



BURBERRY
ESTABLISHED 1856

ANNUAL REPORT 2014/15



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FINANCIAL HIGHLIGHTS

Revenue (Year to 31 March)

£2,523 M

2015	2,523
2014	2,330
2013	1,999
2012	1,857
2011	1,501

Adjusted profit before tax (Year to 31 March)

£456 M

2015	456
2014	461
2013	428
2012	376
2011	298

Adjusted profit before tax is stated before adjusting items.
Reported profit before tax £445m (2014: £444m)

Adjusted diluted EPS (Year to 31 March)

76.9 P

2015	76.9
2014	75.4
2013	70.0
2012	61.6
2011	48.9

Adjusted diluted EPS is stated before adjusting items.
Reported diluted EPS 75.1p (2014: 72.1p)

Net cash (As at 31 March)

£552 M

2015	552
2014	403
2013	297
2012	338
2011	298

Dividend per share (Year to 31 March)

35.2 P

2015	35.2
2014	32.0
2013	29.0
2012	25.0
2011	20.0

Capital expenditure (Year to 31 March)

£156 M

2015	156
2014	154
2013	176
2012	153
2011	108

Adjusted profit before tax and adjusted diluted EPS is defined in note 2 of the financial statements.

STRATEGIC REPORT

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INTRODUCTION

This is Burberry's Strategic Report for the financial year ending 31 March 2015. The Report sets out information on the Burberry brand, business operations, strategy, culture and its activities aimed at driving positive environmental and social impact. The following messages from Sir John Peace and Christopher Bailey highlight Burberry's performance during the year and the outlook for the Company.

CHAIRMAN'S LETTER

In the context of a dynamic year, Burberry delivers a strong performance for 2014/15.



Sir John Peace
Chairman

I am pleased to report that Burberry has delivered a strong financial performance for 2014/15, with revenue of £2.5bn, up 11% underlying and adjusted profit before tax of £456m, up 7% underlying.

Against a challenging external environment and with rapidly changing consumer behaviour, Burberry has evolved and executed on its key strategies and initiatives. Principal drivers of growth were the Company's continuing investment in retail and digital, as well as the global team's focus on our core products, the British-made Heritage trench coats and cashmere scarves.

Burberry continued to deliver robust growth during the year, reflecting the strength of the brand and its products, underpinned by continued investment in key growth initiatives. These included new stores in flagship markets, digital infrastructure improvements (such as the upgraded mobile site and inventory fulfilment in China), and increased marketing, particularly focused on our flagship stores, iconic products and festive periods.

This Report sets out further detail on the progress made during the year across all our core strategies.

Dividend

The Group ended the year with a £552m cash balance, and the Board has recommended a 10% increase in the full year dividend to 35.2p, a dividend payout ratio of 46% up from 42% last year. Returns to shareholders remain a key priority for the Board and as stated in our Report last year, the aim is to move progressively to a 50% payout ratio over the three years to the 2016/17 financial year.

Management and Board changes

This has been a dynamic year for Burberry with Christopher Bailey's leadership fully embedded and a number of other changes made to the Board as it continues to evolve for the future.

Christopher has set a clear vision for the evolution of the Group's strategic agenda to enable the Company to continue to innovate and move forward to achieve its future ambitions, while continuing to create value for shareholders. In this, he is supported by an excellent senior management team.

During the year, in addition to supporting the management transition, the Board has continued to focus on building on its relevant skills and competencies for the future under its succession plan. The composition of the Board has evolved significantly over the past two years with the appointment of four new non-executive directors, including the appointment of Carolyn McCall and Fabiola Arredondo during the year. These appointments bring important skills and experience to the Board reflecting the Group's strategy.

Shareholder engagement

The Board's dialogue with our shareholders has been a key focus during the year. In particular the Board has been reflecting carefully on the voting results of last year's Annual General Meeting. While we received 84% of votes in favour of the Group's remuneration policy, we were very disappointed that we did not receive majority support for the advisory vote on the Directors' Remuneration Report. Consequently, there has been significant engagement with our shareholders and other stakeholders on remuneration matters, as set out in detail in the Directors' Remuneration Report on pages 81 to 103.

Governance and diversity

As Chairman, I am committed to Burberry seeking to operate to the highest standards of corporate governance. An independent evaluation was undertaken of the Board and our Committees during the year. I am pleased to report that the results were positive and confirmed that the Board operates effectively, in an open and collegiate manner.

While all Board appointments are made on merit, the Board believes in the importance of a diverse Board and has always had strong gender diversity among its membership, including at executive level. Female Board members currently comprise 33% of the Board, exceeding the goal of 25% set by Lord Davies in his review of the diversity in Britain's FTSE 100 boardrooms. The Board will continue to monitor diversity and take such steps as it considers appropriate to maintain Burberry's position as a meritocratic and diverse business.

Our new strategy 'Build our Culture' reflects our continuing commitment to building our unique culture and ensuring that our values are reflected in everything we do.

Looking ahead

Looking ahead to 2015/16, with the external environment becoming more uncertain in some markets since the start of the year, Burberry will continue to tightly control costs, invest selectively to drive growth while embedding more productive and efficient processes throughout the business. Key investments will include stores in flagship markets, technology and continued digital enhancements.

Finally, we recognise that our continued success is dependent upon the hard work of our talented global teams and on behalf of the Board I would like to thank them all for their efforts. I would also like to thank our customers, shareholders and others who engage with the brand for their continued support.

CHIEF CREATIVE AND CHIEF EXECUTIVE OFFICER'S LETTER

2014/15 was another successful year for Burberry, as we moved forward into our next chapter and evolved our strategies for a new era.



Christopher Bailey
Chief Creative and Chief Executive Officer

As a 'young, old' company, we have always looked to the past as we have embraced the future. And so this year, perhaps more than any other in recent memory, has also been about going back to our roots, about remembering what made Burberry the company it is today, and celebrating anew the timeless and authentic products that embody our 159-year-old brand.

As we have been writing our next chapter, the world has been changing around us, with macroeconomic uncertainty and rapidly evolving consumer behaviour demanding ever-greater agility and a more dynamic mindset to stay ahead.

Through all this, certain fundamentals have remained constant. Our objective to outperform. Our open and united culture. Our passionate and committed teams. These have been – and remain – critical to our success.

And we are proud of our achievements this past year.

With revenues of £2.5bn, up 11% underlying, and adjusted profit before tax of £456m, up 7% underlying, Burberry delivered a strong financial performance despite some challenging conditions for the luxury sector globally, most notably in Hong Kong. While exchange rate movements negatively impacted reported numbers for the year, the underlying health of the business remained robust and brand momentum continued, underpinned by our ongoing investment in long-term growth initiatives. Highlights included a 9% increase in comparable store sales, reflecting our strategic focus on the retail channel; the sustained outperformance of our digital business; and double-digit growth in the Americas and EMEA regions.

Four themes have shaped this performance, guiding our strategic focus and becoming the touchstones for everything we do.

Our commitment to the principles of Brand First and Famous for Product was vividly expressed during the year in a global celebration of our heritage that emphatically reasserted our identity and our brand.

At its core were the iconic, British-made trench coats and cashmere scarves that represent the heart of our product offer. We took the heritage trench back to its roots with a

radical simplification of styles that reconnected customers to its meaning and purpose, while also bringing the scarf centre stage to launch our first monogramming service online. Every major brand event and initiative over the year restated our pride in the craftsmanship of these products and in our British roots, alongside the passion for music and digital innovation that have become every bit as relevant to our contemporary brand identity. From the introduction of the runway poncho and the launch of My Burberry, to our Festive partnership with Printemps in Paris and a major brand event that brought the streets of London to life in Shanghai, we aimed to make this unique brand signature unmistakable – and unmissable.

The energy with which we pursued our brand and product goals during the year was mirrored by a relentless focus on being Customer-centric – the third of our four guiding themes. The merging of our online and offline worlds remained a hallmark of our efforts here, as we sought to provide outstanding experiences to a luxury customer who is ever more global, and ever more digital. Initiatives including the relaunch of our mobile site and the roll-out of our 'Collect-in-Store' programme resonated strongly, as did the expansion of third-party digital partnerships – giving customers on leading platforms globally a more authentic experience of our brand. And we continued to invest in enhancing our data and insight capabilities, knowing that the key to serving our customers better is understanding them better.

Stores remain a critical part of how customers experience our brand in an omnichannel world, and we continued to refine our physical presence in both retail and wholesale during the year. New openings included a magnificent flagship relocation in Los Angeles on Rodeo Drive, while further investment in Travel Retail reinforced the exciting future potential of this channel for the brand. Meanwhile, in Japan, the outstanding customer response to the global collection in our own retail stores underscored our confidence in the prospects for this market under direct operation, the transition to which we will complete in the coming year.

The final theme shaping our activity has been our commitment to becoming more Productive and Responsible in everything we do.

As we look to build on the investments of recent years to drive enhanced profitability, we are embedding a more productive and efficient mindset throughout the business. While we anticipate gains will build over time, some early

progress in 2014/15 points the way for the future – with an intense focus on retail productivity, greater scrutiny of operating costs and streamlined governance arrangements all bringing benefits during the year. We know we have more to do in this area and are developing plans to realise more improvements over the coming years. Our collective will to make progress is clear.

Alongside this push for greater productivity, we also placed ever-greater emphasis on our drive towards social and environmental responsibility over the year. Highlights included the launch of a sustainable cotton farming initiative in Peru; becoming the first luxury retailer and manufacturer to gain full UK Living Wage accreditation; and the creation of opportunities for the next generation of talent through external partnerships and the work of the Burberry Foundation, which remained the main beneficiary of the 1% of annual profits we donate to charitable causes. And, because we believe that greater shared responsibility towards the communities and environment in which we operate must go hand in hand with a strong sense of individual responsibility to each other, we continued to foster greater connectivity and a 'one team' mentality across Burberry, including moving to a fully open-plan working environment in our London headquarters. Named by LinkedIn as the 36th most in-demand employer globally in 2014, we know how important our unique culture is to attracting and retaining the best talent, and to delivering on our strategic ambitions. Our creation of a new cultural strategy reflects this importance, and it will remain a priority.

We end the year proud of our global teams' achievements in an external environment that presented challenges for the luxury sector as a whole, and aware that experts predict continued volatility into 2015/16 and beyond. In this context we will maintain our focus on the things we can control, staying agile and responsive to change as we target sector outperformance through opportunities across channels, product categories and markets. We have never been clearer as a team about where we need to focus, nor more united in pursuit of our goals.

To conclude, I would like to extend my thanks to the near 11,000-strong Burberry community for their exceptional achievements over the year, and to the external network of partners, customers and shareholders who play such an important part in our success. It is my privilege to be working alongside you at this Company that I love, and of which we are all intensely proud.





Senior Leadership Team pictured left to right:
Paul Price Chief Merchandising Officer
Steve Sacks Chief Customer Officer
Donald Kohler Chief Merchandising Operations Officer
Simona Cattaneo Senior Vice President, Beauty
Fabrizio Fabbro Senior Vice President, Creative Operations
John Smith Chief Operating Officer
Sarah Manley Chief Marketing Officer
Michael Mahony Chief Corporate Affairs Officer and General Counsel
Roberto Canevari Chief Supply Chain Officer
Christopher Bailey Chief Creative and Chief Executive Officer
Greg Stogdon Senior Vice President, Creative Media
Matt McEvoy Chief of Strategy and New Business Development
Luc Goidadin Chief Design Officer
Andrew Maag Chief Executive Officer, EMEA & Americas
Jan Hepp President, Americas
Carol Fairweather Chief Financial Officer
Pascal Perrier Chief Executive Officer, Asia Pacific
Stephen Gilbert Senior Vice President, Architecture

BURBERRY GROUP OVERVIEW

Burberry is a global British luxury brand with a heritage of design, innovation and craftsmanship. The following pages set out the Company's business and operating models and information relating to its sales channels, regional presence, products and the external market in which it operates.



BUSINESS MODEL: A DISTINCTIVE GLOBAL LUXURY BRAND

Founded in 1856, Burberry is a global luxury brand with a distinctive British identity. Since then, the brand has built a reputation for design, innovation and craftsmanship. With the invention of gabardine by Thomas Burberry more than 130 years ago, outerwear has been at the core of the business and remains so today – best expressed through the iconic Burberry trench coat.

The Company designs, makes, sources and sells products under the Burberry brand. Product design and development are centred in Burberry's London headquarters. Fabrics and other materials are bought from, and finished products manufactured at, both Company-owned facilities in the UK and through an external supplier network, predominantly located in Europe. Creative and marketing content and programmes are developed internally to engage and

connect the brand and its products with consumers. Burberry products are sold globally through its stores and Burberry.com, as well as through third-party wholesale customers, both offline and online. In a few selected areas, Burberry uses the product and distribution expertise of licensing partners to develop the business. These activities are executed by a global team of almost 11,000 employees.

Four key themes underpin the Company's strategic agenda, shaping and connecting its global activities. These key themes are set out below.

Brand first

The business is led by the brand, with decisions taken in its best long-term interests.

- Authentic British heritage with rich cultural and historical associations.
- Craftsmanship, innovation, design and creativity are key characteristics.
- Broad global appeal across genders and generations.
- Global engagement driven by innovative creative content and experiences, supported by digital, social and traditional media.

Customer-centric

The customer is central to the Company's activities. Burberry aims to be sector-leading in understanding, engaging and serving its customers, both online and offline.

- A culture of continuous improvement in the design and execution of customer-facing initiatives and services.
- Online and in-store innovations which work together to create a seamless experience wherever customers encounter the brand.

Famous for product

Burberry is committed to the creation of authentic and distinctive products and continuous innovation in design and manufacturing.

- Globally recognised iconic products, including the British-made Heritage trench coat and cashmere scarf.
- Product divisions are Womens, Mens and Childrens apparel, Accessories, and Beauty (which includes fragrance and make-up).

