profit up 17%; adjusted operating margin of 17.5% (2013: 17.8%) or 18.2% excluding Beauty

Adjusted profit before tax up 8% to £461m (2013: £428m)

Reported profit before tax up 27%, reflecting lower adjusting items

Adjusted diluted EPS up 8% to 75.4p (2013: 70.0p); reported diluted EPS up 26%

Full year dividend per share up 10% to 32.0p (2013: 29.0p); 42% payout based on adjusted diluted EPS

Year-end net cash of £403m (2013: £297m), after investment in capital expenditure (£154m) and Beauty inventory (£61m)

£ million	Year to 31 March 2014	2013	*% change reported FX*	*underlying*
Revenue	2,329.8	1,998.7	*17*	*17*
Cost of sales	(671.3)	(556.7)	*(21)*	
Gross margin	1,658.5	1,442.0	*15*	
Operating expenses*	(1,198.2)	(1,013.9)	*(18)*	
Adjusted operating profit	**460.3**	**428.1**	***8***	***8***
Net finance credit/(charge)*	0.7	(0.3)	*-*	
Adjusted profit before taxation	**461.0**	**427.8**	***8***	
Adjusting items	(16.6)	(77.1)		
Profit before taxation	**444.4**	**350.7**	***27***	
Taxation	(112.1)	(91.5)		
Non-controlling interest	(9.8)	(4.9)		
Attributable profit	322.5	254.3		
Adjusted EPS (pence)˜	**75.4**	**70.0**	***8***	
EPS (pence)˜	72.1	57.0	*26*	
Weighted average number of ordinary shares (millions)˜	447.3	446.5		

Adjusted measures exclude adjusting items
* Excludes adjusting items. For detail, see page 2
˜ EPS is presented on a diluted basis

BUSINESS AND FINANCIAL REVIEW

FY 2014 has seen Burberry achieve strong brand and business momentum and solid operational progress despite external challenges. Growth has been driven by the further integration of offline and online platforms to constantly enhance the customer experience across all touchpoints, while investing in areas such as customer service and insight to increase productivity. Revenue grew by 17% while adjusted profit before tax increased by 8%, reflecting the move of Beauty from high margin licensing to direct operation.

Management transition successfully completed

Christopher Bailey was appointed Chief Creative and Chief Executive Officer on 1 May 2014. The new organisational structure is in place, built around the three pillars of:

- Design, Product and Communication
- Regions
- Operations and Finance

The focus of the executive team will remain on executing the five strategic themes that have delivered Burberry's growth to date, while constantly evolving and refining priorities to capitalise on the opportunities available ahead. These include Japan, Beauty, digital commerce and better serving the travelling luxury customer globally, while driving operating efficiencies and productivity gains, with the aim of delivering sustainable long-term growth.

Leverage the franchise

Brand momentum and reach remained strong, driven by innovative, integrated marketing initiatives. To reinforce its brand image, Burberry focused on outerwear, increasing personalisation of products and communications, maintaining its social media leadership in the sector and pioneering the use of digital technology with companies including Google, Instagram and Apple. Retail comparable sales growth, a key measure of brand strength, was 12%.

Burberry began directly operating Beauty from 1 April 2013. Following a complex and challenging transitional period, the supply chain, the distributor network and the team for Beauty is now in place*,* fully operational as the fifth product division.

Looking forward, Burberry is targeting mid-teens percentage growth from fragrance from FY 2016, built around key pillars, such as Brit, while developing both traditional and non-traditional distribution channels. These include offline in directly-operated stores and those of key partners; online on burberry.com and with third-party digital players; and in travel retail, where Burberry is significantly under-penetrated. Product development is underway in make-up, while the evaluation of the Burberry Beauty Box concept continues, both as a retail format and a foundation for beauty counters.

With the Japan licences expiring on 30 June 2015, Burberry has a significant opportunity to build a growing and profitable business in Japan, offering the global collection to the core luxury consumer in the second largest domestic luxury market in the world. Burberry currently has four stores and ten concessions in Japan selling the global collection, which, combined with a small wholesale business, generated revenue of about £25m and was breakeven in FY 2014.

Building on this base, Burberry plans to add free-standing stores and department store concessions, while leveraging owned digital platforms and those of third parties. Committed store openings include Omotesando and Shinjuku, Tokyo, and Osaka, while planning to add about ten concessions a year in FY 2016 and 2017. By FY 2017, retail revenue of over £100m is targeted with incremental profit of about £25m.

To facilitate the brand transformation, Burberry has agreed with the apparel licensee, Sanyo Shokai, an orderly transition, including exiting the licensed Burberry product from the primary channel by September 2015. In addition, a new three-year licence with the same partner has been signed for the continued use of the Blue and Black Labels in Japan, which have strong appeal to younger consumers in the contemporary apparel market. These labels will have no association with the Burberry brand. Further financial details are provided in the Appendix.

Intensify accessories

Accessories revenue was up 12% underlying contributing 36% of the retail/wholesale total, with double-digit percentage revenue growth in mainline retail across all product categories (large and small leather goods, soft goods and shoes).

In large leather goods, which remained at around half of accessories mainline revenue, growth was driven by the continued focus on key shapes, the strategic shift to leather and innovation in the iconic check.

Mens accessories grew by over 20% in FY 2014, now representing just over 20% of mainline retail accessories revenue. Continued success was driven by assortment expansion, a focused buy behind key products and increased space in flagship locations, all underpinned by group and brand initiatives to grow the total mens business, where Burberry is under-penetrated.

Accelerate retail-led growth

Retail sales grew by 15% in FY 2014, contributing 70% of total revenue. This was driven by improving store productivity and strong digital commerce. In-store, footfall remained weak but conversion and average selling price increased again, reflecting continued investment in customer service, doubling the number of private client sales associates and introducing the Customer 1-2-1 tool in nearly 400 stores.

Reflecting changing consumer behaviour, Burberry continued to blur the lines between the physical and digital (or offline and online) to enable customers to interact with the brand however they choose. For example, orders taken on iPads in-store accounted for over 25% of total digital sales - up from around 15% last year. Further investment was made during the year in the .com site (three more languages, improved taxonomy) and in delivery options, including collect-in-store which is now in about 120 stores.

Burberry continued to evolve its real estate portfolio, opening 25 mainline stores during the year and closing 17. The openings were weighted towards high potential markets including China, the Middle East, Mexico, Brazil and India.

For FY 2015, Burberry plans to open about 20-25 mainline stores and close between 15-20. Openings are expected mainly in flagship markets and travel retail, while further evolving the store portfolio in China and the Middle East in particular. Capital expenditure for FY 2015 is planned at around £200m, of which about three-quarters is retail.

Invest in under-penetrated markets

Burberry continued to intensify efforts to engage Chinese consumers at home and when travelling, through improved product fit and assortments, dedicated customer service and increased marketing, especially on social media platforms and around the Shanghai launch event in April 2014. This celebrated the transformation of the brand presence in this flagship market, with the opening of four stores, two closures and a more than doubling of selling space, now consistent with the brand's global positioning.

During the year, Burberry opened 18 stores and concessions in mainland China and closed nine, giving a total of 78 at year-end. In FY 2015, Burberry plans to open 5-10 stores and concessions and close around 15 older, smaller stores, while investing to improve its digital fulfilment and payment capabilities.

Burberry continued to build its presence in other under-penetrated markets. Investment in direct operations in high potential countries included Brazil, which remained a challenging market. Burberry also took direct control in Thailand and Mexico, while working with partners to open franchise stores in markets as diverse as Chile, Colombia, Barbados, Indonesia, Lithuania and Egypt.

Pursue operational excellence

For the third consecutive year, inventory growth (excluding Beauty) was lower than retail sales growth, a key operational target. The investment made in global planning systems and processes enabled assortment reductions, a more refined global buy and consolidation of inventory locations.

The supply chain for Beauty is now fully operational, working with about 130 suppliers on existing and new products; having established distribution capacity in France; and obtained safety and regulatory compliance and registrations in over 80 countries.

Responsibility for Beauty and digital distribution channels was transferred to the regions from the start of the year. While functions such as supply chain, product development and marketing remained at corporate, the regions began to leverage their established infrastructure to accelerate revenue growth – for example, optimising the performance of Beauty distributors or driving the use of iPads in-store.

Revenue analysis

Revenue by channel

£ million	Year to 31 March 2014	2013	% change reported FX	underlying
Retail	1,622.6	1,416.6	*15*	*15*
Wholesale*	628.0	472.7	*33*	*32*
Licensing[#]	79.2	109.4	*(28)*	*(23)*
Revenue	**2,329.8**	**1,998.7**	***17***	***17***

* FY 2014 wholesale revenue includes £144.1m of Beauty sales. Excluding Beauty, wholesale revenue in FY 2014 increased 2% underlying and at reported FX
[#] FY 2013 licensing revenue includes £27.1m from the terminated fragrance and beauty licence relationship. Excluding this, licensing revenue in FY 2014 increased 2% underlying (down 4% at reported FX)

Retail

70% of revenue (2013: 71%); with 215 mainline stores, 227 concessions within department stores, digital commerce and 55 outlets

- Retail sales up 15% underlying and at reported FX
- Comparable sales up 12% (H1: 13%; H2: 12%)
- New space contributed the balance of growth (3%)
- Digital performed strongly

With consumer behaviour rapidly evolving, Burberry focused on improving the customer experience both offline and online, driving 12% comparable sales growth. In-store, footfall remained weak but was offset by improved conversion, reflecting investment particularly in customer service. Online, both traffic and conversion grew, with the integration of digital into the regional infrastructure driving the growth of sales via iPads in-store and collect-in-store.