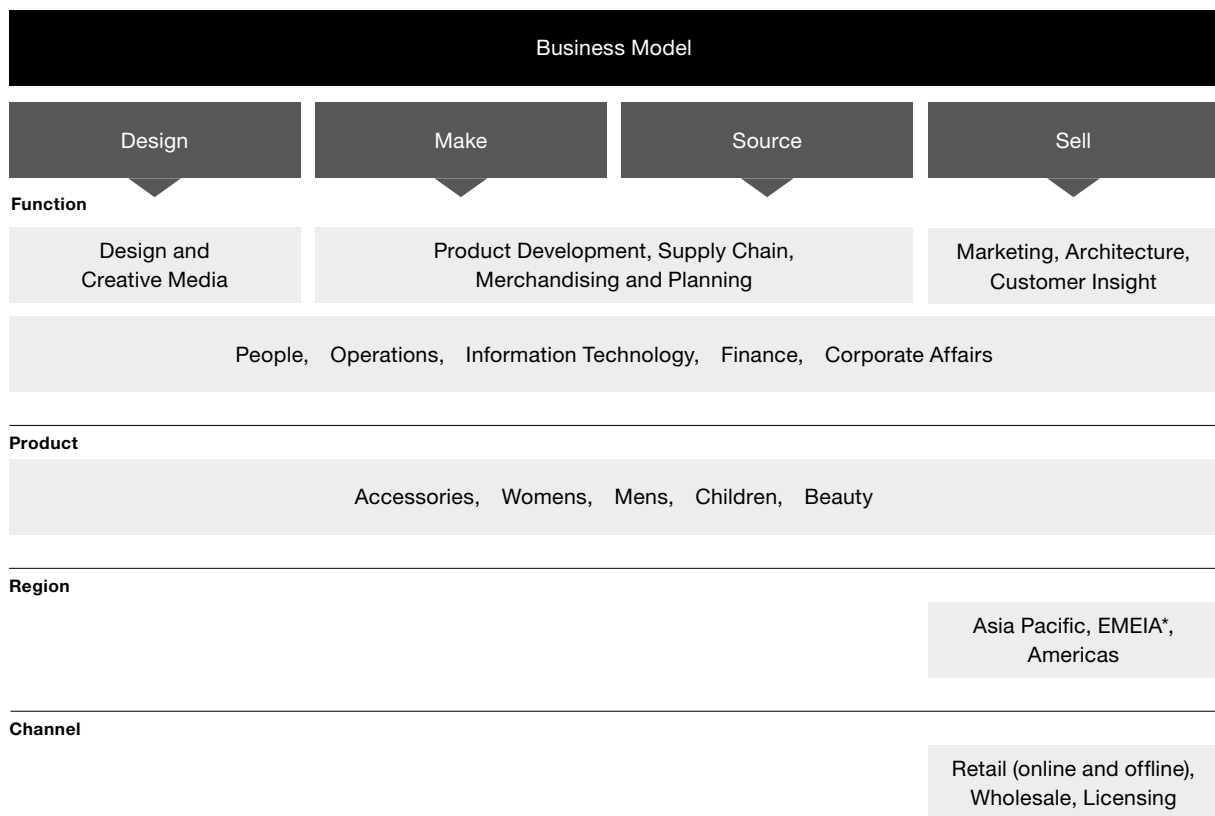
Productive and responsible

More productive and efficient ways of working are a priority across the organisation, together with ensuring a culture of responsibility.

- Committed to sustainable business practices.
- Driving efficiency and productivity across the organisation through the effective use of technology and resources.
- A team-orientated approach, empowering a highly connected organisation.

OPERATING MODEL

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



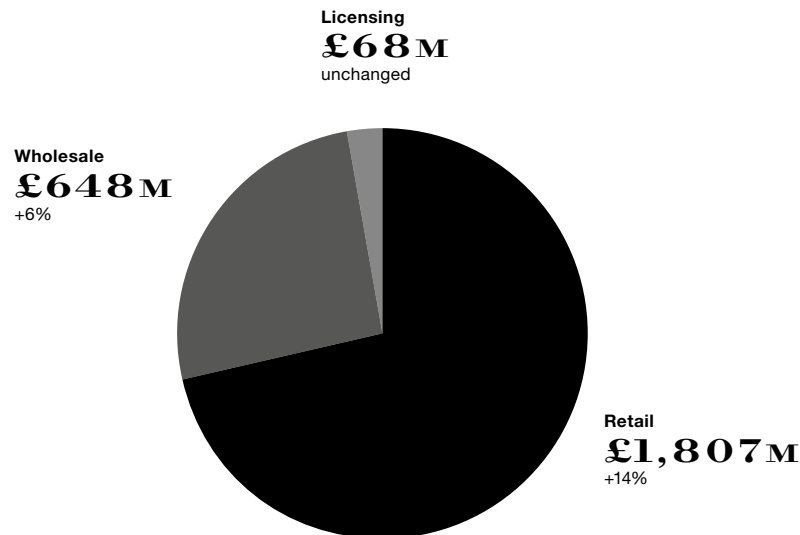
* Europe, Middle East, India and Africa.

CHANNEL MIX

Burberry sells its products through retail (online and offline) and wholesale channels. For 2014/15, retail accounted for 71% of revenue and wholesale 26%. Burberry also has licensing agreements globally, leveraging the local and technical expertise of its licence partners.

Revenue by channel

Growth is presented underlying and is calculated at constant exchange rates



Retail

Includes 214 mainline stores, 213 concessions within department stores, digital commerce and 57 outlets

- 14% underlying growth
- 9% comparable sales growth
- 16 mainline store openings, including Los Angeles and Osaka flagships and seven airport stores

Wholesale

Includes sales to department stores, multi-brand specialty accounts, travel retail and franchisees who operate 67 Burberry stores, and Beauty to around 80 distributors globally

- 6% underlying growth (1% excluding Beauty)
- Beauty wholesale revenue of £175m, up 25% underlying

Licensing

Includes income from Burberry's licensees, approximately 80% from Japan with the balance from global product licences (eyewear and watches) and the European wholesale childrens licence

- Unchanged revenue underlying
- £53m of royalty income from Japan in last full year of operation
- Global product licences (watches and eyewear) broadly unchanged underlying

The Japan licence will expire during 2015/16. For information on plans for Burberry in Japan see 'Unlock Market Opportunity' on page 36.

REGIONAL MIX

Burberry operates in three regions. For 2014/15, Asia Pacific represented 38% of retail/wholesale revenue, Europe, Middle East, India and Africa (EMEIA) 35% and Americas 27%.

Retail/wholesale revenue by destination

Growth is presented underlying and is calculated at constant exchange rates



Americas

- 16% underlying growth
- Retail accounted for about 65% of revenue
- Double-digit comparable sales growth
- Digital penetration in the USA more than twice the global average

EMEIA

- 12% underlying growth
- Retail accounted for over 65% of revenue
- Double-digit comparable sales growth
- About half of mainline sales were made to travelling luxury customers

Asia Pacific

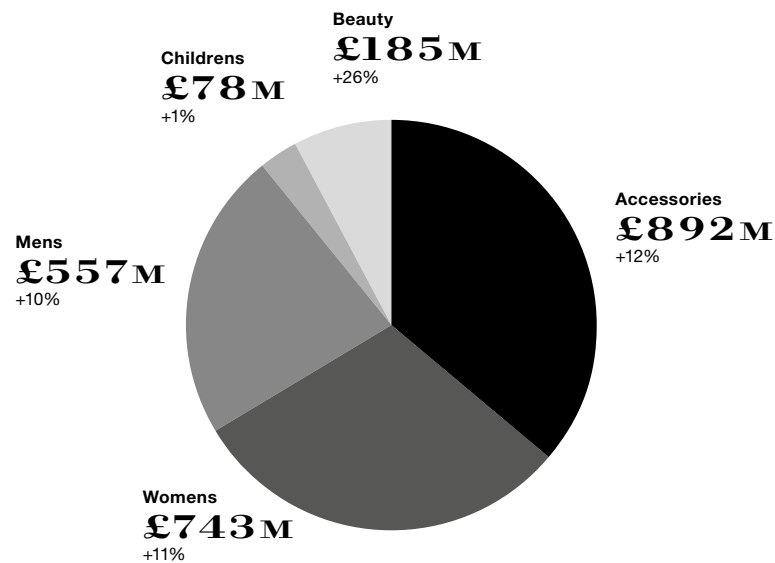
- 9% underlying growth
- Retail accounted for over 85% of revenue
- Mid single-digit comparable sales growth
- Hong Kong impacted by a significant decline in footfall in the second half

PRODUCT MIX

Burberry has a diversified product offering across apparel, accessories and beauty. For 2014/15, accessories represented 36% of retail/wholesale revenue, womens 30%, mens 23%, childrens 3% and Beauty 8%.

Retail/wholesale revenue by product

Growth is presented underlying and is calculated at constant exchange rates



Accessories

- 12% underlying growth
- Heritage scarves and runway-inspired ponchos outperformed
- Mens represented about 20% of total accessories sales

Womens

- 11% underlying growth
- Heritage trench coats drove growth
- Strong performance from dresses, an underpenetrated category

Mens

- 10% underlying growth
- Heritage trench coats drove growth
- Strong performance from tailoring
- Further rationalisation in USA wholesale; good growth in retail

Childrens

- 1% underlying growth
- Growth driven by wholesale, as optimise presence in retail

Beauty

- 26% underlying growth
- Underpinned by successful launch of My Burberry fragrance
- Opened second standalone Burberry Beauty Box globally, in Seoul



MARKET OVERVIEW

Macroeconomic environment

Growth during 2014 was weaker than analysts expected, with the global economy growing 3.4%, in line with 2013. The year was marked by geopolitical concerns over Russia and the Middle East and renewed anxiety over the future of the Eurozone. Across the world, inflation remained low, driven by an oil price that more than halved over the course of the year. Among major economies, the USA rebounded after a slow start. Annual GDP in the USA grew to 2.4% with consumer confidence rising, helped by strong employment growth and the drop in energy prices. In Asia, China's economy grew by 7.4%, a slight deceleration on 7.8% in 2013 as property prices and fixed investment slowed. Following a strong 2013, the Japanese economy fell back into recession in the second quarter, with consumer consumption severely impacted by the sales tax increase. The Eurozone area returned to growth despite increasing political uncertainty across the region. An acceleration from Europe's largest economy, Germany, from 0.2% to 1.5% over the year offset flat growth in France and ongoing recession in Italy. Across key developing luxury markets growth was weak, most notably in Russia and Brazil.

Luxury sector*

Markets

Against this difficult global backdrop, analysts estimate that luxury sector sales growth at retail value slowed slightly to 2% in 2014, following growth of 3% in 2013. At constant exchange rates, the sector grew at closer to 5%, a slight slowdown on the previous year. As with the wider economy, the key driver of overall sector growth during the year was the USA, where the luxury market grew at 6% at constant exchange rates, from 9% in 2013. Local luxury consumption continued to strengthen, while tourists, most notably from China, were becoming an increasingly important growth driver. Hong Kong, one of the world's largest luxury markets, was severely impacted by the disruptions in the latter part of 2014, which affected retail sales and Chinese tourist flows. Mainland China[†] luxury sales contracted in real terms, as government policies on gift giving continued to impact demand. Despite the slowdown in mainland China, the travelling Chinese consumer continued to drive luxury growth in other regions, particularly to the rest of Asia and Europe.

Europe remained a more challenging luxury market, growing 2% at constant exchange rates, compared with 4% in 2013. Tourist spend, a fundamental driver of sales in the region, slowed across most nationalities, particularly in relation to Russian and Japanese consumers. Despite the wider economic difficulties in the country, Japan was

the best performing luxury market in real terms, with 10% growth. Local consumption helped to maintain momentum despite price increases, while increasing Chinese tourist flows also helped support growth. South Korea also benefited from increasing Chinese tourist travel flows to the country, with growth of 4% at constant exchange rates.

Channels

Globally, digital commerce continued to increase in importance, growing 30% in the year at constant exchange rates. While this channel was dominated by the USA, the fastest growth rates were in Asia. Key structural changes in digital commerce included mobile which was gaining market share and shortened delivery times which were creating competition with physical stores. The growth of digital, both for sales and communication, had encouraged brands to increase their focus on their 'omni-channel' presence. Airports were becoming an increasingly important luxury sales channel, growing 10% in the year and accounting for 5% of the luxury market globally. While this channel had always been key for fragrance and make-up sales, improving infrastructure and the growth of global travel had increasingly led luxury brands to expand their product offering to include apparel and accessories. Retail remains the main growth driver for the industry, helping to offset ongoing rationalisation across the wholesale channel.

Products

Considering demand across product categories, accessories continued to outperform, growing at 4%, with strong momentum from men's accessories. Within apparel, womens grew ahead of mens, which was impacted by slowing mens sales among Chinese consumers.

Outlook

Industry analysts forecast that the luxury sector will grow by low to mid-single digits in the medium term at constant exchange rates, driven by American and Chinese consumers, although the growth of domestic consumption in China is expected to decelerate. The outlook in Hong Kong remains uncertain. Long-term growth is supported by favourable demographics, particularly the expansion of the consuming classes in emerging markets and increasing urbanisation. It is also supported by the expected continuation of favourable socio-economic trends including the growth of global travel and increasing digitisation.

Note:

References are to calendar years, unless otherwise stated.

* Bain & Company and Fondazione Altgamma 2014 Luxury Goods Worldwide Market Report (October 2014).

† Mainland China excludes Hong Kong, Taiwan and Macau.

CORE STRATEGIES

Burberry has focused on consistently delivering against its strategies. During the year, these strategies have evolved to more accurately reflect the current shape of the business and the scope of the Company's future ambitions, and are set out on the following pages.



CORE STRATEGIES

Burberry has focused on consistently delivering against its strategies, which have underpinned its growth. During the year, Burberry evolved its core strategies to more accurately reflect the current shape of the business and the scope of its future ambitions.

The five core strategies have evolved as set out below. The new sixth strategy, 'Build our Culture' has been added to recognise the importance of Burberry's culture and values, and how these are critical to its overall success.

**'Leverage the Franchise'
becomes 'Inspire with the Brand'**

To express more clearly the Company's focus on ensuring Burberry speaks to consumers with one equally inspiring and authentic brand voice, wherever they encounter the brand.

**'Intensify Accessories'
becomes 'Realise Product Potential'**

To reflect the more balanced product mix and growth opportunities across all Burberry product categories.

**'Accelerate Retail-led Growth'
becomes 'Optimise Channels'**

To recognise the successful evolution of the Company's operating model towards the retail channel and an enhanced focus on optimising all routes to market whether directly operated or third party, both online and offline.

**'Invest in Underpenetrated Markets'
becomes 'Unlock Market Opportunity'**

To encompass opportunities to evolve and elevate the Company's footprint in both developed and younger markets.

'Pursue Operational Excellence'

To expand the historical focus on operations to encompass efforts to drive enhanced efficiency and productivity across all business areas.

'Build our Culture'

A new strategy to reflect Burberry's continued commitment to building its unique culture, ensuring its values are reflected in everything it does.

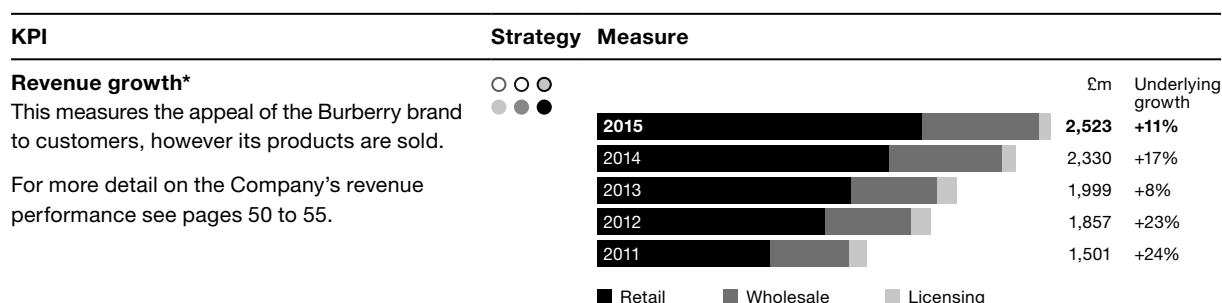
The following pages set out the Company's key activities throughout the year in executing these core strategies, and how it measures its performance using key performance indicators. As the Company's strategies have evolved, these measures have also been reviewed and refined.

KEY PERFORMANCE INDICATORS

The Company assesses its performance against a wide range of measures. These key performance indicators (KPIs) help management measure progress against the Company's core strategies. As Burberry has evolved its core strategies, it has reviewed its KPIs.

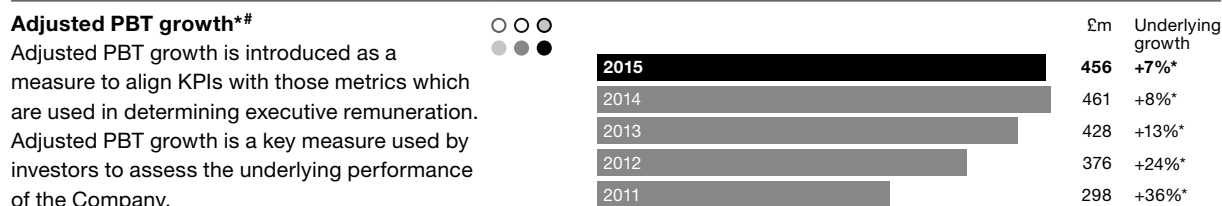
Financial measures

The Board believes it is important to ensure alignment between executive management's strategic focus and the long-term interests of shareholders. Certain elements of executive remuneration are based on performance against the following measures, which are linked to core strategies as shown. For details of the Group's remuneration policy, see pages 83 to 103.



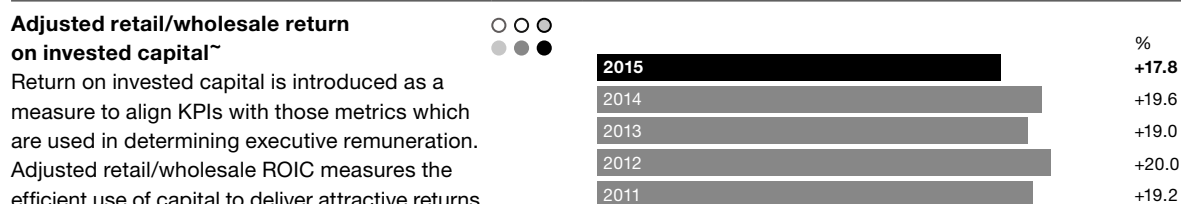
Performance

Revenue in FY 2015 grew by 11% at constant exchange rates, led by 14% growth in retail. Wholesale grew by 6% while Licensing was unchanged, both in line with guidance.



Performance

Adjusted PBT in FY 2015 reached £456m, after a foreign exchange impact of £38m, giving 7% growth at constant exchange rates. Growth at constant exchange rates was 8% for Retail/Wholesale, and 1% for Licensing.



Performance

Retail/wholesale return on invested capital in FY 2015 was 17.8%, impacted by adverse exchange rate movements and ongoing investment in the business including the evolution of the retail store portfolio.

Core strategies

- Inspire with the Brand ○ Realise Product Potential ○ Optimise Channels ○ Unlock Market Opportunity ● Pursue Operational Excellence ● Build our Culture

KPI	Strategy	Measure	
Comparable sales growth	○ ●		
This measures the growth in productivity of existing stores. It is calculated as the annual percentage increase in sales from retail stores that have been open for more than 12 months, adjusted for closures and refurbishments and includes all digital revenue.		%	
	2015	9	
	2014	12	
	2013	5	
	2012	14	
	2011	11	
Performance			
Comparable sales growth in FY 2015 was 9%, with double-digit growth from EMEA and Americas and mid-single digit growth in Asia Pacific as growth in Hong Kong slowed in the second half of the financial year.			
Adjusted retail/wholesale operating margin[#]	○ ●		
This measures how the business balances operational leverage and disciplined cost control, with thoughtful investment for future growth, building the long term value of the brand.		%	
	2015	16.3	
	2014	17.5	
	2013	17.8	
	2012	16.4	
	2011	15.6	
Performance			
Operating margin in FY 2015 was 16.3% (16.9% at constant exchange rates) reflecting the impact of adverse exchange rate movements, the modest benefit from operating leverage and tight cost control offset by various factors including a one-off inventory cost and regional mix shifts.			
Adjusted diluted EPS growth[#]	○ ○ ○ ●		
Growth in EPS reflects the increase in profitability of the business and is a key valuation metric for Burberry's shareholders.		Pence	Reported growth
	2015	76.9	+2%
	2014	75.4	+8%
	2013	70.0	+14%
	2012	61.6	+26%
	2011	48.9	+39%
Performance			
Adjusted diluted EPS in FY 2015 was 76.9p, up 2%, reflecting the underlying growth in the business and the adverse impact of exchange rate movements on reported profits.			

Non-financial measures

Non-financial measures have a useful role alongside financial measures to inform decision making and to evaluate Group performance. For detail on Burberry's efforts to drive positive social and environmental impact globally, including progress against 2017 environmental targets, see pages 44 to 47. Burberry's reporting in these areas will continue to be developed in the future.

The Company believes that the KPIs set out above more effectively measure progress against the evolved core strategies. The KPIs of growth in accessories, number of stores, number of stores in emerging markets and retail/wholesale gross margin are no longer included. For more information on the Group's performance during the year see the Group Financial Review on pages 50 to 55.

Note:

For definition of underlying growth see page 50.

* At constant exchange rates.

For definition of Adjusted see page 50.

~ For a reconciliation of Return on Invested Capital see page 162.

INSPIRE WITH THE BRAND

Speak to consumers with one equally authentic and inspiring brand voice, wherever they encounter the brand.

As a 'young, old' company Burberry has always looked to the past while embracing innovation, celebrating anew the timeless and authentic products that embody the brand. This way of thinking underpins how Burberry connects with its customers globally, whether through its runway shows, marketing innovations, campaign talent or music, using digital and customer insight to enhance customer experiences.

During the year, this spirit was embodied by the Heritage campaign which continued to elevate Burberry's British-made iconic products, the Heritage trench coat and cashmere scarf.

Key focus areas during 2014/15:

Runway shows

The runway shows take place four times a year in London and are streamed live globally, connecting audiences ever closer to the brand. Burberry explored new ways to enhance the experience through innovative collaborations.

- A new YouTube functionality at the S/S15 Womenswear show enabled audiences to move across multiple interlinking videos and pieces of content.
- Burberry partnered with LINE offering Japanese users access to the first-ever live stream on the platform, which allowed them to watch Burberry's A/W15 Womenswear runway show in real time.
- Burberry also partnered with Twitter to offer users the chance to capture pictures of the A/W15 Womenswear show, live from the runway, from anywhere in the world through Tweetcam.
- Music remained central to the expression of the brand, with live performances at Burberry shows by British talent, including artists featured on the Burberry Acoustic online platform. The live tracks from the runway shows are available to download on iTunes.
- Beauty, the Group's fifth product division, was an integral feature of the Womenswear shows with the introduction of exclusive runway looks and the latest nail collections available immediately following the show through the 'Runway Made To Order' service. This was evolved at the S/S15 show where Burberry was the first brand to sell Beauty products to consumers in the USA via Twitter's 'Buy Now' functionality.

Flagship markets

Burberry opened several new stores in flagship markets in the year, accompanied by city-wide events and extensive marketing and social media campaigns.

- The Shanghai flagship opening was marked by the 'Dreams of London' celebration, bringing the creativity and heritage of the brand from London to Shanghai. Burberry partnered with WeChat to allow followers globally to enhance their experience of the event through their mobile devices. Media and online activity around the event drove brand awareness and engagement both in the region and globally.
- Burberry celebrated the opening of its new Los Angeles flagship on Rodeo Drive with the highlight being the 'London in Los Angeles' event at the iconic Griffith Observatory. Burberry launched on Snapchat as part of this event, and used the new live streaming service Periscope to offer the first ever 'red carpet to runway' stream on the platform. A series of other activities in the city showcased the brand and Los Angeles including 'Art of the Trench in Los Angeles', Burberry's social platform celebrating the trench coat, and an exclusive limited edition product collection.
- Further progress was made with the Company's plans to transform its operations in Japan, including the opening of directly operated stores offering the global collection.
- In December, Burberry celebrated the opening of the new standalone Beauty store in Seoul, South Korea. Its first in Asia, the store is inspired by the first Burberry Beauty Box in Covent Garden, London, bringing together fashion, accessories and Beauty in a retail environment.

Marketing innovation

To engage consumers with the brand, Burberry developed increasingly personalised and connected experiences across consumer touchpoints. Burberry again finished the year as one of the most followed luxury brands on social media, including over 16 million fans on Facebook, over three million on Twitter and over two million on Instagram.

‘Heritage’ was a key theme developed throughout the year to celebrate Burberry’s relaunch of its iconic British-made trench coats and scarves, as well as a focus on personalisation.

My Burberry/Heritage

- My Burberry, the new fragrance for women, was introduced in September and was synchronised with the Heritage relaunch. The campaign featured iconic British models Kate Moss and Cara Delevingne wearing Burberry Heritage trench coats.
- As part of the focus on personalisation, a new monogramming service for My Burberry bottles was introduced on Burberry.com and in selected retail and wholesale stores. Customers were also able to interact digitally with the campaign on billboards at selected sites from London to New York and across social media platforms.

Festive

- Burberry launched its global festive campaign ‘From London with Love’, featuring a film with Romeo Beckham. The film resulted in record engagement levels for the brand across traditional and social media, with five million views across Facebook and YouTube at the end of the first week of launch and over nine million views on these platforms by Christmas 2014. The global campaign was also viewed worldwide across outdoor advertising, cinema, and on Burberry’s ten social media platforms.

- Key partnerships also helped to strengthen the brand’s presence in flagship markets. Burberry was the first British luxury brand to partner with the French department store Printemps for its festive celebrations, taking over the atrium, windows and façade of its Paris flagship store with interactive displays and offering exclusive limited edition products.

External recognition

Burberry continued to be recognised externally for both its creative and commercial leadership.

- 400 global magazine covers.
- Christopher Bailey was awarded ‘Designer Of The Year’ at the British GQ ‘Men Of The Year Awards’.
- Listed in Interbrand ‘Top 100 Global Brands’ for the sixth consecutive year.
- Recognised by Fast Company as the seventh most innovative brand in retail.
- Burberry was ranked the sixth most powerful brand globally in the annual ‘Global 500’ report published by Brand Finance.

REALISE PRODUCT POTENTIAL

Reinforce the Company's outerwear leadership while continuing to realise the brand's potential across all apparel and accessory categories.

Burberry's focused attention on accessories in recent years has contributed to the growth of this product category, which will remain an important future growth driver. The Company will also focus on underdeveloped product categories, maximising opportunities in all mens product categories and the further development of Beauty.

During the year, Burberry continued to lead in outerwear with strong customer demand for Heritage trench coats and scarves following the Heritage relaunch. Burberry also reinforced its dominant position in soft accessories such as scarves, and continued to develop bags and small leather goods. Combined, mainline sales of outerwear and soft accessories grew by nearly 20% in the year.

Key focus areas during 2014/15:

Heritage

- The relaunch of Burberry's British-made Heritage trench coats and scarves included a simplified assortment of coats, with standardised fits, colours and elevated features, while monogramming was introduced for cashmere scarves. The roll-out to over 300 stores was supported by sales associate training. Heritage trench coats and scarves featured across key brand and marketing activities.

Mens

- Mens, an underpenetrated product category, increased sales by 10% underlying. Retail significantly outperformed wholesale, where repositioning continued in the USA in particular. Mainline retail sales were driven by outerwear, supported by core replenishment styles and tailoring.

Accessories

- Heritage scarves drove growth in mens and womens accessories. The introduction of monogramming online for scarves attracted a very strong customer response. The monogrammed poncho, which featured in the A/W14 Womenswear show finale, also generated strong consumer and media interest.
- Growth in womens large leather goods was supported by an increased focus on key shapes and success in signature grain leather bags.

Beauty

- The linkage between Beauty and fashion continued to drive the vision for the Beauty business and was a key differentiator for the brand. Beauty delivered 26% underlying growth in the year. Growth in fragrance (over 95% of Beauty revenue) was underpinned by the successful launch of My Burberry, product extensions around Brit Rhythm and a strong operational supply chain.
- The launch of My Burberry, inspired by the trench coat, supported the Heritage relaunch and the personalisation theme including the monogramming offer. The fragrance launch was Burberry's most successful to date.
- Burberry continued its development of make-up as it expanded its product portfolio. The new 'Eye Statement' and 'Fresh Glow BB Cream' ranges were launched alongside the core campaigns which featured key looks and products.
- My Burberry was recognised externally with leading industry awards including the 'Prix D'Or' at the FiFi Awards, and 'Prix International du Parfum' in Marie Claire.



OPTIMISE CHANNELS

Optimise all routes to market, both online and offline, owned and third-party, with a clear emphasis on enhancing retail productivity and service.

Burberry has been successful in shifting its operating model towards the retail channel. As a result the Company has broadened its focus on improving and optimising all routes to market.

During the year this included the elevation of wholesale and third-party digital relationships as well as initiatives to enhance retail productivity. Retail sales grew by 14% underlying during the year, to reach 71% of Group revenue (up from 70% in 2013/14).

Key focus areas during 2014/15:

Blurring physical and digital experiences

As luxury consumers become increasingly mobile and global, Burberry continued to invest in digital commerce. Online and in-store innovations worked together to create a seamless experience wherever customers encountered the brand.

- Burberry.com was the brand's largest store in terms of traffic and sales, servicing 44 countries in 11 languages.
- To further improve the user experience, Burberry enhanced its mobile site and invested in search engine and browser optimisation, data analytics, customer management tools and delivery options.
- The roll-out of Collect-in-Store continued and was available in around 200 stores worldwide across 24 countries, including China and Japan. This accounted for over 20% of digital revenue.

Focused store investment

Burberry focused on strengthening the Group's store network through openings in key locations, and the optimisation of the existing portfolio through relocations, renovations and some closures.

- Burberry opened 16 mainline stores and closed 17 during the year, bringing the total number of stores to 214 globally at the year end. Over half of the store openings were in flagship markets, including Los Angeles and Tokyo, with seven airport stores, predominantly in Europe, capitalising on the opportunities in travel retail.

- 12 concessions were opened during the year, including in Japan and the Middle East. Twenty-six concessions were closed, reflecting the further planned elevation of the portfolio in China and other parts of Asia Pacific, including South Korea.

Driving retail productivity

With the customer at the centre of all activities, Burberry focused on improving sales productivity online and in stores. Comparable sales growth was 9%, as product and customer service initiatives drove average selling price and conversion, against ongoing weakness in consumer traffic in store.

- Burberry continued to invest in customer insight and analytics to better understand the core luxury consumer, helping to drive improved service and retail productivity.
- Burberry introduced its customer value management programme (CVM), a loyalty and retention tool used globally to serve customers better. The programme had been successfully rolled out to over 300 stores worldwide.
- Ongoing investments were made in sales associate and store manager training, along with service initiatives such as the Burberry Private Clients and Customer 1-2-1 programmes.
- Merchandising activities were refined to provide customers with a clearer and more compelling product assortment offering.

Third-party digital partnerships

To complement Burberry.com, Burberry partnered with third-party digital retailers including existing wholesale partners as well as Amazon and Tmall, to provide an authentic, consistent brand experience and to enable Burberry products to reach a wider customer audience.

- Burberry was one of the first brands to launch a dedicated fragrance presence on Amazon's luxury beauty online store in the US, which was later rolled out in the UK, France and Germany.
- Burberry launched dedicated online stores on Tmall.com in China and SSG.com in South Korea.