Mainline retail benefited from balanced growth in average selling prices and volume, the latter reflecting the success of product categories such as small leather goods, scarves, mens accessories and Beauty, which were featured in marketing campaigns around festive periods globally. Outerwear and large leather goods again delivered half of the growth, demonstrating the strength of the brand in these core categories. Mens was the fastest growing category, where Burberry is under-penetrated given its heritage. Investment in design, merchandising and key looks, coupled with product elevation and the launch of travel tailoring drove growth.

Asia Pacific
With retail accounting for about 85% of revenue in the region, comparable sales growth in Asia Pacific was double-digit percentage throughout the year, led by Greater China, especially Hong Kong, following significant investment in real estate made in this flagship market. Mainland China delivered 11% comparable sales growth, management actions drove an improvement in Korea, while the small retail operation in Japan selling the global collection delivered strong revenue growth.

A net six stores and concessions were opened during the year, evolving the store portfolio in China, Korea and Hong Kong in particular.

Europe, Middle East, India and Africa (EMEIA)
In the EMEIA region, which was formed on 1 April 2013 from the integration of Burberry operations in Europe and Rest of World, retail accounted for about 65% of revenue.

Comparable sales growth was high single-digit percentage for the year, slowing slightly in the second half in major markets. For the year, performance was robust in the UK, France and Spain, but weaker in Italy and the United Arab Emirates. With about 40% of mainline transactions in EMEIA to travelling luxury customers, investment in marketing and customer service was concentrated in flagship markets.

A net four stores and concessions were added during the year (15 openings, 11 closures) reflecting relocations in markets including Germany and Saudi Arabia, two more stores in India (bringing the total to nine) and the first Burberry Beauty Box in Covent Garden, London.

Americas
About 60% of Americas revenue came from retail, with high single-digit comparable sales growth during the year. In the United States, domestic customers still account for about 90% of transactions, with digital penetration more than twice the group average.

The number of mainline stores in the Americas was unchanged year-on-year at 78, with three closures of small stores in the United States balanced by one additional store in Brazil (bringing the total to eight) and two openings in Mexico (bringing the total to four).

Wholesale

27% of revenue (2013: 24%); generated from sales of apparel and accessories to department stores, multi-brand specialty accounts, franchise stores and travel retail; as well as Beauty to around 100 distributors worldwide

- Excluding Beauty, wholesale revenue up 2% underlying and at reported FX (H1: down 7% underlying; H2: up 11%)
- Net five new franchise stores globally, bringing total to 70 at 31 March 2014
- Beauty wholesale revenue of £144m in first year of direct operation, in line with guidance
- Wholesale revenue including Beauty up 32% underlying (up 33% at reported FX)

The first half of the year saw wholesale revenue, excluding Beauty, down 7% underlying. This reflected more conservative planning globally by wholesale customers for Autumn/Winter 2013 and Burberry's continued strategic rationalisation of wholesale accounts (particularly in Europe) and entry price products (particularly in North America). With strong brand momentum and some rephasing of deliveries into the fourth quarter of FY 2014 from the current first quarter, underlying wholesale revenue in the second half increased by 11%, with Americas and Travel Retail showing double-digit growth and EMEIA up mid single-digit.

The regional comments below all exclude Beauty.

Asia Pacific

Asia Pacific, which is the smallest wholesale region in the group, is predominantly Travel Retail, with outperformance in Hong Kong and Korea during the year. One store and two concessions previously operated by a franchisee were acquired in Thailand, in line with Burberry's strategy of taking greater control in high potential markets.

Europe, Middle East, India and Africa

EMEIA is the group's largest wholesale region, at around 45% of wholesale revenue. Further account rationalisation held back growth in Europe, while relationships with key strategic accounts were strengthened. Emerging markets revenue was subdued, reflecting softer consumer demand in larger markets, including Turkey.

Americas

Above average growth was delivered in the United States where Burberry continued to elevate its wholesale presence, both online and by opening more dedicated shop-in-shops in key department stores, while rationalising inappropriate doors and product ranges. Nine Holt Renfrew locations in Canada were converted from wholesale to retail concessions in the last quarter of the year.

Beauty
Following the move to direct operation on 1 April 2013, Beauty wholesale revenue was £144m. In the first half, sales of established fragrances were impacted by many distributors being fully stocked by the previous licensee and by execution and supply chain issues during the complex transitional period.

This revenue shortfall was offset by bringing forward the launch of the Brit Rhythm for Women fragrance into February 2014, building on the success of Brit Rhythm for Men in September 2013. To support the digitally-led launch, Burberry introduced Brit Rhythm inspired apparel, leveraging the halo of the campaign across all product divisions.

Licensing
3% of revenue (2013: 5%); of which about 80% is from Japan (split roughly 85% apparel and 15% from various accessories licences), with the balance from global product licences (eyewear and watches) and European wholesale childrenswear

- Licensing revenue up 2% underlying (down 4% at reported FX) excluding £27m from fragrance in FY 2013
- In line with full year guidance
- Licensing revenue including fragrance down 23% underlying (down 28% at reported FX)

Royalty income from Japan was £62m, unchanged year-on-year at constant exchange rates. Income from the apparel licence increased slightly, reflecting higher minimum payments, offset by the planned downsizing of the remaining accessories licences in Japan.

Eyewear and watches together delivered double-digit percentage growth. Product launches included the Spark and Trench eyewear collections, while The Britain watch remained the focus for elevating the collection to a more luxury positioning.

Operating profit analysis

Adjusted operating profit

£ million	Year to 31 March 2014	2013	% change reported FX	underlying
Retail/wholesale	393.5	335.6	*17*	*17*
Licensing	66.8	92.5	*(28)*	*(23)*
Adjusted operating profit	**460.3**	**428.1**	***8***	***8***
Adjusted operating margin	*19.8%*	*21.4%*		

Adjusted operating profit increased by 8% to £460.3m, including a £2.6m adverse FX impact. Adjusted operating margin fell to 19.8%, reflecting the channel mix shift as Beauty moved from high margin licensing to direct operation.

Adjusted retail/wholesale operating profit

£ million	Year to 31 March 2014	2013	% change reported FX
Revenue	2,250.6	1,889.3	*19*
Cost of sales	(671.3)	(556.7)	*(21)*
Gross margin	1,579.3	1,332.6	*19*
Gross margin	*70.2%*	*70.6%*	
Operating expenses	(1,185.8)	(997.0)	*(19)*
Adjusted operating profit	**393.5**	**335.6**	***17***
Operating expenses as % of revenue	*52.7%*	*52.8%*	
Adjusted operating margin	*17.5%*	*17.8%*	

On 19% revenue growth, adjusted retail/wholesale operating profit increased by 17% to £393.5m, including an FX benefit of £2.1m. The adjusted operating margin was 17.5%, compared to 17.8% last year (or 17.1% excluding the benefit of a lower performance-related pay charge in FY 2013).

On a revenue base of £144.1m, Beauty wholesale in its first year of direct operation contributed incremental retail/wholesale profit of £10.8m, in line with revised guidance. Gross margin was impacted by short-term supply chain issues and operating expenses were higher than planned, reflecting marketing investment behind the earlier launch of the Brit Rhythm for Women fragrance. With the transition year complete and Beauty now operating as the fifth product division, Beauty incremental retail/wholesale profit will not be reported separately going forward.

Excluding Beauty, the adjusted operating margin moved from 17.8% in FY 2013 to 18.2% in FY 2014. The gross margin increased by around 40 basis points, reflecting small gains from net price increases and the channel shift to retail. Operating expenses as a percentage of revenue was flat year-on-year. About half of the increase came from general inflation and new space, with the balance from volume-related costs and increased investment in areas such as marketing, creative media and customer service, which drove the revenue growth. The performance-related pay charge was broadly unchanged in the full year, mainly as company performance did not meet internal targets.

Licensing operating profit

£ million	Year to 31 March 2014	2013	*% change reported FX*
Revenue	79.2	109.4	*(28)*
Cost of sales	-	-	-
Gross margin	79.2	109.4	*(28)*
Gross margin	*100%*	*100%*	
Operating expenses	(12.4)	(16.9)	*27*
Operating profit	**66.8**	**92.5**	***(28)***
Operating margin	*84.3%*	*84.6%*	

As previously discussed, licensing revenue declined by 23% on an underlying basis (down 28% at reported FX), largely reflecting the termination of the fragrance and beauty licence relationship. With the direct operation of Beauty, allocated operating expenses year-on-year were reduced. Operating profit of £66.8m was after a negative FX impact of £4.7m, largely reflecting the movement in the effective yen rate from £1:Yen127 in FY 2013 to £1:Yen137 in FY 2014.