UNLOCK MARKET OPPORTUNITY

Fully realise Burberry's opportunities among key consumer groups and geographic markets — developed, young and newly opened.

Burberry aims to further evolve its footprint and positioning in both developed and younger markets. Future opportunities for the brand in China and Japan are an important part of this, along with other areas of geographic focus including the travel strategy and continued elevation of the business in the USA.

Key focus areas during 2014/15:

Engaging the Chinese luxury consumer

Burberry continued to focus on improving engagement with, and enhancing the service offering to, the Chinese luxury consumer both while shopping in China and abroad. Burberry achieved double-digit percentage revenue growth from the Chinese customer globally in retail, although this slowed somewhat during the second half of the year. In Hong Kong there was a decrease in spend from Chinese customers during the second half of the year, reflecting disruption in this high margin market.

- Burberry continued to evolve and elevate its store portfolio in China. Closing a net of 10 stores in the year, the portfolio currently consists of 68 stores. A further five net closures and a small reduction in average selling space were planned for 2015/16.
- Brand engagement included the 'Dreams of London' event in Shanghai, which celebrated the opening of its largest store in Asia in Shanghai's Kerry Centre, and an 'Art of the Trench' event in Hong Kong.
- To coincide with the key festivals of Lunar New Year and Golden Week, Burberry launched festive campaigns, including an exclusive edit of the film 'From London with Love' and bespoke product assortments in China, key tourist destinations around the world, and on Burberry.com.
- Collect-in-Store was rolled out to selected stores in China and delivery times for orders made on Burberry.com were reduced significantly to further enhance the service offering to consumers in that market.

Transforming Japan

With the Japan licences expiring in 2015, further progress was made on plans to expand the brand's presence and to introduce Burberry's global luxury collection in this key luxury market through directly operated stores, concessions and digital, supported by marketing

campaigns to engage the luxury Japanese consumer. Comparable sales growth of around 30% during the year demonstrated the appeal of the global brand to the Japanese luxury customer.

- Burberry opened a flagship store in Osaka, three concessions in leading department stores, and relocated its store in Omotesando, Tokyo. Burberry now has five mainline stores and 13 concessions in Japan. Further mainline store and concession openings are planned for the coming year as the Company continues to build direct operations. However, the timing and availability of brand and commercially appropriate retail space is likely to impact the Company's targets for 2016/17.
- Burberry partnered with LINE, Japan's leading social platform to share the brand with a wider audience in Japan, offering Japanese subscribers access to the first live stream of a fashion show on the platform.

Elevating Americas presence

The Americas remained a key focus area for Burberry as it continued to strengthen and elevate the brand in both its retail and wholesale channels in this attractive luxury market. Revenue in the Americas grew by 16% underlying during the year.

- Burberry opened its Los Angeles flagship and Miami Design District stores, and renovated Post Street, San Francisco.

Advancing travel retail

With the increasing importance of the travelling luxury consumer, Burberry intensified its focus on the high-growth travel retail channel.

- Burberry continued to expand its travel retail footprint. Key airport openings during the year included Hong Kong, Heathrow Terminals 5 and 2, Rome, Milan-Malpensa, Barcelona and Madrid.
- Marketing initiatives targeted travelling luxury consumers before their journey, during travel and at destination, with events in key transport hubs and global tourist destinations.

Building young markets

Burberry continued to build its presence in early stage growth markets.

- Burberry opened five new franchise stores including in Turkey, Panama and Aruba, and launched Burberry.com in Russia.



PURSUE OPERATIONAL EXCELLENCE

Drive greater efficiency and productivity throughout the business.

Burberry's productivity agenda includes opportunities in retail, products and processes. This will be the subject of intense focus for the next phase of Burberry's growth, as the Company leverages the investments made in recent years.

Key focus areas during 2014/15:

Supply chain

Key investments made in product engineering, and sustainable manufacturing continued to drive greater end-to-end control of the Burberry supply chain.

- During the second half of the year, the Company tested a new inventory approach in China by allowing the digital operation to draw on both the local distribution centre and store data to create a virtual single pool of inventory in the country. This provided customers and store associates with full visibility of all stock within the country, improved product availability online and in-store, and meaningfully reduced delivery times, enhancing the customer shopping experience. This model of integrating online and offline inventory was planned to be implemented within both the UK and USA in the coming year.
- Burberry further evolved its sourcing model to a more collaborative and sustainable manufacturing approach, focusing on key strategic raw material and finished goods partners.

Ongoing investment

Burberry continued to invest in technology to support the Company's digital strategy, growth ambitions and to improve operational efficiencies.

- During the year Burberry initiated a project to upgrade the Company's core IT systems, based around SAP which was first introduced into the business in 2007.

Planning

Burberry evolved its inventory management and commercial analysis processes to optimise retail execution.

- Global product buying and allocation activities were further refined with the roll-out of a store profiling initiative. This initiative allowed for a better alignment between product assortments and the particular store characteristics (such as local climate) and customer profile, to deliver a more customer-centric product range by store.
- The 'Brand Buy' was further evolved, which aimed to bring greater product consistency across Burberry's retail stores based on key design inspiration, optimising product assortments and core product replenishment.

Process investments

Burberry continued to invest in its head office and back-office functions to drive efficiencies.

- There was an ongoing focus on the commercial procurement process to drive further efficiencies and cost savings.



BUILD OUR CULTURE

Through the creation of this new strategy, Burberry is focusing on building its culture and ensuring its values are embedded globally.

The evolution of Burberry's core business strategies and the success with which they are delivered are inextricably linked to Burberry's continued commitment to building its unique culture.

Key activities during 2014/15 included:

Employee engagement

Cultural initiatives evolved to build stronger connections between global teams, drive closer engagement with the brand, and to support the general well-being of employees.

Connecting teams

Burberry reinforced its connected culture through open and transparent communication.

- A fully open-plan environment was introduced at the London headquarters and was being rolled out globally to encourage greater mobility and collaboration.
- 'Chat Live' global video broadcasts were launched on the Company's internal communications platform. Hosted by Christopher Bailey, together with teams leading key initiatives, the updates enabled real-time communication through an interactive question and answer format.
- Ways of working and communication with internal manufacturing and retail teams were enhanced to further connect employees and improve productivity.

Rewarding talent

Burberry fostered a culture of recognition to support the attraction, motivation and retention of employees.

- Enhancements to the Burberry Long Service Awards were made which included benefits such as additional annual leave.
- Seasonal programmes continued to offer enhanced employee benefits.
- Burberry's All Employee Freeshare Plan was extended to 34 countries, enabling all employees to share in the ongoing success of the business. All employees were also eligible for a bonus or incentive scheme.

Nurturing talent

Burberry was committed to identifying, developing and retaining high-potential talent.

- Over 50 employees took part in the Leadership Council during the year, providing them with leadership training, senior executive mentoring and international networking opportunities.
- Burberry continued to support emerging creative talent, including through the Burberry Design Scholarship at the Royal College of Art and an apprenticeship programme at the British Fashion Council.
- Over 200 placements were offered globally, including apprenticeships, short-term work experience and long-term internships.
- At the end of October, Burberry was listed by LinkedIn as the 36th most sought-after employer globally, and tenth in the UK.

Social responsibility

Burberry believes that it is important to be a socially responsible business, including by supporting diversity and equal opportunities in the workplace, promoting fair and sustainable employment practices internally and across its supply chain and investing in the communities where its employees live and work.

- With employees in 34 countries, representing over 100 different nationalities and covering an age span of between 16 to 78 years, the Company remained committed to supporting diversity and equal opportunities. As at 31 March 2015, of a global employee population of 10,851, approximately 69% (7,457) were female and 31% (3,394) male, with women occupying 46 (37%) of the 123 senior management roles.
- Consistent with efforts to promote fair and sustainable employment practices, Burberry was proud to have become the first luxury retailer and manufacturer to achieve accreditation as a UK Living Wage employer.
- Burberry continued to encourage employees to dedicate their time, skills and passion during working hours to impactful community projects. Activities included career inspiration events, employability workshops and community revitalisation projects. In total, this year 2,300 employees in 82 cities dedicated almost 10,000 hours.
- Burberry continued to donate 1% of Group adjusted profit before tax to charitable causes around the world, totalling £4.6m in the year (2013/14: £4.6m), with the majority going to the Burberry Foundation (UK registered charity number 1154468), created to help young people realise their full potential. Since its launch in 2008, the Foundation has supported over 40 innovative youth charities around the world, directly and indirectly impacting the lives of over 150,000 young people.
- The Foundation continued to expand its bespoke employability programme during the year, designed to help disadvantaged young people develop key workplace skills, confidence and aspirations. Over 100 young people participated in London, Castleford, New York, Hong Kong, Shanghai, Beijing, Chengdu, Guangzhou, Tianjin and Nanjing.
- Burberry focused on ensuring that its supply chain is sustainable and responsible. The Ethical Trading Programme, explained further in the Burberry Impact section, continued to support labour rights in the supply chain.

Environmental responsibility

Burberry remains committed to minimising its environmental impacts. Burberry has set a number of targets to achieve this, which are outlined in more detail in the Burberry Impact section and online at www.burberryplc.com.

BURBERRY IMPACT

Burberry's 'Build our Culture' strategy includes commitments to be a socially responsible business and to drive positive environmental and social change. This is underpinned by a programme of activities set out on the following pages.

BURBERRY IMPACT

Burberry Impact is the Company's programme of activities that underpins its commitment to drive positive environmental and social change globally.

The Burberry Impact programme includes commitments that have been developed in partnership with the organisation Forum for the Future and the tripartite Ethical Trading Initiative and are informed by baseline assessments. The programme is supported and monitored internally by a number of Committees including the Responsibility Working Group, which is chaired by the Chief Corporate Affairs Officer and includes senior executives representing key business operations, and is supported externally by the Burberry Impact Advisory Committee, which comprises external expert stakeholders.

Burberry also endeavours to achieve sustainable change by collaborating with its peers in the luxury goods industry and with other stakeholders, including the UN Global Compact, through its membership of the Ethical Trading Initiative and the Sustainable Apparel Coalition.

Ethical trading

Burberry is committed to making meaningful and long-lasting improvements to workers' employment and workplace conditions to achieve both operational excellence and a sustainable and responsible supply chain. This commitment is underpinned by Burberry's Ethical Trading Policy, which includes the Burberry Code of Conduct and the Human Rights, Migrant Worker and Homeworker Policy. The Ethical Trading Policy is in alignment with the United Nations Universal Declaration of Human Rights, the Fundamental Conventions of the International Labour Organization and the Ethical Trading Initiative Base Code. Burberry is proud to be an accredited UK Living Wage employer.[^]

The majority of Burberry products are made in Europe, with Italy being the largest individual sourcing country, whilst the iconic Heritage trench coat is manufactured in England and the Heritage cashmere scarf in Scotland.

Burberry's Ethical Trading Programme drove improvements in its supply chain through a number of engagement activities. These included announced and unannounced audits, monitoring, improvement programmes and a confidential worker hotline in local languages.

Number of training and engagement activities

205[^]

2014/15	205 [^]
2013/14	142
2012/13	384

Improvement programmes were designed to address specific challenges with individual factories, for example by working to reduce working hours and building human resources management systems.[^] For case studies and information on current projects see www.burberryplc.com/corporate_responsibility.

Where access to grievance mechanisms was a particular challenge, worker hotlines have helped to improve communication channels between workers and factory management. Over 15,000 workers across 54 factories were provided with access to a confidential NGO- (non-governmental organisation) run hotline during the year.[^]

Burberry also deepened its focus into the Company's supply chain to enable its activities to reach more workers. In partnership with the sourcing and product development teams, Burberry extended its ethical trading activities to include key raw material suppliers and incorporated its Beauty suppliers into the global Ethical Trading Programme, the majority of which are located in France and Italy.

[^] Selected information denoted by this symbol has received limited assurance by Ernst & Young LLP. See page 47 for further information.

As the Ethical Trading Programme has evolved, the Company has focused on how it can make the most meaningful, positive impacts on the lives of people throughout its supply chain rather than increasing the number of audits. Auditing remains, however, an important tool to help Burberry and its manufacturers identify areas that are in need of improvement. As measured through the audit programme, this year Burberry recorded an overall positive shift in supply chain ethical trading performance of its strategic suppliers and their subcontractors, representing 60% of the supply chain.[^]

Number of audits and assessments

541[^]

2014/15	541 [^]
2013/14	713
2012/13	455

Burberry has also focused on formalising the integration of ethical trading activities into its sourcing functions. The Supply Chain Impact Committee is responsible for delivering improvements in the supply chain with the support of the Ethical Trading team.[^] The Sourcing team has also started to integrate ethical trading into performance objectives both at a team and individual level.[^]

Burberry believes that improving workers' working conditions is integral to its supply chain performance. To achieve this, Burberry continued to invest time and resources to sustain its long-standing strategic partnerships with its key suppliers, with the aim of ensuring their resilience and sustainability as they provide the Company with important technical knowledge, expertise and unique product capability.

Leveraging these partnerships, the Supply Chain team has worked with its strategic partners to identify key Burberry Impact targets to focus on. These range from energy use reduction through to supplier ownership, which is a programme to support suppliers in managing social and environmental standards within their own supply chains.[^]

Human Rights statement

Burberry recognises its responsibility to respect human rights wherever it operates and has conducted a materiality analysis to identify its principal human rights impacts. The Company believes that these impacts arise in relation to its own workforce, its supply chain and communities, and its customers. Burberry's Human Rights Policy sets out the Company's commitments to respecting these stakeholders' human rights. The Policy is informed by the International Bill of Human Rights and reflects the UN Guiding Principles on Business and Human Rights framework to Protect, Respect and Remedy. Responsibility for the Policy lies with Burberry's Chief Creative and Chief Executive Officer.

Burberry has an established global team who work to promote human rights and good labour practices in the Burberry workplace as well as in the Company's supply chain as identified and prioritised through Human Rights Impact Assessments.[^] Burberry has established grievance mechanisms, including hotlines in its supply chain where local labour laws are weak, absent or poorly enforced, as well as globally for its own employees.[^]

Environmental sustainability

Burberry has a strong commitment to reducing its environmental impact globally and has an active programme dedicated to reducing the impact of its supply chain and internal operations. All of the targets are based on the results of the 2012 independent baseline assessment of Burberry's environmental impacts arising from materials, energy, water, chemical inputs and waste measured in CO₂e. Focused on resource efficiency and mitigating climate change, all 15 environmental targets are owned and monitored by members of the Senior Leadership Team.

	2017 Targets	Progress
Product Burberry continues to invest in the design and quality of every product, and is committed to dramatically reducing the impact of its products.	<u>Raw materials[^]</u> Reduce the environmental impact of Burberry's four key raw materials: <ul style="list-style-type: none"> • Cotton • Leather • PVC • Cashmere (new target) 	<ul style="list-style-type: none"> ● ● ● –
	<u>Chemical use in manufacturing</u> Eliminate chemicals from use that have a negative impact on the environment, beyond legal limits	●
	<u>Packaging</u> 100% of point of sale packaging to be sustainably sourced (where alternatives are available)	○
	<u>Internal Manufacturing[^]</u> Reduce the energy use from Burberry's two UK manufacturing sites by 25%*	●
Process Burberry is committed to ensuring its future resilience by integrating sustainability decisions across the business and collaborating with suppliers.	<u>Suppliers</u> Work with key suppliers to assist them in reducing their energy use by up to 20%*	●
	<u>Mills</u> Work with key mills to assist them to reduce their water consumption by up to 20%*	●
	<u>Transport[^]</u> Reduce carbon emissions from the transport of Burberry products by 10%*	●
	<u>Distribution centres[^]</u> Reduce energy use in Burberry's five third party distribution centres by 10%*	○

Progress

○ Ahead of plan ● On plan ● Behind plan

* When normalised by a relevant productivity factor.

	2017 Targets	Progress
Property Burberry continues to expand its global footprint in existing and new markets to enable the growth of the business, and is committed to minimising the impact of this expansion.	<u>Energy use reduction</u> Reduce Burberry controlled store and office energy usage by up to 15%*	●
	<u>Sustainable consumables</u> 60% of office consumables to be sustainably sourced (where available)	●
	<u>Renewable energy</u> All Burberry controlled stores and offices to be powered either by on site or green tariff renewable energy (where available)	●
	<u>Build certifications</u> All new builds will be sustainable build certified LEED (silver), BREEAM (very good) or Greenmark (silver)	●
	<u>Sustainable construction materials</u> 30% of wood by spend is either recycled materials or sourced from certified supply chains	●
	<u>Construction waste recycling</u> [^] 30% of construction waste to be recycled for global major projects	○
	<u>LED lighting</u> [^] 75% of lighting is LED or energy efficient in new concept stores	○

For those targets that are 'behind plan', action plans are in place to drive further progress. For additional information on performance against the above targets and related action plans see www.burberryplc.com.

Energy and global greenhouse gas emissions data

(Year to 31 March)

Emissions from:	Current reporting year FY15	Comparison year FY14	Comparison year FY13
Combustion of fuel and operation of facilities (Scope 1) (Kg CO ₂ e)	1,661,533 [^]	1,777,714	1,734,580
Electricity, heat, steam and cooling purchased for own use (Scope 2) (Kg CO ₂ e)	42,131,756 [^]	40,285,055	35,404,754
Total emissions (Scope 1 & 2) (Kg CO ₂ e)	43,793,289 [^]	42,062,769	37,139,334
Intensity measurement (Kg CO ₂ e per £1,000 sales revenue)	17 [^]	18	19
Renewable energy produced on site (KWH)	1,247,270	–	–

Note:

Burberry applies an operational control approach to defining its organisational boundaries. Data is reported for sites where it is considered that Burberry has the ability to influence energy management. Data is not reported for sites where Burberry has a physical presence, but does not influence the energy management for those sites, such as a concession within a department store. Overall, the emissions inventory reported equates to 94%[^] of our sq.ft (net selling space). We use the Greenhouse Gas Protocol to estimate emissions and apply conversion factors from DEFRA and IEA guidance. All material sources of emissions are reported. Refrigerant gases and fuels consumed in Company vehicles were deemed not material and are not reported. Burberry have updated greenhouse gas data for 2012/13 and 2013/14 to account for improvements in data availability and estimation methods. Further detail is within our basis of reporting.

External assurance and performance indicators

Burberry appointed Ernst & Young LLP to provide limited external assurance over selected statements and 2014/15 performance data. The statements and data that formed part of the review are denoted with a [^]. See the full independent assurance statement and Burberry's basis of reporting at www.burberryplc.com.

PERFORMANCE

The following pages set out the highlights of the Group financial performance during the year to 31 March 2015 and the outlook for the coming financial year. The principal risks facing the Group during the year, including the nature and extent of these risks, are also set out in this section.

GROUP FINANCIAL REVIEW

Revenue

(2014: £2,330m)

£2,523M**Retail revenue**

(2014: £1,623m)

£1,807M**Adjusted profit before tax**

(2014: £461m)

£456M**Year end net cash**

(2014: £403m)

£552M**Adjusted diluted earnings per share**

(2014: 75.4p)

76.9P**Full year dividend per share**

(2014: 32.0p)

35.2P

£ million	Year to 31 March		% change	
	2015	2014	reported FX	underlying
Revenue	2,523.2	2,329.8	8	11
Cost of sales	(757.7)	(671.3)	(13)	
Gross margin	1,765.5	1,658.5	6	
Operating expenses [#]	(1,310.3)	(1,198.2)	(9)	
Adjusted operating profit	455.2	460.3	(1)	7
Net finance credit [#]	0.6	0.7	–	
Adjusted profit before taxation	455.8	461.0	(1)	7
Adjusting items	(11.2)	(16.6)		
Profit before taxation	444.6	444.4	–	
Taxation	(103.5)	(112.1)		
Non-controlling interest	(4.8)	(9.8)		
Attributable profit	336.3	322.5		
Adjusted EPS (pence)[~]	76.9	75.4	2	
EPS (pence) [~]	75.1	72.1	4	
Weighted average number of ordinary shares (millions) [~]	447.8	447.3		

Underlying performance is presented in this financial review as, in the opinion of the Directors, it provides additional understanding of the ongoing performance of the Group. Underlying performance is calculated before adjusting items and removes the effect of changes in exchange rates compared to the prior period. This takes into account both the impact of the movement in exchange rates on the translation of overseas subsidiaries' results and also now on foreign currency procurement and sales through the Group's UK supply chain.

Adjusted measures exclude adjusting items. Details of adjusting items are contained in note 6 of the financial statements.

Excludes adjusting items, which are:

- A charge of £14.9m in reported operating expenses being the amortisation of the fragrance and beauty licence intangible asset (2014: £14.9m)
- Put option liability finance income of £3.7m in the reported net finance income relating to the third party 15% economic interest in the Chinese business (2014: a charge of £1.7m)

~ EPS is presented on a diluted basis

Revenue analysisRevenue by channel

£ million	Year to 31 March		% change	
	2015	2014	reported FX	underlying
Retail	1,807.4	1,622.6	11	14
Wholesale	648.1	628.0	3	6
Licensing	67.7	79.2	(14)	–
Revenue	2,523.2	2,329.8	8	11

Retail

71% of revenue (2014: 70%); with 214 mainline stores, 213 concessions within department stores, digital commerce and 57 outlets.

- Retail sales up 14% underlying: up 11% at reported FX.
- Comparable sales up 9% (H1: 10%; H2: 9%).
- New space contributed the balance of growth (5%).
- Digital outperformed in all regions.

The 9% comparable sales growth was broadly evenly balanced between halves, but reflected differing regional trends. Americas delivered consistent double-digit percentage growth throughout the year, while growth in EMEA improved in the second half and Asia Pacific slowed, impacted by the disruption in Hong Kong.

In-store, footfall declined but was offset by improved conversion and higher average transaction values. Online, mobile doubled its share of revenue in the year, following the launch of an upgraded mobile platform in the second half of the year.

In mainline retail, comparable sales growth was relatively balanced between womens, mens and accessories. Replenishment product outperformed, with strength from the heritage trench coat and cashmere scarves.

Asia Pacific

With retail accounting for over 85% of revenue in Asia Pacific, comparable sales growth was mid single-digit percentage for the year. Within this, China and South Korea grew by a high and mid single-digit percentage respectively and Burberry's directly-operated stores in Japan delivered about 30% growth. Hong Kong, a high margin market, while positive for the year, decelerated to a mid single-digit percentage decline in the second half as footfall was significantly impacted by the disruption in the third quarter.

A net 14 mainline stores and concessions were closed during the year (13 openings and 27 closures), reflecting continued evolution of the store portfolio particularly in China and South Korea.

Europe, Middle East, India and Africa (EMEA)

Retail accounted for over 65% of revenue with double-digit percentage comparable sales growth for the year, strengthening in the second half in major markets. For the year, growth was robust in France, Germany and Italy. About half of mainline transactions in EMEA were to travelling luxury customers, with growth coming from both this group and domestic customers.

A net two stores and concessions were added during the year (12 openings, ten closures), including six openings in key European airports (Barcelona, two in London, Madrid, Milan and Rome) and four concessions in the Middle East as the store portfolio was elevated.

Americas

About 65% of Americas revenue came from retail, with double-digit comparable sales growth during the year evenly balanced between halves. Domestic customers still account for about 90% of transactions.

The number of mainline stores in the Americas was unchanged year-on-year at 78. Openings included a flagship in Rodeo Drive, Los Angeles and a store in the Miami Design District, while Burberry also refurbished its San Francisco store.

Wholesale

26% of revenue (2014: 27%); 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 80 distributors worldwide.

- Wholesale revenue up 6% underlying, up 3% at reported FX.
- Excluding Beauty, wholesale revenue up 1% underlying, down 2% at reported FX.
- Beauty wholesale revenue was £175m, up 25% underlying, in line with guidance.
- At 31 March 2015, Burberry had 67 franchise stores globally, a net decrease of three during the year.

During the first half of the year wholesale revenue, excluding Beauty, increased by 5% underlying. This was led by strong growth in Asia Pacific, specifically travel retail, partly offset by the impact of ongoing strategic initiatives, such as conversion from wholesale to retail and account rationalisation concentrated in Europe and in North America.

During the second half of the year, revenue was down 3% underlying, reflecting cautious ordering from customers selling to the European consumer and in Asian travel retail markets. Revenue in the Americas was broadly unchanged.

The regional review below excludes Beauty.

Asia Pacific

Asia Pacific, which is predominantly travel retail, experienced mid single-digit percentage underlying revenue growth for the year. Growth was weighted to the first half, with a mid single-digit percentage underlying decline in the second half.

Europe, Middle East, India and Africa

EMEIA is the Group's largest wholesale region at around 45% of the Group total. Revenue for the year was unchanged underlying with account rationalisation and the termination of Burberry's Russian franchise operation (closing five franchise stores as the business moves to direct operation) offsetting growth from key strategic accounts.

Americas

The Company continued to refine its wholesale presence in the Americas with the conversion of the Holt Renfrew business in Canada to retail concessions in February 2014 and the withdrawal of menswear from brand inappropriate locations in the United States. Excluding these factors, there was mid single-digit percentage growth underlying, with a strong brand performance on wholesale partners' digital commerce sites.

Beauty

Beauty wholesale revenue increased by 25% underlying, in line with guidance (up 21% at reported FX). My Burberry, the iconic womens fragrance, was successfully launched in September. The marketing campaign also featured Burberry's Heritage trench coats, providing a halo benefit to the wider business and further reinforcing the brand message.

Licensing

3% of revenue (2014: 3%); of which about 80% was from Japan, with the balance from global product licences (eyewear and watches) and European wholesale childrenswear.

- Licensing revenue unchanged underlying (down 14% at reported FX).
- In line with full year guidance.

Royalty income from Japan was £53m, broadly unchanged year-on-year underlying. Income from the main apparel licence increased slightly, reflecting higher minimum payments, offset by the planned downsizing of the remaining short-term licences.

Combined, income from eyewear and watches was broadly unchanged underlying, reflecting phasing and the elevation of watch distribution. The launch of the Trench eyewear collection in September, planned to coincide with the My Burberry and Heritage launch, was the Company's most successful to date.

Operating profit analysis**Adjusted operating profit**

£ million	Year to 31 March		% change	
	2015	2014	reported FX	underlying
Retail/wholesale	399.2	393.5	1	8
Licensing	56.0	66.8	(16)	1
Adjusted operating profit	455.2	460.3	(1)	7
Adjusted operating margin	18.0%	19.8%		

Adjusted operating profit increased by 7% underlying, down 1% at reported FX, including a £38m adverse exchange rate impact.

Adjusted retail/wholesale operating profit

£ million	Year to 31 March		% change
	2015	2014	reported FX
Revenue	2,455.5	2,250.6	9
Cost of sales	(757.7)	(671.3)	(13)
Gross margin	1,697.8	1,579.3	8
Gross margin	69.2%	70.2%	
Operating expenses	(1,298.6)	(1,185.8)	(10)
Adjusted operating profit	399.2	393.5	1
Operating expenses as % of revenue	52.9%	52.7%	
Adjusted operating margin	16.3%	17.5%	

Adjusted retail/wholesale operating profit was £399m in FY 2015, up 8% at constant exchange rates and 1% at reported FX. The adverse impact of exchange rate movements reduced revenue by £60m and profit by £26m in the year. Operating margin was 16.3%, or 16.9% at constant exchange rates.

Gross margin was 69.2%, down 100 basis points. This reflected the negative impact of exchange rate movements, the one-off inventory cost discussed at the interim results relating to a previous fragrance launch, as well as various mix and other factors, including an adverse regional mix shift in the second half, reflecting the slowdown in Hong Kong, a high margin market.

The operating expense to sales ratio was 52.9%, up 20 basis points compared to the prior year. A modest benefit from operating leverage and tight cost control was more than offset by the adverse impact of exchange rate movements.

About half of the underlying absolute increase in expenses came from general inflation and net new space, with the balance including volume-related costs and increased investment in areas such as marketing and technology, which supported revenue growth.

Licensing operating profit

£ million	Year to 31 March		% change
	2015	2014	reported FX
Revenue	67.7	79.2	(14)
Cost of sales	–	–	–
Gross margin	67.7	79.2	(14)
Gross margin	100%	100%	
Operating expenses	(11.7)	(12.4)	6
Operating profit	56.0	66.8	(16)
Operating margin	82.7%	84.3%	

The effective yen rate moved from £1:Yen137 in FY 2014 to £1:Yen164 in FY 2015, reducing reported licensing operating profit by £11.5m. With a small decrease in allocated operating expenses, licensing profit was £56.0m, broadly unchanged underlying, down 16% at reported FX.

Adjusting items

£ million	Year to 31 March	
	2015	2014
Amortisation of fragrance and beauty licence intangible	(14.9)	(14.9)
China put option liability finance income/ (charge)	3.7	(1.7)
	(11.2)	(16.6)

The charge of £14.9m related 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 income of £3.7m related to fair value movements, including the discount unwind, on the put option liability over the non-controlling interest in the acquired Chinese business.

Taxation

The tax rate on adjusted profit in FY 2015 was 23.4% (2014: 24.7%), largely reflecting the lower UK corporation tax rate.

The tax charge of £103.5m (2014: £112.1m) resulted in an effective tax rate on reported profit of 23.3% (2014: 25.2%). Tax on exceptional items has been recognised as appropriate.

Total tax contribution

The Group makes a significant economic contribution to the countries where it operates through taxation, either borne by the Group or collected on behalf of and paid to the relevant tax authorities. In FY 2015, the total taxes borne and collected by the Group in the UK and overseas amounted to £405.0m. In the UK, where the Group is headquartered and has significant operations, Burberry paid business taxes of £88.3m and collected a further £42.7m of taxes on behalf of the UK Exchequer. For further information see www.burberryplc.com.

Net cash

Cash generated from operating activities was £568m, 6% higher than last year, reflecting tight control of working capital. Capital expenditure was £156m, lower than guidance, largely reflecting the phasing of new projects. Other major outflows were tax of £114m and dividends of £145m.