Adjusting items

£ million	Year to 31 March 2014	2013
Amortisation of fragrance and beauty licence intangible	(14.9)	-
China put option liability finance (charge)/credit	(1.7)	5.2
Termination of licence relationship	-	(82.9)
Restructuring credit	-	0.6
	(16.6)	(77.1)

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

The China put option liability finance charge of £1.7m relates to fair value movements, including the discount unwind, on the put option liability over the non-controlling interest in the acquired Chinese business.

Non-controlling interest

The movement in the profit attributable to the non-controlling interest from £4.9m in FY 2013 to £9.8m in FY 2014 primarily reflects Burberry taking full effective ownership of the retail business in Japan from 29 March 2013. This business was loss-making in FY 2013.

Taxation

The tax rate on adjusted profit in FY 2014 was 24.7% (2013: 25.8%), largely reflecting the lower UK corporation tax rate.

The tax charge of £112.1m (2013: £91.5m) gave an effective tax rate on reported profit of 25.2% (2013: 26.1%). Tax on exceptional items has been recognised as appropriate.

Net cash

Net cash at 31 March 2014 was £403m, an increase of £106m year-on-year. Cash inflow from operations was £536m, a similar level to last year. Capital expenditure was £154m, below guidance, reflecting both phasing of new projects and timing on payments of existing projects. Other major outflows were tax of £111m and dividends of £131m.

Inventory at 31 March 2014 was £420m (2013: £351m). Excluding Beauty (£61m), this was an 11% increase year-on-year at constant exchange rates, compared to 15% retail sales growth.

Outlook

Retail: In FY 2015, net new space is expected to contribute low to mid single-digit percentage growth to total retail revenue. Burberry plans to open about 20-25 mainline stores and close between 15-20, with openings biased to flagship markets and travel retail, while further evolving the store portfolio in China and the Middle East in particular.

Wholesale: Excluding Beauty, Burberry expects wholesale revenue at constant exchange rates to be broadly unchanged in the six months to 30 September 2014 (2013: £244m). Excluding rephased deliveries and ongoing strategic initiatives, such as conversion from wholesale to direct control and account rationalisation, revenue growth of around 5% is planned.

For Beauty, the fifth product division, wholesale revenue is expected to grow by about 25% at constant exchange rates in FY 2015.

Retail/wholesale profit: If exchange rates* remain at current levels, the full impact on reported retail/wholesale profit in FY 2015 will be material. As an indication, rebasing FY 2014 retail/wholesale profit for current exchange rates would reduce reported profit by about £40m and adjusted operating margin from 17.5% to around 16.3%.

Burberry has increased retail/wholesale operating margin by about 200 basis points over the last three years. Its goal to further improve margin remains unchanged, although this may be impacted in FY 2015 by continued planned investment in areas such as flagship markets, customer service, digital and people, in addition to potential FX headwinds.

Licensing: For FY 2015, Burberry expects broadly unchanged revenue at constant exchange rates in both Japan and global product licences, the latter reflecting the rationalisation and elevation of watch distribution.

At current exchange rates*, reported licensing revenue in FY 2015 will be reduced by about £10m given the movement in the sterling/yen rate.

Tax rate: The tax rate on adjusted profit for FY 2015 is currently expected to be about 23%.

Capital expenditure: Spend of about £200m is planned in FY 2015, with about three-quarters on retail.

Dividend: It is the Board's intention to move progressively over the next three years to a 50% dividend payout ratio, based on full year adjusted diluted EPS.

* Rates as at 12 May 2014, taking into account the current hedged positions

APPENDIX

Licensing revenue from Japan

FY 2014: £62m

FY 2015: As given in the outlook section, Burberry expects broadly unchanged revenue at constant exchange rates in Japan. However, at current exchange rates*, reported licensing revenue in FY 2015 will be reduced by about £10m.

FY 2016: Licensing income will include
- Royalty income of about £18m relating to the existing licences including the orderly transition and exit of local licensed product
- About £5m from the new Blue/Black Label licence including the minimum payment for the first six months from September 2015.

FY 2017: Licensing income from the new Blue/Black Label licence is expected to be around £10m including the minimum payment for six months and variable thereafter.

The FY 2016 and FY 2017 guidance is all at current exchange rates (as at 12 May 2014).

* Rates as at 12 May 2014, taking into account the current hedged positions

Exchange rates

	Spot rate		Average exchange rates	
£1=	12 May 2014	9 April 2014	FY 2014	FY 2013
Euro	1.23	1.21	1.19	1.22
US Dollar	1.69	1.67	1.59	1.58
Chinese Yuan Renminbi	10.45	10.28	9.78	9.91
Hong Kong Dollar	13.06	12.93	12.38	12.25
Korean Won	1,730	1,756	1,734	1,758
Yen*	164	163	137	127

* Taking into account the hedged positions

Retail/wholesale revenue by destination

£ million	Year to 31 March 2014*	2013	% growth reported FX	underlying
Asia Pacific	870.3	745.3	*17*	*18*
EMEIA#	811.5	680.7	*19*	*17*
Americas	568.8	463.3	*23*	*24*
	2,250.6	1,889.3	*19*	*19*

From 1 April 2013, Europe and Rest of World integrated to form Europe, Middle East, India and Africa (EMEIA)

***** Includes first-time contribution of Beauty wholesale revenue, predominantly in EMEIA and Americas

Retail/wholesale revenue by product division

£ million	Year to 31 March 2014	2013	% growth reported FX	underlying
Accessories*	816.1	729.1	*12*	*12*
Womens	684.0	618.2	*11*	*10*
Mens	520.8	464.2	*12*	*12*
Childrens	78.4	72.6	*8*	*8*
Beauty#	151.3	5.2	-	-
	2,250.6	1,889.3	*19*	*19*

* FY 2013 accessories revenue restated to exclude Beauty retail sales (£5.2m)
# FY 2014 Beauty revenue is £144.1m of wholesale revenue and £7.2m retail

Store portfolio

	Directly-operated stores				
	Stores	Concessions	Outlets	Total	*Franchise stores*
At 31 March 2013	206	214	49	469	*65*
Additions	25	25	9	59	*12*
Closures	(17)	(14)	(3)	(34)	*(4)*
Transfers	1	2	-	3	*(3)*
At 31 March 2014	215	227	55	497	*70*

Store portfolio by region

	Directly-operated stores				
At 31 March 2014	Stores	Concessions	Outlets	Total	*Franchise stores*
Asia Pacific	65	155	12	232	*15*
EMEIA	72	61	24	157	*51*
Americas	78	11	19	108	*4*
Total	215	227	55	497	*70*

Group Income Statement

	Note	Year to 31 March 2014 £m	Year to 31 March 2013 £m
Continuing operations			
Revenue	4	**2,329.8**	1,998.7
Cost of sales		**(671.3)**	(556.7)
Gross profit		**1,658.5**	1,442.0
Net operating expenses	5	**(1,213.1)**	(1,096.2)
Operating profit		**445.4**	345.8
Financing			
Finance income		**3.9**	3.4
Finance expense		**(3.2)**	(3.7)
Other financing (charges)/income		**(1.7)**	5.2
Net finance (charge)/income	8	**(1.0)**	4.9
Profit before taxation	6	**444.4**	350.7
Taxation	9	**(112.1)**	(91.5)
Profit for the year		**332.3**	259.2
Attributable to:			
Owners of the Company		**322.5**	254.3
Non-controlling interest		**9.8**	4.9
Profit for the year		**332.3**	259.2
Earnings per share			
Basic	10	**73.6p**	58.3p
Diluted	10	**72.1p**	57.0p
		£m	£m
Reconciliation of adjusted profit before taxation:			
Profit before taxation		**444.4**	350.7
Adjusting items:			
Amortisation of the fragrance and beauty licence intangible	7	**14.9**	–
Termination of licence relationship	7	**–**	82.9
Restructuring credit relating to continuing operations	7	**–**	(0.6)
Put option liability finance charge/(credit)	7	**1.7**	(5.2)
Adjusted profit before taxation – non-GAAP measure		**461.0**	427.8
Adjusted earnings per share – non-GAAP measure			
Basic	10	**77.0p**	71.6p
Diluted	10	**75.4p**	70.0p
Dividends per share			
Interim	11	**8.80p**	8.00p
Proposed final (not recognised as a liability at 31 March)	11	**23.20p**	21.00p

Group Statement of Comprehensive Income

	Note	**Year to 31 March 2014 £m**	Year to 31 March 2013 £m
Profit for the year		**332.3**	259.2
Other comprehensive income[1]:			
Cash flow hedges	20	**(5.0)**	5.7
Foreign currency translation differences		**(54.6)**	36.0
Tax on other comprehensive income:			
Cash flow hedges		**1.3**	(1.3)
Foreign currency translation differences		**4.6**	(1.4)
Other comprehensive (expense)/income for the year, net of tax		**(53.7)**	39.0
Total comprehensive income for the year		**278.6**	298.2
Total comprehensive income attributable to:			
Owners of the Company		**272.5**	291.1
Non-controlling interest		**6.1**	7.1
		278.6	298.2

(1) All items included in other comprehensive income may subsequently be reclassified to profit and loss in a future period.