Net cash at 31 March 2015 was £552m, an increase of £150m year-on-year. Taking into account lease commitments, lease-adjusted net debt, which is calculated as five times the annual minimum lease charge, less net cash, increased slightly during the year to £402m (2014: £380m). At constant exchange rates, inventory was broadly unchanged year-on-year, compared to 14% retail and 6% wholesale revenue growth. Inventory at 31 March 2015 was £437m (2014: £420m).

Outlook

Retail In FY 2016, net new space is expected to contribute low single-digit percentage growth to total retail revenue, with 15-20 mainline store openings and a similar number of closures.

Wholesale Burberry expects total wholesale revenue at constant exchange rates to be broadly unchanged in the six months to 30 September 2015 (2014: £317m). Excluding Beauty, wholesale revenue is expected to be down by a low single-digit percentage.

For Beauty, wholesale revenue in FY 2016 is expected to grow by 10-15% at constant exchange rates, with additional contributions from retail and digital channels.

Retail/wholesale profit In FY 2016, if exchange rates* remain at current levels, current expectations for FY 2016 reported retail/wholesale profit would be about £10m higher than at FY 2015 rates. This is a decrease of about £40m since the guidance given at the Second Half Trading Update in April 2015, reflecting the movement in exchange rates.

For FY 2016 retail/wholesale operating margin, the Company currently expects the benefit from FX and tight cost control to be offset by geographic and channel mix and continued investment in the business.

Licensing Total licensing revenue for FY 2016 is planned to be down by about 40% at constant exchange rates (2015: £68m), due to the expiry of the Japanese licences. For FY 2016, Burberry expects double-digit percentage growth from the global product licences and about £25m revenue from Japan, as previously guided. The latter comprises income from the existing licences, including the orderly transition and exit of local licensed product and the first income from the new Blue/Black Label licence.

At current exchange rates*, the impact of the movement in the sterling/yen rate on reported licensing revenue in FY 2016 is not expected to be material.

Group adjusted PBT In FY 2016, the Company expects Group adjusted PBT at constant exchange rates to be more second-half weighted than in FY 2015.

Tax rate The tax rate on adjusted profit for FY 2016 is currently expected to be about 23%.

Capital expenditure Spend of about £180m is planned in FY 2016.

* Effective rates as at 14 May 2015, taking into account the current hedged positions

Store portfolio

	Directly-operated stores				Franchise stores
	Stores	Concessions	Outlets	Total	
At 31 March 2014	215	227	55	497	70
Additions	16	12	3	31	5
Closures	(17)	(26)	(1)	(44)	(8)
At 31 March 2015	214	213	57	484	67

Store portfolio by region

	Directly-operated stores				Franchise stores
	Stores	Concessions	Outlets	Total	
At 31 March 2015					
Asia Pacific	63	143	13	219	12
EMEIA	73	62	24	159	49
Americas	78	8	20	106	6
Total	214	213	57	484	67

PRINCIPAL RISKS

Effective management of risk is essential to the execution of the Group's strategies, the achievement of sustainable shareholder value, the protection of the brand and ensuring good governance.

The Board has overall responsibility for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives (its risk appetite), and for ensuring that risks are managed effectively. The Board has delegated to the Audit Committee the responsibility for reviewing the effectiveness of the Group's systems of internal control and risk management methodology.

As part of this review, the Audit Committee considers the principal risks facing the Group and the nature and extent of these risks. The Vice President – Group Risk Officer facilitates a risk assessment process in each key business area and global support function to review the significant risks facing Group operations and to record the relevant controls and actions in place to mitigate these. The detailed assessments are then consolidated to provide input into the overall Group risk assessment. See the Corporate Governance Report for further details of the Group's risk management processes and internal controls.

The Board and the executive management team use a combination of different and complementary skills to assess the risks facing the business. In determining its risk appetite the Board considers a variety of information when reviewing the Group operations and in approving key matters reserved for its decision. This information includes:

- updates provided by senior management on key strategic and operational matters;
- discussion and approval by the Board of the Group's three-year Strategic plan and budget;
- information provided for the purposes of deciding whether to approve those significant matters which have been reserved for the Board; and
- Group risk assessments facilitated by the Group's Risk Function and the reports of the external auditors.

The risks set out in the table on the following pages represent the principal risks and uncertainties which may adversely impact the performance of the Group and the execution of its core strategies. The Group's core strategies are set out on pages 27 to 41. Other factors could also adversely affect Group performance and so the risks set out should not be considered to be a complete set of all potential risks and uncertainties.

The key steps the Group takes to address these principal risks are described in the table under 'Mitigation'. It is not possible for the Group to implement controls to respond to all the risks it may face, and the steps the Group has taken to address certain risks (including those listed) may not manage these risks effectively.

The principal risks are not listed in order of significance and each of the risks should be considered independently. If more than one of the events contemplated by the risks set out occur, it is possible that the combined overall impact of such events may be compounded.

The Group continues to identify as a principal risk that Group revenues are increasingly dependent on consumers from the Asia region with a significant proportion of the Group's sales to Asian consumers globally. Since the last Annual Report, the Asian trading environment is becoming more uncertain. In particular, there were disruptions in Hong Kong, a high margin market, resulting in a deceleration in comparable retail sales in Hong Kong in the second half of the financial year.

Risk	Business & Core Strategy impact	Mitigation
The Group's operations depend on IT systems and operational infrastructure in order to trade efficiently. Increasingly technology is also being used to stream major events and to communicate through social media.	<p>A failure in these systems or a denial of service could have a significant impact on the Group's operations and reputation, and potentially result in the loss of sensitive information.</p> <ul style="list-style-type: none"> ► Inspire with the Brand ► Optimise Channels ► Unlock Market Opportunity ► Pursue Operational Excellence 	<p>A number of controls to maintain the integrity and efficiency of the Group's IT systems are in place, including recovery plans which would be implemented in the event of a major failure. The IT disaster recovery plans are tested on a regular basis. IT security is continually reviewed and updated and third-party IT security specialists are used to regularly test these controls.</p>
Sustained economic slowdown.	<p>The Group's performance remains strong; however, the sustained economic slowdown has (or could): (i) reduced consumer wealth leading to a reduction in demand; (ii) impacted the financial stability of suppliers and customers and their ability to secure finance which could disrupt the Group's supply chain or lead to an increase in bad debts; and (iii) impacted the financial stability and recovery of banks and other financial institutions, all of which could adversely impact sales and profitability.</p> <ul style="list-style-type: none"> ► Optimise Channels ► Unlock Market Opportunity 	<p>The global reach of the Group helps to mitigate local economic risks. In addition, the Group's financial reporting and review processes are designed to highlight any change in ongoing sales performance. Counterparty credit checks are in place for all key customers and suppliers, and flexible payment terms are used to assist suppliers as required. Group Treasury monitors the credit ratings of financial institutions which hold Group deposits to enable the Group to take appropriate action should there be a downgrade in their credit ratings.</p>
The Group's revenues are increasingly dependent on consumers from the Asia region.	<p>A significant proportion of the Group's sales are to Asian consumers globally. Consequently any change to consumer tastes or the economic, regulatory, social and/or political environment in Asia could adversely impact Asian consumers' disposable income, confidence and travel which could impact the Group's revenue and profits.</p> <ul style="list-style-type: none"> ► Inspire with the Brand ► Optimise Channels ► Unlock Market Opportunity ► Pursue Operational Excellence 	<p>The global reach of the Group helps to mitigate reliance on particular consumers. In addition, the Group continues to focus on engaging with the Chinese luxury consumer, both in China and while travelling abroad, including: by optimising product assortments and merchandising; and investing in digital and in-store services such as Mandarin-speaking sales associates across top tourist destinations outside China. The Group has commenced its plans for the transition of its global business in Japan following the expiration of its licence with Sanyo Shokai and Mitsui & Company in 2015.</p>
Major incidents such as natural catastrophes, global pandemics or terrorist attacks affecting one or more of the Group's key locations could significantly impact its operations.	<p>A major incident at a key location could significantly impact business operations, with the impact clearly varying depending on the location and its nature. The impact of the loss of a distribution hub would clearly differ from a global pandemic, but both would impact revenue and profits.</p> <ul style="list-style-type: none"> ► All Core Strategies 	<p>Business continuity plans are in place to mitigate operational risks, but cannot ensure the uninterrupted operation of the business, particularly in the short term. The regional spread of the Group's key distribution hubs also helps to mitigate risk. There is a Group incident management framework in place that addresses the reporting and management of major incidents, and this is tested each year using third-party specialists in this field. Tailored plans have also been produced for a number of high-impact events. These plans are regularly reviewed and updated.</p>
Volatility in foreign exchange rates could have a significant impact on the Group's reported results.	<p>The Group operates on a global basis and earns revenues, incurs costs and makes investments in a number of currencies. The Group's financial results are reported in Sterling. The majority of reported revenues are earned in non-Sterling currencies, with a significant proportion of costs in Sterling. Therefore the Sterling value of reported revenues, profits and cash flows may be reduced as a result of currency exchange rate movements.</p> <ul style="list-style-type: none"> ► All Core Strategies 	<p>The Group seeks to hedge anticipated significant external transactional cash flows using financial instruments. The Group monitors the desirability of hedging the net assets of non-Sterling subsidiaries when translated into Sterling for reporting purposes, but the Group has not entered into any transactions for this purpose in the current or previous year.</p>

Risk	Business & Core Strategy impact	Mitigation
Failure by the Group or associated third parties to act in accordance with ethical and environmental standards.	<p>A failure to act appropriately could result in penalties, adverse press coverage and reputational damage with a resulting drop in sales and profit.</p> <ul style="list-style-type: none"> ▶ Inspire with the Brand 	<p>A number of initiatives are in place, led by the Corporate Responsibility function. These include the continuing activities set out in the Burberry Impact section.</p>
The Group's operations are subject to a broad spectrum of regulatory requirements in the various jurisdictions in which the Group operates. The pace of change and the consistency of application of legislation can vary significantly across these jurisdictions, particularly in an environment where public sector debt is often high and tax revenues are falling.	<p>Failure to comply with these requirements could leave the Group open to civil and/or criminal legal challenge, significant penalties and reputational damage.</p> <ul style="list-style-type: none"> ▶ All Core Strategies 	<p>The Group continually monitors and seeks to improve its processes to gain assurance that its licensees, suppliers, franchisees, distributors and agents comply with the Group's contractual terms and conditions, its ethical and business policies and relevant legislation. Specialist teams at corporate and regional level, supported by third-party specialists where required, are responsible for ensuring employees are aware of regulations relevant to their roles. A number of these teams were strengthened during the year. Assurance processes are in place to monitor compliance in a number of key risk areas, with results being reported to the Group Risk Committee and Board Audit Committee.</p>
Over-reliance on key vendors.	<p>The Group relies on a small number of vendors in key product categories, and for specialist digital and IT services. Failure of one of these businesses to deliver products or services would have a significant impact on business operations.</p> <ul style="list-style-type: none"> ▶ Inspire with the Brand ▶ Realise Product Potential 	<p>The Group continues to evolve its supply chain organisation design to develop its manufacturing base to reduce dependence on key vendors. The Group has continued to strengthen its internal digital and IT teams and continues to facilitate knowledge transfer to internal resources.</p>
Loss of key management or the inability to attract and retain key employees.	<p>The loss of key individuals or the inability to recruit and retain individuals with the relevant talent and experience would disrupt the operation of the business and adversely impact the Group's ability to deliver its strategies.</p> <ul style="list-style-type: none"> ▶ All Core Strategies 	<p>Competitive incentive arrangements currently exist, with specific initiatives in place designed to retain key individuals. Recent regulatory changes may make it more difficult to remain competitive in the global market for executive talent. Recruitment is ongoing and talent review and succession planning programmes are in place and are regularly reviewed and updated.</p>
The Group operates in a number of emerging markets which are typically more volatile than developed markets, and are subject to changing economic, regulatory, social and political developments that are beyond the Group's control. Infrastructure and services also tend to be less developed.	<p>Seizure of assets or staff. Related party business practice that is inconsistent with the Group's ethical standards and the UK regulatory environment. Increased operational costs due to country-specific processes driven by the regulatory environment.</p> <ul style="list-style-type: none"> ▶ Inspire with the Brand ▶ Optimise Channels ▶ Unlock Market Opportunity 	<p>The Group uses the services of professional consultants to advise on legal and regulatory issues when entering new markets, to undertake due diligence and to monitor ongoing developments. The Group works with franchisees or partners who compensate for its relative lack of experience in a number of these markets.</p>

Risk	Business & Core Strategy impact	Mitigation
The significant growth and pace of change within the business puts pressure on both internal and external resources.	<p>Failure to effectively manage the pace of change will inevitably adversely impact the Group's operations and return on investment.</p> <ul style="list-style-type: none"> ▶ All Core Strategies 	<p>Governance processes are in place for each major strategic initiative and these are supplemented by a Group Programme Management Office which provides governance to support the business change agenda. Regular meetings with senior management are undertaken to review operational performance. Management and operational structures are continually reviewed to ensure that these support the Group's growth.</p>
A substantial proportion of Group profits is reliant upon its licensed business in Japan and other key licensed product categories.	<p>The licence with Sanyo Shokai and Mitsui & Company (Sanyo Shokai) in Japan (the 'Sanyo Licence') expires in 2015, whereupon the royalty income under the licence will cease. The Group expects licensees to maintain operational and financial control over their businesses. Should licensees fail to manage their operations effectively or be affected by a major incident, the royalty income may decline, directly impacting Group profits.</p> <ul style="list-style-type: none"> ▶ Inspire with the Brand ▶ Pursue Operational Excellence 	<p>The Group has made further progress in transforming its operations in Japan with the introduction of Burberry's global luxury collection in this market, through directly operated stores and concessions, in department stores and digital commerce.</p> <p>To facilitate the brand transformation in Japan, the Group has agreed an orderly transition with Sanyo Shokai. In addition, a new three-year licence with Sanyo Shokai allows them the continued use of the Blue and Black labels in Japan in exchange for a licence fee. These labels do not use the Burberry name.</p> <p>There are minimum royalty payments specified in its licence agreements. Under its licence agreements, the Group can control product development, marketing and distribution. Regular licensee royalty reviews take place to monitor compliance with licence terms, which can manage but not eliminate non-compliance.</p>
Unauthorised use of the Group's trade marks and other proprietary rights.	<p>Trade marks and other intellectual property (IP) rights are fundamentally important to the Group's reputation, success and competitive position. Unauthorised use of these, as well as the distribution of counterfeit products, damages the Burberry brand image and profits.</p> <ul style="list-style-type: none"> ▶ Inspire with the Brand ▶ Realise Product Potential ▶ Optimise Channels ▶ Unlock Market Opportunity 	<p>The Group's global Brand Protection team has continued to expand during the year to enable the Group to strengthen its brand protection efforts in a number of high-risk markets, including in the digital environment. Given the Group's emphasis on digital innovation the team places a particular focus on this area. Where infringements are identified these are addressed through a mixture of criminal and civil legal action and negotiated settlement. IP rights are driven largely by national laws which afford varying degrees of protection and enforcement priorities depending on the country. Consequently, the Group cannot necessarily be as effective in all jurisdictions in addressing IP issues.</p>

BOARD AND GOVERNANCE

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BOARD OF DIRECTORS

Chairman

Sir John Peace (66)*

Chairman

Sir John Peace became Chairman of the Board in June 2002 and is also Chairman of the Nomination Committee. He is Chairman of Standard Chartered PLC. Previously he was Chairman of Experian plc from 2006 to 2014 and Group Chief Executive of GUS plc from 2000 to 2006. Sir John is Lord-Lieutenant of Nottinghamshire and was knighted in 2011 for services to business and the voluntary sector.