Group Balance Sheet

	Note	**As at 31 March 2014 £m**	As at 31 March 2013 £m
ASSETS			
Non-current assets			
Intangible assets	12	**195.4**	210.2
Property, plant and equipment	13	**398.4**	409.1
Investment properties		**2.6**	2.7
Deferred tax assets		**116.0**	117.6
Trade and other receivables	14	**42.3**	39.9
Derivative financial assets		**0.5**	0.2
		755.2	779.7
Current assets			
Inventories	15	**419.8**	351.0
Trade and other receivables	14	**231.4**	159.6
Derivative financial assets		**4.6**	20.1
Income tax receivables		**9.0**	9.4
Cash and cash equivalents	16	**545.5**	426.4
		1,210.3	966.5
Total assets		**1,965.5**	1,746.2
LIABILITIES			
Non-current liabilities			
Trade and other payables	17	**(107.4)**	(108.0)
Deferred tax liabilities		**(1.0)**	(0.8)
Derivative financial liabilities		**(0.9)**	(0.7)
Retirement benefit obligations		**(0.6)**	(0.6)
Provisions for other liabilities and charges	18	**(15.9)**	(19.8)
		(125.8)	(129.9)
Current liabilities			
Bank overdrafts and borrowings	19	**(143.0)**	(129.8)
Derivative financial liabilities		**(1.6)**	(0.1)
Trade and other payables	17	**(399.8)**	(339.8)
Provisions for other liabilities and charges	18	**(10.7)**	(12.9)
Income tax liabilities		**(76.6)**	(80.9)
		(631.7)	(563.5)
Total liabilities		**(757.5)**	(693.4)
Net assets		**1,208.0**	1,052.8
EQUITY			
Capital and reserves attributable to owners of the Company			
Ordinary share capital	20	**0.2**	0.2
Share premium account		**204.8**	203.6
Capital reserve	20	**40.0**	37.0
Hedging reserve	20	**5.6**	9.3
Foreign currency translation reserve	20	**104.7**	151.0
Retained earnings		**810.1**	615.9
Equity attributable to owners of the Company		**1,165.4**	1,017.0
Non-controlling interest in equity		**42.6**	35.8
Total equity		**1,208.0**	1,052.8

Group Statement of Changes in Equity

	Note	Ordinary share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling interest £m	Total equity £m
		Attributable to owners of the Company						
Balance as at 31 March 2012		**0.2**	**202.6**	**157.4**	**507.1**	**867.3**	**24.1**	**891.4**
Profit for the year		–	–	–	254.3	254.3	4.9	259.2
Other comprehensive income:								
Cash flow hedges	20	–	–	5.7	–	5.7	–	5.7
Foreign currency translation differences		–	–	33.8	–	33.8	2.2	36.0
Tax on other comprehensive income		–	–	(2.7)	–	(2.7)	–	(2.7)
Total comprehensive income for the year		–	–	36.8	254.3	291.1	7.1	298.2
Transfer between reserves		–	–	3.1	(3.1)	–	–	–
Transactions with owners:								
Employee share incentive schemes								
Value of share options granted		–	–	–	24.9	24.9	–	24.9
Value of share options transferred to liabilities		–	–	–	(1.3)	(1.3)	–	(1.3)
Tax on share options granted		–	–	–	(1.9)	(1.9)	–	(1.9)
Exercise of share awards		–	1.0	–	–	1.0	–	1.0
Purchase of own shares by ESOP trusts		–	–	–	(46.4)	(46.4)	–	(46.4)
Capital contribution by non-controlling interest		–	–	–	–	–	0.4	0.4
De-recognition of non-controlling interest		–	–	–	(4.2)	(4.2)	4.2	–
Dividends paid in the year		–	–	–	(113.5)	(113.5)	–	(113.5)
Balance as at 31 March 2013		**0.2**	**203.6**	**197.3**	**615.9**	**1,017.0**	**35.8**	**1,052.8**
Profit for the year		–	–	–	322.5	322.5	9.8	332.3
Other comprehensive income:								
Cash flow hedges	20	–	–	(5.0)	–	(5.0)	–	(5.0)
Foreign currency translation differences		–	–	(50.9)	–	(50.9)	(3.7)	(54.6)
Tax on other comprehensive income		–	–	5.9	–	5.9	–	5.9
Total comprehensive income for the year		–	–	(50.0)	322.5	272.5	6.1	278.6
Transfer between reserves		–	–	3.0	(3.0)	–	–	–
Transactions with owners:								
Employee share incentive schemes								
Value of share options granted		–	–	–	25.4	25.4	–	25.4
Value of share options transferred to liabilities		–	–	–	(0.8)	(0.8)	–	(0.8)
Tax on share options granted		–	–	–	3.8	3.8	–	3.8
Exercise of share awards		–	1.2	–	–	1.2	–	1.2
Sale of own shares by ESOP trusts		–	–	–	1.7	1.7	–	1.7
Purchase of own shares by ESOP trusts		–	–	–	(24.7)	(24.7)	–	(24.7)
Capital contribution by non-controlling interest		–	–	–	–	–	0.7	0.7
Dividends paid in the year		–	–	–	(130.7)	(130.7)	–	(130.7)
Balance as at 31 March 2014		**0.2**	**204.8**	**150.3**	**810.1**	**1,165.4**	**42.6**	**1,208.0**

Group Statement of Cash Flows

	Note	**Year to 31 March 2014 £m**	Year to 31 March 2013 £m
Cash flows from operating activities			
Operating profit		**445.4**	345.8
Termination of licence relationship		**–**	71.3
Depreciation		**105.6**	94.5
Amortisation		**33.0**	16.7
Net impairment charges		**12.3**	11.3
(Profit)/loss on disposal of property, plant and equipment and intangible assets		**(1.3)**	0.1
(Gain)/loss on derivative instruments		**(3.8)**	2.0
Charges in respect of employee share incentive schemes		**25.4**	24.9
Proceeds from settlement of equity swap contracts		**15.7**	–
Increase in inventories		**(68.2)**	(39.2)
Increase in receivables		**(73.8)**	(32.0)
Increase in payables		**45.2**	27.6
Cash generated from operating activities		**535.5**	523.0
Interest received		**3.4**	3.5
Interest paid		**(2.6)**	(2.6)
Taxation paid		**(111.1)**	(99.0)
Net cash generated from operating activities		**425.2**	424.9
Cash flows from investing activities			
Purchase of property, plant and equipment		**(129.5)**	(158.1)
Purchase of intangible assets		**(24.5)**	(17.8)
Payment to terminate licence relationship		**–**	(144.1)
Proceeds from sale of property, plant and equipment		**3.0**	–
Proceeds from sale of asset held for sale		**–**	0.1
Acquisition of subsidiaries, net of cash acquired		**(2.6)**	(1.0)
Net cash outflow from investing activities		**(153.6)**	(320.9)
Cash flows from financing activities			
Dividends paid in the year	11	**(130.7)**	(113.5)
Capital contributions by non-controlling interest		**0.7**	0.4
Issue of ordinary share capital		**1.2**	1.0
Sale of own shares by ESOP trusts		**1.7**	–
Purchase of own shares by ESOP trusts		**(24.7)**	(46.4)
Repayments of borrowings		**–**	(1.3)
Net cash outflow from financing activities		**(151.8)**	(159.8)
Net increase/(decrease) in cash and cash equivalents		**119.8**	(55.8)
Effect of exchange rate changes		**(13.9)**	12.8
Cash and cash equivalents at beginning of year		**296.6**	339.6
Cash and cash equivalents at end of year		**402.5**	296.6

Analysis of Net Cash

	Note	**As at 31 March 2014 £m**	As at 31 March 2013 £m
Cash and cash equivalents as per the Balance Sheet	16	**545.5**	426.4
Bank overdrafts	19	**(143.0)**	(129.8)
Net cash		**402.5**	296.6

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 (IFRSs), 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 2013 have been filed with the Registrar of Companies, and those for 2014 will be delivered in due course. The reports of the auditors on those statutory accounts for the years ended 31 March 2013 and 31 March 2014 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 principal accounting policies applied in the preparation of the consolidated financial statements are consistent with those set out in the statutory accounts for the year ended 31 March 2013, with the exception of any new standards, amendments and interpretations that are available for adoption and have been adopted for the first time by the Group from 1 April 2013, as listed below:

IFRS 13 Fair value measurement

This standard establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other IFRSs. It also replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7 Financial Instruments: Disclosures. The application of IFRS 13 has not had a material impact on the fair value measurement of the Group's assets and liabilities.