Executive directors

Christopher Bailey (44)

Chief Creative and Chief Executive Officer

Christopher Bailey became Chief Creative and Chief Executive Officer in May 2014 having previously served as Chief Creative Officer since 2009. Christopher joined as Design Director in May 2001. Prior to working at Burberry, Christopher was the Senior Designer of Womenswear at Gucci in Milan from 1996 to 2001. From 1994 to 1996 he was the Womenswear Designer at Donna Karan.

Carol Fairweather (54)

Chief Financial Officer

Carol Fairweather became Chief Financial Officer in July 2013 having joined Burberry in June 2006. She previously held the position of Senior Vice President, Group Finance. Prior to joining Burberry, Carol was Director of Finance at News International Limited from 1997 to 2005 and UK Regional Controller at Shandwick plc from 1991 to 1997.

John Smith (57)

Chief Operating Officer

John Smith became Chief Operating Officer in March 2013, having previously been a non-executive director from December 2009. John was Chief Executive of BBC Worldwide from 2004 to 2012. John joined the BBC in 1989, where he held the positions of Chief Operating Officer, Director of Finance, Property & Business Affairs and Finance Director. He previously served as a non-executive director of Severn Trent plc and Vickers PLC, and on the Accounting Standards Board from 2001 to 2004.

Non-executive directors

Fabiola Arredondo (48)*†

Non-executive director

Fabiola Arredondo was appointed as a non-executive director in March 2015. Fabiola is currently the Managing Partner of Siempre Holdings, a private investment firm based in Connecticut, US. She is also a non-executive director of Experian plc, Rodale Inc., NPR Inc. (National Public Radio), the World Wildlife Fund (US), and a trustee of Sesame Workshop. Prior to Siempre Holdings, Fabiola held senior operating roles at Yahoo! Inc, the BBC and Bertelsmann AG. She has also previously served as a non-executive director of Saks Incorporated, Intelsat Inc., BOC Group plc, and Bankinter S.A.

Philip Bowman (62)*†

Senior Independent Director

Philip Bowman was appointed as a non-executive director in June 2002 and is the Senior Independent Director and Chairman of the Audit Committee. Philip is Chief Executive of Smiths Group plc. He previously held the positions of Chief Executive at Scottish Power plc and Chief Executive at Allied Domecq plc. His earlier career included five years as a director of Bass plc. He was previously Chairman of Liberty plc and Coral Eurobet plc and a non-executive director of Scottish & Newcastle plc and British Sky Broadcasting Group plc.

Ian Carter (53)*†

Non-executive director

Ian Carter was appointed as a non-executive director in April 2007 and is Chairman of the Remuneration Committee. He is President of Hilton Worldwide Global Development and Chairman of Del Frisco's Restaurant Group, Inc. Previously Ian was CEO of Hilton International Company and Executive Vice President of Hilton Hotels Corporation, and a director of Hilton Group plc until the acquisition of Hilton International by Hilton Hotels Corporation in February 2006. He previously served as an Officer and President of Black & Decker Corporation between 2001 and 2004.

Jeremy Darroch (52)*†‡

Non-executive director

Jeremy Darroch was appointed as a non-executive director in February 2014. He is Chief Executive Officer of Sky plc, a position he has held since 2007 having joined the company as Chief Financial Officer in 2004. Prior to Sky, Jeremy was Group Finance Director of DSG International plc (formerly Dixons Group plc) and spent 12 years at Procter & Gamble in a variety of roles in the UK and Europe. Jeremy also previously served as a non-executive director and Chairman of the Audit Committee of Marks and Spencer Group plc.

Stephanie George (58)*†‡

Non-executive director

Stephanie George was appointed as a non-executive director in March 2006. She is Vice Chairman of Fairchild Fashion Media Inc (parent of Women's Wear Daily) and also sits on the Board of Lincoln Center. Previously Stephanie was Executive Vice President and Chief Marketing Officer at Time Inc. Before this, Stephanie spent 12 years at Fairchild Publications.

Matthew Key (52)*†‡

Non-executive director

Matthew Key was appointed as a non-executive director in September 2013. Matthew is a non-executive director of Orbit Showtime Network, a leading multi-platform pay TV network in the Middle East and North Africa. Previously he was Chairman and Chief Executive Officer of Telefónica Digital, the global innovation arm of Telefónica. He also previously served as Chairman and CEO of Telefónica Europe plc (formerly O2 plc), Chief Executive Officer and Chief Financial Officer of O2 UK, and Chief Financial Officer for Vodafone UK. Prior to this, he held various financial positions at Kingfisher plc, Coca-Cola & Schweppes Beverages Limited and Grand Metropolitan Plc. Matthew is also Chairman of the Dallaglio Foundation, which is a charity focused on disengaged youth.

Carolyn McCall (53)*†‡

Non-executive director

Carolyn McCall was appointed as a non-executive director in September 2014. Carolyn is Chief Executive of easyJet plc, a position she has held since July 2010. Prior to easyJet, Carolyn held a number of roles at Guardian Media Group plc including Chief Executive from 2006 to 2010. She has also previously served as a non-executive director of Lloyds TSB, Tesco PLC and New Look plc. Carolyn was awarded the OBE for services to women in business in the Queen's Birthday Honours List in June 2008. In January 2014, Prime Minister David Cameron appointed Carolyn as a UK Business Ambassador.

David Tyler (62)*†‡

Non-executive director

David Tyler was appointed as a non-executive director in June 2002, having been a director of the Company since 1997. He is currently Chairman of J Sainsbury plc and Chairman of Hammerson plc. David was Group Finance Director of GUS plc from 1997 until its demerger in October 2006, Chairman of Logica plc from 2007 to 2012 and Chairman of 3i Quoted Private Equity plc from 2007 to 2009. He was a non-executive director of Experian plc from 2006 to 2012 and Reckitt Benckiser Group plc from 2007 to 2009. Earlier in his career, David worked at Unilever plc, County NatWest Limited and Christie's International plc.

Key to membership of committees

* Audit Committee

† Nomination Committee

‡ Remuneration Committee



Back row: Ian Carter, David Tyler, Stephanie George, Matthew Key, Carol Fairweather, John Smith, Fabiola Arredondo, Philip Bowman
Front row: Jeremy Darroch, Christopher Bailey, Sir John Peace, Carolyn McCall



CORPORATE GOVERNANCE REPORT

Dear Shareholder,

This has been a dynamic year for Burberry with the continued strong performance of the business, the leadership transition to Christopher Bailey as Chief Creative and Chief Executive Officer and the continuing evolution of the Board through its ongoing succession plan.

As a Board it is our responsibility to support management in its strategic aims, to enable the Company to continue to perform successfully and sustainably for our shareholders and wider stakeholders. Underpinning this is the Board's commitment to seek to operate to the highest standards of corporate governance. I am pleased that following an independent evaluation of the Board and our Committees during the year, the results confirmed that the Board operates effectively, in an open and collegiate manner.

It is also important to have an open dialogue with our shareholders and other stakeholders. This year the Board has been reflecting carefully on the results of last year's Annual General Meeting. Although we were pleased to gain 84% of votes in favour of our remuneration policy, we were extremely disappointed that we did not receive a majority of support for our Remuneration Report. The Chairman of the Remuneration Committee and I have met with or spoken to the majority of the Group's largest 50 investors to better understand and respond to the areas of concern, and have met with a significant number of them. The Remuneration Committee has invested considerable time during the year considering the outcome of these discussions. More detail on the activities of the Remuneration Committee can be found on pages 81 to 103.

Board composition has been a particular focus over the past two years as the Board continues to build on its relevant skills and competencies for the future under its succession plan. The Board has evolved significantly with the appointment of four new non-executive directors and a new executive team. I am delighted to welcome Carolyn McCall and Fabiola Arredondo who have joined the Board as non-executive directors during the year. Their appointments bring important skills and experience to the Board, reflecting the Group's strategy. In the context of the substantial changes to both executive and non-executive Board membership, the Board believes that to ensure stability and continuity of knowledge, new Board members should be given the opportunity to settle into their roles before longer-serving members step down. The Board will continue to execute against its succession plan and it is anticipated that there will be further changes to the Board in the coming year.

While all Board appointments are made on merit, the Board believes in the importance of a diverse Board and has always had strong gender diversity among its membership, particularly at executive level. As female Board members currently comprise 33% of our Board, I am pleased that we have exceeded the goal set by Lord Davies in his review of the diversity of FTSE 100 boards.

With the expectation that the year ahead will continue to be impacted by a challenging external environment, the Board will continue to support management in the execution of its strategies, while continuing to keep the long term interests of our shareholders top of mind. This report outlines our approach to governance and our key activities during the year.

Sir John Peace
Chairman

Governance

The Board is collectively responsible for promoting Burberry's long-term success, for setting its strategic aims and ensuring a framework of prudent and effective controls.

This report sets out the Board's approach and work during the financial year 2014/15 and, together with the Directors' Remuneration Report on pages 81 to 103, includes details of how the Company has applied and complied with the principles and provisions of the UK Corporate Governance Code (the 'Code'). The directors consider that the Company has complied with the provisions of the Code throughout the year. The Board has also reviewed the new provisions set out in the UK Corporate Governance Code 2014, which the Group will report on next year.

Our Board

The Board currently consists of 12 members – the Chairman, the Chief Creative and Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer and eight independent non-executive directors. Christopher Bailey was appointed as Chief Creative and Chief Executive Officer and as a director on 1 May 2014 following Angela Ahrendts stepping down on 30 April 2014. A list of directors and their biographies is set out on pages 62 and 63.

The Chairman, Sir John Peace, has led the Board as Chairman since 2002. The Chairman is responsible for leading and managing the business of the Board and ensuring its effectiveness. He sets the agenda for Board discussions and ensures that the Board receives accurate, timely and clear information, particularly in relation to the Company's performance. He promotes a culture of openness and trust which allows for debate and constructive challenge of the executive directors.

The Chairman works collaboratively with the Chief Creative and Chief Executive Officer, Christopher Bailey, in setting the Board agenda and ensuring any actions agreed by the Board are effectively implemented.

During the year, the Chairman maintained regular contact and met with the Senior Independent Director and other non-executive directors outside of formal Board meetings. The Chairman also met with the non-executive directors without the executive directors being present.

The Chairman is also responsible to shareholders for the Company's performance and has regular discussions with the Company's main institutional shareholders. The major commitments of the Chairman are detailed in his biography on page 62.

The Senior Independent Director, Philip Bowman, supports the Chairman in his role and leads the non-executive directors in the oversight of the Chairman. The Senior Independent Director is also available as an additional point of contact for shareholders.

The Non-executive directors provide strong experience and independent support to the Board. They assist in the development of strategy and provide constructive challenge and support to management.

The Chief Creative and Chief Executive Officer, Christopher Bailey, is responsible for the management of the business, developing the Group's strategic direction for consideration and approval by the Board and implementing the agreed strategy. The Chief Creative and Chief Executive Officer is assisted by members of his senior leadership team who meet regularly. Members of the senior leadership team are identified on page 13.

The Company Secretary, Catherine Sukmonowski, acts as Secretary to the Board and all the Board's Committees and is responsible for supporting the Chairman in the delivery of the corporate governance agenda.

Role of the Board

This has been a dynamic year for Burberry, with the transition in its leadership and the continued growth and evolution of its business. It is the responsibility of the Board to support management in its strategic aims to enable the Company to continue to perform successfully and sustainably for our shareholders and wider stakeholders.

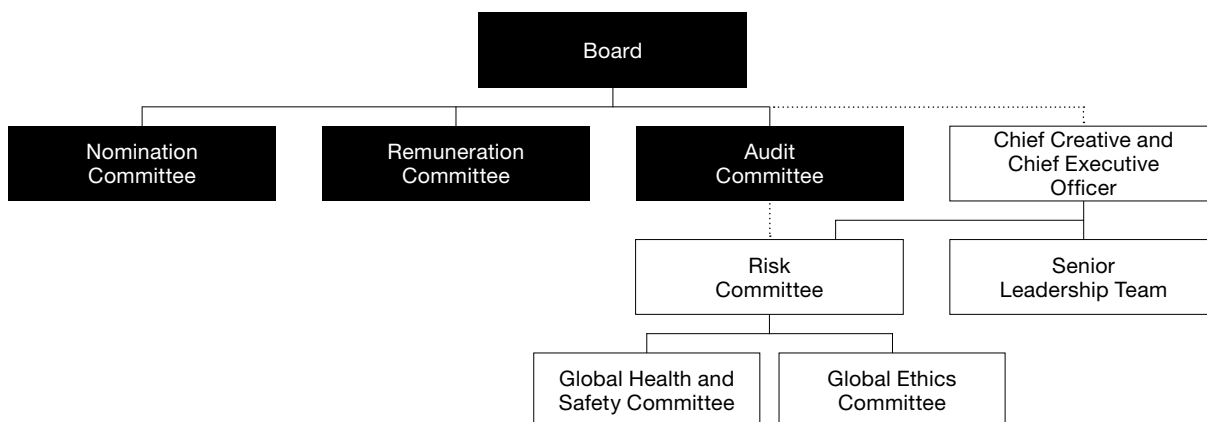
The Board is ultimately responsible for promoting the long-term success of the Group. The Board leads and provides direction for management by setting strategy and overseeing its implementation by management. The Board is also responsible for oversight of the Group's systems of governance, internal control and risk management.

Specific key decisions and matters have been reserved for approval by the Board. These include decisions on the Group's strategy, the annual budget and operating plans, major capital expenditure and transactions, financial results, the dividend, the approval of Group's risk appetite and other governance issues. The matters reserved for the Board's decision are available on the Company's website at www.burberryplc.com.

Role of the Board Committees

The Board is supported in its activities by a number of committees including the following principal committees: Audit Committee; Nomination Committee; and Remuneration Committee. All the non-executive directors are members of each of the principal committees of the Board. The Board believes this to be important as it ensures the appropriate linkages between the work of the Committees and the Board as a whole. The terms of reference of each of the principal committees can be viewed on the Company's website at www.burberryplc.com.

The Committees can engage third-party consultants and independent professional advisers and can call upon other resources of the Group to assist them in discharging their respective responsibilities.



In addition to the relevant committee members and the Company Secretary, external advisers and, on occasion, other directors and members of the senior management team attend committee meetings but only at the invitation of the Chairmen of the Committees.

Set out on pages 75 to 79 are reports from the Audit and Nomination Committees. The report of the Remuneration Committee is set out on pages 81 to 103.

Board effectiveness

The culture of the Board is open, transparent and collegiate.

The Chairman demonstrates leadership and encourages individual and collective involvement.

Highlights of Board activities during 2014/15

During the year the Board held six scheduled meetings, including an in-depth two-day session on strategy, and one ad hoc meeting. In addition, the Board spent two days

visiting the Group's various operating facilities in the UK. Between meetings, directors spend a significant amount of time on Board and Committee related matters. The Board considers that it met sufficiently often to enable the directors to discharge their duties effectively.