In line with the transitional provisions of IFRS 13, the Group has applied the new fair value measurement guidance prospectively, and has not provided any comparative information for new disclosures. The Group's financial statements for the year ended 31 March 2014 have been updated to reflect these disclosures accordingly.

Amendment to IFRS 7 Financial instruments: Disclosures

As a result of the amendments to IFRS 7, the Group has expanded its disclosures about the offsetting of financial assets and financial liabilities.

Amendment to IAS 1 Financial statement presentation

The amendment required entities to group items presented in other comprehensive income on the basis of whether or not they will be recycled through profit or loss at a later date, when specific conditions are met. The amendments were effective from 1 July 2012, and have been adopted by the Group from 1 April 2013. The impact on the Group has been limited to presentation.

IFRS 10 Consolidated financial statements

This standard establishes the principles for the presentation and preparation of consolidated financial statements and replaces similar principles set out in IAS 27 Consolidated and separate financial statements and SIC-12 Consolidation – Special Purpose Entities. IFRS 10 introduces a new control model that is applicable to all investees, where control is defined as whether the investor has power over an investee; exposure or rights to variable returns from its involvement with the investee; and ability to use its power to affect those returns. The adoption of this new standard has had no impact on the consolidation of investments held by the Group and there has been no impact on the financial position or financial performance of the Group.

IFRS 11 Joint arrangements

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities – Non-Monetary Contributions by Ventures, and removes the option to account for jointly-controlled entities using proportionate consolidation. Currently the Group does not hold any interests in joint arrangements, and therefore the adoption of this new standard has had no impact on the financial position or financial performance of the Group.

IFRS 12 Disclosures of interests in other entities

This standard requires disclosure of information about the nature of, and risks associated with, the Group's interests in other entities, as well as the impact of these interests on the Group's financial position, financial performance and cash flows. The Group's financial statements for the year ended 31 March 2014 have been updated to reflect these disclosures accordingly.

Amendments to IAS 36 Impairment of assets

These amendments remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36. The amendments require disclosure of the recoverable amount for assets or cash generating units (CGUs) for which an impairment loss or reversal has been recognised during the period. The Group has decided to early adopt the amendment as of 1 April 2013, with additional disclosures made.

Notes to the Financial Information

2. 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 2014	Year to 31 March 2013	**As at 31 March 2014**	As at 31 March 2013
Euro	**1.19**	1.22	**1.21**	1.18
US Dollar	**1.59**	1.58	**1.67**	1.52
Chinese Yuan Renminbi	**9.78**	9.91	**10.34**	9.44
Hong Kong Dollar	**12.38**	12.25	**12.94**	11.79
Korean Won	**1,734**	1,758	**1,771**	1,691

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 12 months in advance of royalty receipts, was Yen 137.0: £1 in the year to 31 March 2014 (2013: Yen 126.9: £1).

3. Adjusted profit before taxation

In order to provide additional consideration of the underlying performance of the Group's on-going business, the Group's results include a presentation of Adjusted Profit before Taxation ('adjusted PBT'). Adjusted PBT is defined as profit before taxation and before adjusting items. Adjusting items are those items which, in the opinion of the Directors, should be excluded in order to provide a consistent and comparable view of the underlying performance of the Group's on-going business. Generally this will include those items that are largely one-off and material in nature and any fair value movements on options held over equity interests held for non-speculative purposes. Adjusting items are identified and presented on a consistent basis each year and a reconciliation of adjusted PBT to profit before tax is included in the financial statements. Adjusting items and their related tax impacts are added back/deducted from profit attributable to owners of the Company to arrive at adjusted earnings per share.

4. 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 the Group'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 USA.

Licensing revenues are generated through the receipt of royalties from the Group's partners in Japan and global licensees of fragrances, eyewear, timepieces and European childrenswear. Licensing revenue from royalties received under the fragrance and beauty licence has been included in the licensing segment up to 31 March 2013. From 1 April 2013, following the termination of the licence relationship, revenue from the sale of Beauty products is reported as part of the retail/wholesale segment.

The Board assesses channel performance based on a measure of adjusted operating profit. This measurement basis excludes the effects of adjusting 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.

Notes to the Financial Information

4. Segmental analysis (continued)

	Retail/Wholesale		Licensing		Total	
	Year to 31 March 2014 £m	Year to 31 March 2013 £m	**Year to 31 March 2014 £m**	Year to 31 March 2013 £m	**Year to 31 March 2014 £m**	Year to 31 March 2013 £m
Retail	**1,622.6**	1,416.6	**–**	–	**1,622.6**	1,416.6
Wholesale	**628.0**	472.7	**–**	–	**628.0**	472.7
Licensing	**–**	–	**81.6**	111.4	**81.6**	111.4
Total segment revenue	**2,250.6**	1,889.3	**81.6**	111.4	**2,332.2**	2,000.7
Inter-segment revenue[1]	**–**	–	**(2.4)**	(2.0)	**(2.4)**	(2.0)
Revenue from external customers	**2,250.6**	1,889.3	**79.2**	109.4	**2,329.8**	1,998.7
Depreciation and amortisation	**138.6**	111.1	**–**	–	**138.6**	111.1
Net impairment charges	**12.3**	11.3	**–**	–	**12.3**	11.3
Other non-cash expenses						
Share based payments	**21.6**	19.9	**3.8**	5.0	**25.4**	24.9
Adjusted operating profit	**393.5**	335.6	**66.8**	92.5	**460.3**	428.1
Adjusting items[2]					**(16.6)**	(77.1)
Finance income					**3.9**	3.4
Finance expense					**(3.2)**	(3.7)
Profit before taxation					**444.4**	350.7

(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 7 for details of adjusting items.

Segmental asset analysis

	Retail/Wholesale		Licensing		Total	
	Year to 31 March 2014 £m	Year to 31 March 2013 £m	**Year to 31 March 2014 £m**	Year to 31 March 2013 £m	**Year to 31 March 2014 £m**	Year to 31 March 2013 £m
Additions to non-current assets	**160.9**	253.6	**–**	–	**160.9**	253.6
Total segment assets	**1,200.4**	1,094.0	**5.8**	4.2	**1,206.2**	1,098.2
Goodwill					**80.2**	86.3
Cash and cash equivalents					**545.5**	426.4
Taxation					**125.0**	127.0
Assets relating to discontinued Spanish operations					**8.6**	8.3
Total assets per Balance Sheet					**1,965.5**	1,746.2

Additional revenue analysis

Revenue by product division	**Year to 31 March 2014 £m**	Year to 31 March 2013 £m
Accessories[1]	**816.1**	729.1
Womens	**684.0**	618.2
Mens	**520.8**	464.2
Childrens/Other	**78.4**	72.6
Beauty	**151.3**	5.2
Retail/Wholesale	**2,250.6**	1,889.3
Licensing	**79.2**	109.4
Total	**2,329.8**	1,998.7

(1) The Accessories revenue for the year ended 31 March 2013 has been restated to exclude Beauty retail sales.

Notes to the Financial Information

4. Segmental analysis (continued)

Revenue by destination	**Year to 31 March 2014 £m**	Year to 31 March 2013[2] £m
Asia Pacific	**870.3**	745.3
EMEIA[1]	**811.5**	680.7
Americas	**568.8**	463.3
Retail/Wholesale	**2,250.6**	1,889.3
Licensing	**79.2**	109.4
Total	**2,329.8**	1,998.7

(1) EMEIA comprises Europe, Middle East, India and Africa.

(2) As a result of an internal reorganisation, the Europe and Rest of World divisions were integrated to form EMEIA. The results for the year ended 31 March 2013 have been re-presented to reflect this organisational change.

Entity-wide disclosures

Revenue derived from external customers in the UK totalled £213.2m for the year to 31 March 2014 (2013: £170.4m).

Revenue derived from external customers in foreign countries totalled £2,116.6m for the year to 31 March 2014 (2013: £1,828.3m).This amount includes £493.8m of external revenues derived from customers in the USA (2013: £417.8m) and £318.2m of external revenues derived from customers in China (2013: £267.5m).

The total of non-current assets other than financial instruments and deferred tax assets located in the UK is £213.7m (2013: £211.5m). The remaining £394.0m of non-current assets are located in other countries (2013: £421.1m), with £136.9m located in the USA (2013: £154.3) and £84.3m located in China (2013: £73.5m).

5. Net operating expenses

	Note	**Year to 31 March 2014 £m**	Year to 31 March 2013 £m[1]
Selling and distribution costs		**673.6**	573.1
Administrative expenses		**524.6**	440.8
Adjusting items			
Amortisation of the fragrance and beauty licence intangible	7	**14.9**	–
Termination of licence relationship	7	**–**	82.9
Restructuring costs	7	**–**	(0.6)
Total		**1,213.1**	1,096.2

(1) The year ended 31 March 2013 has been re-presented to reallocate certain costs from selling and distribution costs to administrative expenses to better reflect the nature of these costs.

Notes to the Financial Information

6. Profit before taxation

	Note	**Year to 31 March 2014 £m**	Year to 31 March 2013 £m
Profit before taxation is stated after charging/(crediting):			
Depreciation of property, plant and equipment			
Within cost of sales		**0.8**	0.5
Within selling and distribution costs		**88.7**	76.2
Within administrative expenses		**16.1**	17.7
Amortisation of intangible assets			
Within selling and distribution costs		**2.2**	2.0
Within administrative expenses		**15.9**	14.7
Depreciation of investment properties		**–**	0.1
(Profit)/loss on disposal of property, plant and equipment and intangible assets		**(1.3)**	0.1
Net impairment charge relating to retail assets		**12.3**	11.3
Employee costs(1)		**441.3**	385.6
Operating lease rentals			
Minimum lease payments		**156.5**	142.6
Contingent rents		**83.2**	73.7
Net exchange loss/(gain) on revaluation of monetary assets and liabilities		**11.5**	(5.0)
Net exchange (gain)/loss on derivatives held for trading for the year		**(4.2)**	3.4
Trade receivables net impairment (reversal)/charge		**(1.5)**	2.1
Adjusting items			
Amortisation of the fragrance and beauty licence intangible	7	**14.9**	–
Put option liability finance charges	7	**1.7**	(5.2)
Termination of licence relationship	7	**–**	82.9
Restructuring costs	7	**–**	(0.6)

(1) The employee costs figure for the year ended 31 March 2013 excludes costs relating to the setup of the Beauty product division which have been included within adjusting items.

7. Adjusting items

Amortisation of the fragrance and beauty licence intangible asset

During the year ended 31 March 2013, an intangible asset of £70.9m was recognised on the Balance Sheet, relating to the present value of the anticipated incremental income to be earned by the Group as a result of selling Beauty products through retail and wholesale channels rather than under licence, following the termination of the existing licence relationship with Interparfums SA. This asset is amortised on a straight-line basis over the period 1 April 2013 to 31 December 2017. The amortisation is presented as an adjusting item, which is consistent with the treatment of the cost recognised on termination of the licence relationship in the year ended 31 March 2013. The amortisation expense recognised for the year ended 31 March 2014 is £14.9m (refer to note 12). A related tax credit of £1.9m has also been recognised in the current period.

Put option liability finance income/charge

The financing charge of £1.7m for the year ended 31 March 2014 (2013: credit of £5.2m) 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 17 for further details of the carrying value of the put option liability. No tax has been recognised on this item, as it is not considered to be deductible for tax purposes.

Termination of licence relationship

During the year ended 31 March 2013, a total of £82.9m was reported as an adjusting item relating to the termination of the fragrance and beauty licence relationship with Interparfums SA. A tax credit of £19.1m was recognised on this charge in the same period. The manufacture and distribution of Beauty products has been directly operated by the Group since 1 April 2013. No further costs relating to this transaction have been reported as adjusting in the current period.

Notes to the Financial Information

7. Adjusting items (continued)

Restructuring costs

No restructuring related items have been recognised in the year ended 31 March 2014.

During the year ended 31 March 2013, a credit was recognised for the release of £0.6m of the restructuring provision held in respect of the cost efficiency programme announced in the year to 31 March 2009. A tax charge of £0.1m was recognised in relation to this adjusting item in the same period.

8. Financing

	Note	**Year to 31 March 2014 £m**	Year to 31 March 2013 £m
Bank interest income		**2.9**	2.7
Other finance income		**1.0**	0.7
Finance income		**3.9**	3.4
Interest expense on bank loans and overdrafts		**(1.6)**	(1.9)
Bank charges		**(1.4)**	(1.4)
Other finance expense		**(0.2)**	(0.4)
Finance expense		**(3.2)**	(3.7)
Other financing (charges)/income — put option liability	7	**(1.7)**	5.2
Net finance (charge)/income		**(1.0)**	4.9

9. Taxation

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

	Year to 31 March 2014 £m	Year to 31 March 2013 £m
Current tax		
UK corporation tax		
Current tax on income for the year to 31 March 2014 at 23% (2013: 24%)	**69.1**	79.4
Double taxation relief	**(0.8)**	(0.5)
Adjustments in respect of prior years	**(3.8)**	1.0
	64.5	79.9
Foreign tax		
Current tax on income for the year	**50.9**	37.2
Adjustments in respect of prior years	**6.2**	10.2
Total current tax	**121.6**	127.3
Deferred tax		
UK deferred tax		
Origination and reversal of temporary differences	**2.3**	(19.8)
Impact of changes to tax rates	**4.1**	1.6
Adjustments in respect of prior years	**0.2**	(1.2)
	6.6	(19.4)
Foreign deferred tax		
Origination and reversal of temporary differences	**(16.9)**	(15.7)
Adjustments in respect of prior years	**0.8**	(0.7)
Total deferred tax	**(9.5)**	(35.8)
Total tax charge on profit	**112.1**	91.5

Notes to the Financial Information

9. Taxation (continued)

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

	Year to 31 March 2014 £m	Year to 31 March 2013 £m
Current tax		
Recognised in other comprehensive income		
Current tax (credit)/charge on exchange differences on loans (foreign currency translation reserve)	**(4.6)**	6.8
Total current tax recognised in other comprehensive income	**(4.6)**	6.8
Recognised in equity		
Current tax credit on share options (retained earnings)	**(9.6)**	(7.3)
Total current tax recognised directly in equity	**(9.6)**	(7.3)
Deferred tax		
Recognised in other comprehensive income		
Deferred tax charge/(credit) on cash flow hedges deferred in equity (hedging reserve)	**0.9**	(0.3)
Deferred tax (credit)/charge on cash flow hedges transferred to income (hedging reserve)	**(2.2)**	1.6
Deferred tax credit on exchange differences on loans (foreign currency translation reserve)	**–**	(5.4)
Total deferred tax recognised in other comprehensive income	**(1.3)**	(4.1)
Recognised in equity		
Deferred tax charge on share options (retained earnings)	**5.8**	9.2
Total deferred tax recognised directly in equity	**5.8**	9.2

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 2014 £m	Year to 31 March 2013 £m
Profit before taxation	**444.4**	350.7
Tax at 23% (2013: 24%) on profit before taxation	**102.2**	84.2
Rate adjustments relating to overseas profits	**(2.9)**	(7.4)
Permanent differences	**3.4**	0.9
Current year tax losses not recognised	**1.9**	2.9
Adjustments in respect of prior years	**3.4**	9.3
Adjustments to deferred tax relating to changes in tax rates	**4.1**	1.6
Total taxation charge	**112.1**	91.5

Total taxation recognised in the Group Income Statement arises on:

	Year to 31 March 2014 £m	Year to 31 March 2013 £m
Adjusted profit before taxation	**114.0**	110.5
Adjusting items	**(1.9)**	(19.0)
Total taxation charge	**112.1**	91.5

Notes to the Financial Information

10. Earnings per share

The calculation of basic earnings per share is based on profit or loss attributable to owners 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 2014 £m	Year to 31 March 2013 £m
Attributable profit for the year before adjusting items[1]	**337.2**	312.4
Effect of adjusting items[1] (after taxation)	**(14.7)**	(58.1)
Attributable profit for the year	**322.5**	254.3

(1) Refer to note 7 for details of adjusting items.

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 2014 Millions	Year to 31 March 2013 Millions
Weighted average number of ordinary shares in issue during the year	**437.9**	436.2
Dilutive effect of the employee share incentive schemes	**9.4**	10.3
Diluted weighted average number of ordinary shares in issue during the year	**447.3**	446.5

11. Dividends paid to owners of the Company

	Year to 31 March 2014 £m	Year to 31 March 2013 £m
Prior year final dividend paid 21.00p per share (2013: 18.00p)	**92.1**	78.6
Interim dividend paid 8.80p per share (2013: 8.00p)	**38.6**	34.9
Total	**130.7**	113.5

A final dividend in respect of the year to 31 March 2014 of 23.20p (2013: 21.00p) per share, amounting to £101.8m (2013: £91.5m), 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 31 July 2014 to shareholders on the register at the close of business on 4 July 2014.

Notes to the Financial Information

12. Intangible assets

Cost	Goodwill £m	Trade marks, licences and other intangible assets £m	Computer software[1] £m	Intangible assets in the course of construction[1] £m	Total £m
As at 1 April 2012	81.2	25.7	67.6	2.3	176.8
Effect of foreign exchange rate changes	5.1	0.1	0.8	–	6.0
Additions	–	73.2	9.3	5.8	88.3
Disposals	–	–	(2.1)	–	(2.1)
Reclassifications from assets in the course of construction	–	–	2.3	(2.3)	–
As at 31 March 2013	86.3	99.0	77.9	5.8	269.0
Effect of foreign exchange rate changes	(6.8)	(0.4)	(1.6)	–	(8.8)
Additions	–	0.3	17.3	8.4	26.0
Reclassifications from assets in the course of construction	–	–	4.9	(4.9)	–
Business combinations	0.7	–	–	–	0.7
As at 31 March 2014	**80.2**	**98.9**	**98.5**	**9.3**	**286.9**
Accumulated amortisation and impairment					
As at 1 April 2012	–	12.3	31.4	–	43.7
Effect of foreign exchange rate changes	–	–	0.5	–	0.5
Charge for the year	–	2.1	14.6	–	16.7
Disposals	–	–	(2.1)	–	(2.1)
As at 31 March 2013	–	14.4	44.4	–	58.8
Effect of foreign exchange rate changes	–	(0.3)	(1.0)	–	(1.3)
Charge for the year	–	17.2	15.8	–	33.0
Net impairment charge on assets (note 13)	–	1.0	–	–	1.0
As at 31 March 2014	**–**	**32.3**	**59.2**	**–**	**91.5**
Net book value					
As at 31 March 2014	**80.2**	**66.6**	**39.3**	**9.3**	**195.4**
As at 31 March 2013	86.3	84.6	33.5	5.8	210.2

(1) As at 1 April 2012 and 31 March 2013, £2.3m and £5.8m respectively was reclassified from Computer software to Assets in the course of construction, as this was more reflective of the nature of these assets.

<u>Fragrance and beauty intangible asset</u>
During the year ended 31 March 2013, an intangible asset of £70.9m was recognised on the Balance Sheet, relating to the present value of the anticipated incremental income to be earned by the Group as a result of selling Beauty products through retail and wholesale channels rather than under licence following the termination of the existing licence relationship with Interparfums SA. This asset is presented within the intangible asset category 'trade mark, licences and other intangible assets', and is being amortised on a straight-line basis over the period 1 April 2013 to 31 December 2017. The carrying value of the Beauty intangible at 31 March 2014 is £56.0m (2013: £70.9m).

<u>Burberry (Thailand) Limited</u>
On 29 November 2013, the Group acquired assets with a fair value of £0.8m from a franchise partner in Thailand, for a total cash consideration of £1.5m. As a result of this transaction, £0.7m of goodwill has been recognised in the year ended 31 March 2014.

Notes to the Financial Information

12. Intangible assets (continued)

Impairment testing of goodwill

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

	As at 31 March 2014 £m	As at 31 March 2013 £m
China[1]	**40.7**	44.7
Korea	**23.3**	24.4
Other	**16.2**	17.2
Total	**80.2**	86.3

(1) The goodwill reported for China does not include any goodwill attributable to the non-controlling interest.

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 have been prepared using management's approved financial plans for the three years ending 31 March 2017. These plans contain management's best view of the expected performance for the year ending 31 March 2015 and the expected growth rates for the two years ending 31 March 2016 and 31 March 2017. The plans are based on the performance achieved in the current year and management's knowledge of the market environment and future business plans. A terminal value has been included in the value-in-use calculation based on the cash flows for the year ending 31 March 2017 incorporating the assumption that there is no growth beyond 31 March 2017.

For the material goodwill balances of China and Korea, a sensitivity analysis has been performed on the value-in-use calculations by assuming no growth beyond the year ending 31 March 2015. This sensitivity analysis indicated significant headroom between the recoverable amount under this scenario and the carrying value of goodwill and therefore management considered no further detailed sensitivity analysis was required.

The pre-tax discount rates for China and Korea were 17.2% and 14.6% respectively (2013: 15.6%; 13.1%).

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.

Notes to the Financial Information

13. 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 2012	54.2	247.6	270.9	34.5	607.2
Effect of foreign exchange rate changes	2.9	12.3	8.9	(0.4)	23.7
Additions	15.0	53.5	78.0	18.8	165.3
Disposals	–	(17.9)	(16.8)	–	(34.7)
Transfer from assets held for sale	28.8	–	6.5	–	35.3
Reclassification from assets in the course of construction	3.3	7.6	18.8	(29.7)	–
As at 31 March 2013	104.2	303.1	366.3	23.2	796.8
Effect of foreign exchange rate changes	(6.6)	(25.4)	(20.7)	(1.7)	(54.4)
Additions	1.0	55.4	60.4	18.1	134.9
Disposals	(2.3)	(13.7)	(12.0)	(0.1)	(28.1)
Reclassification from assets in the course of construction	–	10.2	10.3	(20.5)	–
Business combination	–	–	0.1	–	0.1
As at 31 March 2014	**96.3**	**329.6**	**404.4**	**19.0**	**849.3**
Accumulated depreciation and impairment					
As at 1 April 2012	16.9	110.4	151.1	–	278.4
Effect of foreign exchange rate changes	0.5	6.1	4.6	–	11.2
Charge for the year	1.3	37.2	55.9	–	94.4
Disposals	–	(17.9)	(16.7)	–	(34.6)
Transfer from assets held for sale	20.5	–	6.5	–	27.0
Net impairment charge on assets	–	5.4	5.9	–	11.3
As at 31 March 2013	39.2	141.2	207.3	–	387.7
Effect of foreign exchange rate changes	(2.0)	(12.8)	(12.5)	–	(27.3)
Charge for the year	1.5	36.0	68.1	–	105.6
Disposals	(2.0)	(12.5)	(11.9)	–	(26.4)
Net impairment charge on assets	–	5.7	5.6	–	11.3
As at 31 March 2014	**36.7**	**157.6**	**256.6**	**–**	**450.9**
Net book value					
As at 31 March 2014	**59.6**	**172.0**	**147.8**	**19.0**	**398.4**
As at 31 March 2013	65.0	161.9	159.0	23.2	409.1

(1) Included in fixtures, fittings and equipment are finance lease assets with a net book value of £2.8m (2013: £3.4m).

In September 2010, £17.0m of assets were reclassified to assets held for sale, representing the carrying value of the freehold properties in Spain. The property was subsequently written down to its fair value less costs to sell. During the year ended 31 March 2013 the conditions in the Spanish property market indicated that it may be difficult to realise the sale of the remaining property within 12 months. As a result, at 31 March 2013 £8.3m was transferred back into freehold land and buildings, representing the carrying value of this property. Management remains committed to selling the property and continues to actively market it as such.

During the year to 31 March 2014, a net impairment charge of £12.3m (2013: £11.3m) was identified as part of the annual impairment review of the retail store assets, £11.3m charged against property, plant and equipment and £1.0m charged against intangible assets. The impairment charge relates to 29 retail cash generating units (2013: 20 cash generating units) for which the total recoverable amount at the balance sheet date is £10.0m (2013: £6.6m).

Where indicators of impairment were identified, the impairment review compared the value-in-use of the assets to the carrying values at 31 March 2014. The pre-tax cash flow projections were based on financial plans of expected revenues and costs of each retail cash generating unit, as approved by management, and extrapolated beyond the budget year to the lease exit dates using growth rates and inflation rates appropriate to each store's location. The pre-tax discount rates used in these calculations were between 12.4% and 18.3% (2013: between 11.8% and 18.2%), based on the Group's weighted average cost of capital adjusted for country-specific tax rates and risks.

Notes to the Financial Information

14. Trade and other receivables

	As at 31 March 2014 £m	As at 31 March 2013 £m
Non-current		
Deposits and other receivables	**31.0**	29.3
Prepayments	**11.3**	10.6
Total non-current trade and other receivables	**42.3**	39.9
Current		
Trade receivables	**171.2**	116.6
Provision for doubtful debts	**(5.3)**	(7.3)
Net trade receivables	**165.9**	109.3
Other financial receivables	**14.1**	10.4
Other non-financial receivables	**20.3**	15.2
Prepayments	**27.5**	21.6
Accrued income	**3.6**	3.1
Total current trade and other receivables	**231.4**	159.6
Total trade and other receivables	**273.7**	199.5

Included in total trade and other receivables are non-financial assets of £59.1 (2013: £47.4m).

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 2014, trade receivables of £14.1m (2013: £27.0m) were impaired. The amount of the provision against these receivables was £5.3m as of 31 March 2014 (2013: £7.3m). It was assessed that a portion of the receivables is expected to be recovered. The ageing of the impaired trade receivables is as follows:

	As at 31 March 2014 £m	As at 31 March 2013 £m
Current	**–**	0.5
Less than one month overdue	**9.7**	20.4
One to three months overdue	**0.7**	1.8
Over three months overdue	**3.7**	4.3
	14.1	27.0

As at 31 March 2014, trade receivables of £12.8m (2013: £5.4m) were overdue but not impaired. The ageing of these overdue receivables is as follows:

	As at 31 March 2014 £m	As at 31 March 2013 £m
Less than one month overdue	**7.6**	3.7
One to three months overdue	**4.5**	1.7
Over three months overdue	**0.7**	–
	12.8	5.4

Notes to the Financial Information

14. Trade and other receivables (continued)

Movement on the provision for doubtful debts is as follows:

	Year to 31 March 2014 £m	Year to 31 March 2013 £m
As at 1 April	**7.3**	7.6
Increase in provision for doubtful debts	**–**	2.5
Receivables written off during the year as uncollectable	**(0.5)**	(2.4)
Unused provision reversed	**(1.5)**	(0.4)
As at 31 March	**5.3**	7.3

As at 31 March 2014 there were no impaired receivables within other receivables (2013: £nil).

The carrying amounts of the Group's non-derivative financial assets excluding cash and cash equivalents by region are:

	Year to 31 March 2014 £m	Year to 31 March 2013 £m
Asia Pacific	**88.2**	75.4
EMEIA	**70.8**	53.0
Americas	**55.6**	23.7
	214.6	152.1

15. Inventories

	As at 31 March 2014 £m	As at 31 March 2013 £m
Raw materials	**36.3**	14.7
Work in progress	**2.7**	0.7
Finished goods	**380.8**	335.6
Total inventories	**419.8**	351.0

The cost of inventories recognised as an expense and included in cost of sales amounted to £646.2m (2013: £535.8m). The net movement in inventory provisions included in cost of sales for the year ended 31 March 2014 was a cost of £13.3m (2013: £8.6m).

The cost of finished goods physically destroyed in the year is £11.0m (2013: £5.5m).

16. Cash and cash equivalents

	As at 31 March 2014 £m	As at 31 March 2013 £m
Cash at bank and in hand	**275.4**	234.7
Short-term deposits	**270.1**	191.7
Total	**545.5**	426.4

Notes to the Financial Information

17. Trade and other payables

	As at 31 March 2014 £m	As at 31 March 2013[1] £m
Non-current		
Put option liability over non-controlling interest	**51.3**	55.0
Other payables	**4.4**	5.1
Deferred income and non-financial accruals	**51.7**	47.9
Total non-current trade and other payables	**107.4**	108.0
Current		
Trade payables	**174.3**	118.2
Other taxes and social security costs	**48.5**	43.6
Deferred consideration	**–**	1.1
Other payables	**5.7**	9.1
Accruals	**140.1**	140.6
Deferred income and non-financial accruals	**31.2**	27.2
Total current trade and other payables	**399.8**	339.8
Total trade and other payables	**507.2**	447.8

(1) As at 31 March 2013, £19.0m was reclassified from Deferred income and non-financial accruals to Other taxes and social security costs, as this was more reflective of the nature of these liabilities.

Included in total trade and other payables are non-financial liabilities of £131.4 (2013: £118.7m) of which £51.7m are non-current (2013: £47.9m).

Put option liability over non-controlling interest

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 1 September 2015 in the case of the call option, and after 1 September 2020 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 value of the put option liability is £51.3m at 31 March 2014 (2013: £55.0m). The movement in the liability for the period includes an increase of £1.7m relating to unrealised fair value movements, as described in note 7, offset by the impact of translation of the put liability to the Group's presentational currency.

The key inputs applied in arriving at the value of the put option are the future performance of the Group's business in China; the average historic Burberry Group plc multiple; and the risk adjusted discount rate for China, taking into account the risk free rate in China. The future performance of the business is estimated by using management's business plans together with long-term observable growth forecasts.

The carrying value of the put option liability is dependent on assumptions applied in determining these key inputs, and is subject to change, in the event that there is a change in any of those assumptions. The valuation is updated at every reporting period or more often if a significant change to any input is observed.

A 10% increase/decrease in the future performance of the Group's business in China at the put option exercise date would result in a £5.1m increase/decrease in the carrying value of the put option liability at 31 March 2014, and a corresponding £5.1m loss/gain in the profit before taxation for the year ended 31 March 2014.

A 1% increase/decrease in the risk adjusted discount rate for China would result in a £3.0m decrease/£3.1m increase in the carrying value of the put option liability at 31 March 2014, and a corresponding £3.0m gain/£3.1m loss in the profit before taxation for the year ended 31 March 2014.

Ultimately, the put option liability is subject to a contractual cap of £200m. The undiscounted value of the put option liability at 31 March 2014 is £115.3m (2013: £144.5m).

Notes to the Financial Information

18. Provisions for other liabilities and charges

	Property obligations £m	Restructuring costs £m	Other costs £m	Total £m
Balance as at 1 April 2012	18.5	3.5	1.3	23.3
Effect of foreign exchange rate changes	0.6	–	(0.2)	0.4
Created during the year	10.1	–	5.0	15.1
Discount unwind	0.4	–	–	0.4
Utilised during the year	(1.8)	(1.0)	(0.6)	(3.4)
Released during the year	(2.0)	(0.6)	(0.5)	(3.1)
Balance as at 31 March 2013	25.8	1.9	5.0	32.7
Effect of foreign exchange rate changes	(1.6)	–	–	(1.6)
Created during the year	6.3	–	0.2	6.5
Discount unwind	0.2	–	–	0.2
Utilised during the year	(3.4)	(0.4)	(0.9)	(4.7)
Released during the year	(4.4)	–	(2.1)	(6.5)
Balance as at 31 March 2014	**22.9**	**1.5**	**2.2**	**26.6**

	As at 31 March 2014 £m	As at 31 March 2013 £m
Analysis of total provisions:		
Non-current	**15.9**	19.8
Current	**10.7**	12.9
Total	**26.6**	32.7

The non-current provisions relate to provisions for onerous leases and property reinstatement costs which are expected to be utilised within 22 years. Of the total £1.5m restructuring provision (2013: £1.9m), £1.4m represents a current liability (2013: £1.7m). The £0.1m non-current portion relates to an onerous lease (2013: £0.2m).

19. Bank overdrafts and borrowings

Included within bank overdrafts is £140.9m (2013: £125.6m) representing balances on cash pooling arrangements in the Group.

The Group has a number of committed and uncommitted overdraft and borrowing facilities agreed with third-party banks. At 31 March 2014, the Group held bank overdrafts of £2.1m (2013: £4.2m) excluding balances on cash pooling arrangements.

On 28 March 2011, a £300m multi-currency revolving credit facility was agreed with a syndicate of third-party banks. At 31 March 2014, there were no outstanding drawings (2013: £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.

Notes to the Financial Information

20. Share capital and reserves

Allotted, called up and fully paid share capital	Number	£m
Ordinary shares of 0.05p (2013: 0.05p) each		
As at 1 April 2012	438,768,108	0.2
Allotted on exercise of options during the year	3,392,223	–
As at 31 March 2013	442,160,331	0.2
Allotted on exercise of options during the year	1,481,959	–
As at 31 March 2014	**443,642,290**	**0.2**

At 31 March 2014, there were no 0.05p ordinary shares in issue held as treasury shares (2013: 30,027).

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 2014, no ordinary shares were repurchased by the Company under this authority (2013: 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 2014 the amounts offset against this reserve are £69.7m (2013: £88.1m). As at 31 March 2014, the ESOP trusts held 5.2m shares (2013: 6.9m) in the Company, with a market value of £72.5m (2013: £91.7m). In the year to 31 March 2014 the Burberry Group plc ESOP trust has waived its entitlement to dividends of £1.3m (2013: £1.0m).

During the year profits of £3.0m (2013: £3.1m) 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			
	Capital reserve £m	Hedging reserve £m	Foreign currency translation reserve £m	Total £m
Balance as at 1 April 2012	33.9	4.9	118.6	157.4
Other comprehensive income:				
Cash flow hedges — gains deferred in equity	–	6.9	–	6.9
Cash flow hedges — gains transferred to income	–	(1.2)	–	(1.2)
Foreign currency translation differences	–	–	33.8	33.8
Tax on other comprehensive income	–	(1.3)	(1.4)	(2.7)
Total comprehensive income for the year	–	4.4	32.4	36.8
Transfer between reserves	3.1	–	–	3.1
Balance as at 31 March 2013	37.0	9.3	151.0	197.3
Other comprehensive income:				
Cash flow hedges — gains deferred in equity	–	4.2	–	4.2
Cash flow hedges — gains transferred to income	–	(9.2)	–	(9.2)
Foreign currency translation differences	–	–	(50.9)	(50.9)
Tax on other comprehensive income	–	1.3	4.6	5.9
Total comprehensive expense for the year	–	(3.7)	(46.3)	(50.0)
Transfer between reserves	3.0	–	–	3.0
Balance as at 31 March 2014	40.0	5.6	104.7	150.3

21. Capital commitments

	As at 31 March 2014 £m	As at 31 March 2013 £m
Capital commitments contracted but not provided for:		
Property, plant and equipment	**26.1**	25.8
Intangible assets	**2.2**	1.6
Total	**28.3**	27.4

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

Notes to the Financial Information

22. 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 2014 £m	Year to 31 March 2013 £m
Salaries and short-term benefits	**15.0**	9.5
Termination payments	**–**	0.4
Post-employment benefits	**0.2**	0.1
Share based compensation	**3.0**	6.6
Total	**18.2**	16.6

23. Contingent Liabilities
The Group is subject to claims against it and tax audits covering, amongst others, valued added taxes, sales taxes, customs duties, corporate taxes and payroll taxes. These arise in the normal course of business and in a number of jurisdictions. These matters are inherently difficult to quantify. Where appropriate, the estimated cost of known obligations have been provided in these financial statements in accordance with the Group’s accounting policies. While changes to the amounts that may be payable could be material to the results or cash flows of the Group in the period in which they are recognised the Group does not expect the outcome of these contingent liabilities to have a material effect on the Group’s financial condition.