The Board and Committee agendas were shaped to ensure that discussion was focused on the Group's strategic priorities and key monitoring activities, as well as reviews of significant issues. In addition, to allow for opportunities for the Board to engage with senior management to discuss key elements of the business, a number of Board dinners were held during the year. The table below gives the highlights of how the Board spent its time during its 2014/15 financial year (but it is not an exhaustive list of topics covered). Further information on the Group's strategic focus during the year is set out in the Core Strategies section starting on page 27.

Month	Strategy/Business Focus	Oversight and Risk	Governance
May	CC & CEO's update on the business, operations, brand and culture. Japan transition. Productivity and efficiency.	Review of 2013/14 financial year preliminary results announcement, Annual Report and Accounts and dividend policy. Review of risk assessments and internal controls process and risk appetite. Business controls. Review of non-audit fees.	UK Governance Code and other regulatory requirements for the Annual Report. Preparation for and review of Notice of AGM. Board succession matters. Investor relations update. Group Treasury Policy. Shareholder engagement.
July	CC & CEO's update on the business, operations, brand and culture. Productivity and efficiency.		AGM. Investor relations update. Director indemnification.
September	Annual strategy session (two days). Product showroom presentation and tour. CC & CEO's update on the business, operations, brand and culture. Banking matters. Capital structure.	Strategic risks and impact on the three-year plan.	Board succession matters. Shareholder engagement.
October/ November	CC & CEO's update on the business, operations, brand and culture. Productivity and efficiency.	Review of 2014/15 interim results and dividend. Review of risk assessments, internal control framework and business controls. Review of audit plan for 2014/15 and reappointment of auditors.	Investor relations update. New UK Corporate Governance Code. Group Treasury Policy. Board succession matters. Director's and Officer's insurance renewal.
February	CC & CEO's update on the business, operations, brand and culture. Beauty business. Product.	IT controls and cyber security. Risk assurance map.	Investor relations update. Board succession matters. Review of conflicts of interest. Group Treasury Policy. External Board effectiveness review. Shareholder engagement.
March	Focus on supply chain. CC & CEO's update on the business, operations, brand and culture. Year end review of the business/ sector outlook. 2015/16 budget. Beauty business. Capital structure.		Independent investor audit results. External Board effectiveness review. Review of conflicts of interest. Board succession matters. Annual Report planning. Charitable donations. Shareholder engagement.

Evaluating our performance in 2014/15

The Board undertakes a formal review of its performance and that of its Committees each financial year, and is required to conduct an external evaluation once every three years. This year an external review of the Board's and Committees' effectiveness was conducted by Dr Tracy Long of Boardroom Review. Boardroom Review has no other connection with the Company. Dr Long facilitated a Board effectiveness workshop which was designed to enhance the Board's current contribution and to assist the Board in its consideration of future challenges by:

- sharing perspectives about the Board's effectiveness and role;
- benchmarking against best practice; and
- identifying priorities for the Board's development agenda.

The workshop parameters were informed by a discussion between Dr Long and the Chairman. Ahead of the workshop each of the directors completed a questionnaire, followed up by individual conversations with Dr Long. The workshop was conducted with executive and non-executive directors present, and included a case study. Following the workshop

Dr Long prepared a report which summarised the discussion highlighting the strengths of the Board and its Committees, future challenges and the key actions agreed for the year ahead. The Chairman subsequently spoke to each director individually to ascertain any further views from the workshop and to discuss individual roles and performance.

Dr Long's report focused principally on the culture and environment in the boardroom, together with the changing composition of the Board and key areas of engagement. The overall view was that the Board worked well and there was mutual trust and respect between Board members. The changes being made to Board composition were positive but Board members expressed the view that it was important that the departures of longer-serving Board members were phased to ensure the preservation of corporate memory while newer Board members settle into their roles. This resonated with the messages from last year's Board effectiveness review which had highlighted that it was important to ensure stability while the Board evolves.

Below is a summary of the key challenges and actions identified from the 2014/15 external Board effectiveness review and views and actions arising from last year's review.

Key Themes	2014/15 Review		2013/14 Review
	Views	Actions	Views/Actions
Board composition	The Board composition was enhanced by the recent additional non-executive and executive director appointments. There was a diversity of perspective, fresh thinking and relevant knowledge and experience. With the changing Board composition, there was a need to manage levels of knowledge and experience and consequently the importance of staggering the tenure of longer-serving directors. The Board needed to ensure that it had experience in the key markets in which the Group operates.	Continue to enhance non-executives' engagement with strategy and knowledge of the Company through meetings with members of the senior management team, specific focus on key areas of the business and individual site visits. Consideration would be given to ensuring experience relevant to the Group's key markets.	The Board succession process was not yet complete but the consensus was that it was progressing well.
Board/Committee focus	There had been a good balance in terms of strategic focus during the year with Board time spent on considering growth, products and customers, and continuing to refine risk appetite.	Future Board focus would continue to be on the strategic challenges of managing growth, the uncertain external environment and shareholder engagement.	Strategy must continue to be a strong focus for the Board. The Board would ensure that appropriate support was provided to new Board members during this time of transition. The involvement of senior management in Board meetings and more informal meetings continued to be important, particularly to provide non-executive directors with additional insight.
Board/Committee effectiveness	The culture of the Board was open, transparent and collegiate and there was mutual trust between executive and non-executive directors. The Chairman demonstrated leadership and encouraged individual and collective involvement. There was a healthy balance of support and constructive challenge in the Board and its delegated Committees, and the Board used its time formally and informally to discuss priorities.	Continue to enhance non-executives' knowledge and involvement (see above: Board composition actions).	The Board performed well, maintaining its business focus despite a number of key challenges during the year, particularly changes to the management team. The Chairman was commended for his effectiveness in leading the Board. The Committees performed well, particularly in dealing with a number of significant regulatory changes. There was an opportunity to optimise more 'two-way' engagement with the Board during meetings to ensure management was leveraging on non-executive director experience, particularly during this time of transition.

The table below gives details of directors' attendance at Board and Committee meetings during the year ended 31 March 2015.

	Board		Audit	Nomination	Remuneration
	Scheduled	Ad hoc			
Sir John Peace	6/6	1/1	–	3/3	–
Christopher Bailey ¹	6/6	0/1	–	–	–
Fabiola Arredondo ²	1/1	–	–	–	1/1
Philip Bowman ³	5/6	1/1	3/3	2/3	3/4
Ian Carter	6/6	1/1	3/3	3/3	4/4
Jeremy Darroch ⁴	5/6	1/1	2/3	3/3	4/4
Carol Fairweather	6/6	1/1	–	–	–
Stephanie George	6/6	1/1	3/3	3/3	4/4
Matthew Key ⁵	5/6	1/1	2/3	3/3	4/4
Carolyn McCall ⁶	4/4	1/1	2/2	3/3	3/3
John Smith	6/6	1/1	–	–	–
David Tyler	6/6	1/1	3/3	3/3	4/4

1 An ad hoc meeting was convened at short notice to deal with a number of administrative formalities. Christopher Bailey was unable to attend due to a prior business commitment.

2 Fabiola Arredondo was appointed to the Board and as a member of the Committees on 10 March 2015.

3 Philip Bowman was unable to attend one Board, Nomination and Remuneration Committee meeting (taking place on the same day), due to illness.

4 Jeremy Darroch was unable to attend one Board and Audit Committee meeting (taking place on the same day), due to a commitment made prior to his appointment.

5 Matthew Key was unable to attend one Board and Audit Committee meeting (taking place on the same day), due to personal reasons.

6 Carolyn McCall was appointed to the Board and as a member of the Committees on 1 September 2014.

Time allocation

Each of the non-executive directors has a letter of appointment which sets out the terms and conditions of his or her directorship. The Chairman and the non-executive directors are expected to devote such time as is necessary for the proper performance of their duties. This is expected to be approximately 20 days each year for basic duties. The Chairman and Senior Independent Director are expected to spend additional time over and above this to discharge their added responsibilities.

External directorships

The Board's executive directors are permitted to hold only one non-executive directorship of a FTSE 100 company. Details of the directors' other directorships can be found in their biographies on pages 62 and 63.

Management changes

Angela Ahrendts stepped down as Chief Executive Officer and as a director on 30 April 2014 and Christopher Bailey was appointed as Chief Creative and Chief Executive Officer and as a director on 1 May 2014.

Board and Committee composition and succession

The non-executive directors are drawn from a wide range of industries and backgrounds, including mobile, digital, technology, media, retail, financial services, consumer travel, hotels and hospitality, marketing, accountancy and general management expertise. They have extensive experience of complex organisations with global reach, including experience of the Group's key markets of Europe, the Americas and Asia reflecting the Group's strategy. Their varied yet relevant experience brings a diversity of perspective and useful insight to Board discussions and important support to the management team. The biographical details of the current directors can be found on pages 62 and 63.

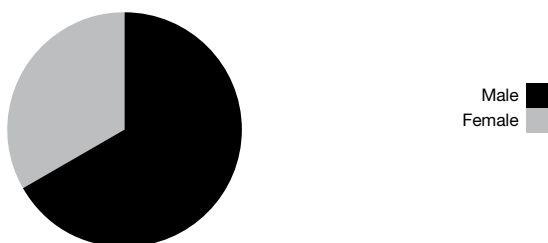
The Board continued to focus on building on its relevant skills and competencies for the future under its succession plan and continued progress was made on this during the year with the appointment of Carolyn McCall as a non-executive director on 1 September 2014 and Fabiola Arredondo as a non-executive director on 10 March 2015. The composition of the Board has evolved significantly over the past two years with the appointment of four new non-executive directors and a new executive team, albeit comprised of executives with many years of experience at the Company. In the context of this substantial change in both the executive and non-executive Board members, the directors believe that to ensure stability and continuity of knowledge, new Board members should be given the opportunity to settle into their roles before the longer-serving members step down (see Evaluating our performance in 2014/15). The Board will continue to execute against its succession plan and it is anticipated that there will be further changes to the Board in the coming year.

All new Board appointments are based on merit, keeping in mind the Board composition principles adopted by the Committee. These principles are to:

- maintain current core competencies;
- add new competencies which reflect the evolution of the Group's business;
- ensure compatibility with Burberry's culture and values; and
- promote diversity, including in terms of gender.

Please see the Report from the Nomination Committee on page 79 for more information on the appointment process.

Diversity and inclusion



Board succession planning is focused on ensuring the right mix of skills and experience for the Board. The Board believes in the importance of diverse Board membership, including in relation to gender, and has exceeded the goal set out by Lord Davies on diversity in Britain's boardrooms of a minimum of 25% female representation of FTSE 100 boards by 2015.

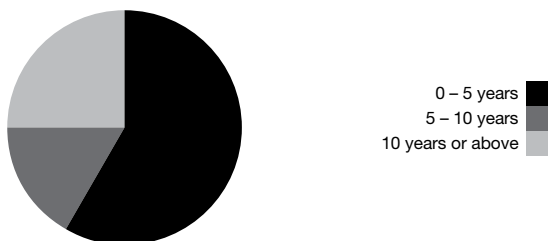
Currently, four out of our twelve Board members are female (including our Chief Financial Officer) comprising 33% of our Board membership, which exceeds Lord Davies' target. The Board will continue to monitor diversity and take such steps as it considers appropriate to maintain Burberry's position as a meritocratic and diverse business.

The Board believes that it is critical that women are able to succeed at all levels of the organisation. Currently, of a total workforce of 10,851, approximately 69% is female and approximately 37% of senior management is female.

More broadly, diversity is at the heart of Group culture which is characterised by a meritocratic and collaborative ethos. At our London headquarters, 60 different nationalities are represented.

The Company continues to focus on evolving its strategies for recruiting and developing key talent within the business in a way which promotes the Group's cultural values and diverse and meritocratic environment. See the Build our Culture section on page 40.

Board tenure



The balance of tenure of service of the directors is set out in the diagram above. At the time of the 2015 Annual General Meeting, Sir John Peace, Philip Bowman and David Tyler will have served on the Board for 13 years. Stephanie George will have been on the Board for nine years and Ian Carter will have served for eight years.

The performance of Philip Bowman, David Tyler, Stephanie George and Ian Carter has been subject to a rigorous review, including with regard to their independence. Their in-depth knowledge of the Group combined with the consistency they provide through their continued service, remains invaluable to ensure a smooth transition of the Board and its Committees. Each of these individuals continues to demonstrate the attributes of an independent non-executive director, including contributing to constructive challenge and debate at meetings, and there was no evidence that their tenure has impacted on their independence.

The Board is satisfied that all of its non-executive directors bring robust independent oversight and continue to remain independent.

Information flow and professional development

The Chairman works closely with the Company Secretary in the planning of the agendas and schedule of Board and Committee meetings and in ensuring that information is made available to Board members on a timely basis and is of a quality appropriate to enable the Board to effectively discharge its duties.

As set out in the table 'Highlights of Board activities during 2014/15' on page 68, the Board is kept up to date on legal, regulatory, compliance and governance matters through advice and regular papers from the Company Secretary, the General Counsel and other advisers.

The Company Secretary assists the Chairman in designing and facilitating a tailored induction programme for new directors and their ongoing training. During the year newly appointed directors received an induction covering the key business areas and operations, the corporate functions, strategy and the Burberry brand and culture. In addition, non-executive directors are provided with opportunities to meet with members of senior management and to visit key stores, markets and facilities. This included visits to the Group's various operating facilities in the UK. The Chairman considers the training needs of directors on an ongoing basis.

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

Re-election of directors

At the Annual General Meeting in 2014, all continuing directors offered themselves for re-election. Each director was re-elected and no director received less than 93% in favour of the votes cast. At the Annual General Meeting in 2015, all of the directors will again retire and all will offer themselves for re-election or, in the case of the newly appointed directors, for election.

The Board believes that each of the directors standing for re-election or election are effective and, accordingly, the Board recommends that shareholders approve the resolutions to be proposed at the 2015 Annual General Meeting relating to the re-election or election of the directors.

Managing conflicts of interest

All directors have a duty under the Companies Act 2006 to avoid a situation in which they have, or could have, a direct or indirect conflict of interest or possible conflict of interest with the Company and the Group.

Under the Group's Articles of Association, the Board has the authority to approve 'situational' conflicts of interest and has adopted procedures to manage and, where appropriate, to approve such conflicts. Authorisations granted by the Board are recorded by the Company Secretary in a register and are noted by the Board at its next meeting.

A review of situational conflicts which have been authorised is undertaken by the Board annually. Following the last review, the Board concluded that the conflicts had been appropriately authorised, no circumstances existed which would necessitate that any prior authorisation be revoked or amended, and the authorisation process continued to operate effectively.

Engagement with shareholders

The Board recognises the importance of regular open and constructive dialogue with shareholders and other stakeholders, not just ahead of the Annual General Meeting, but throughout the year.

The Chief Creative and Chief Executive Officer, Chief Operating Officer, Chief Financial Officer and other members of senior management give presentations to institutional shareholders and analysts immediately following the release of the half and full year results which are then made available on the Group's website at www.burberrypc.com. The Group's Investor Relations and Company Secretariat departments act as the centre for ongoing communication with shareholders, investors and analysts. The Board receives regular updates on the views of the Group's key shareholders and stakeholders from this engagement or direct contacts.

The Board has spent time reflecting on the disappointing vote received on the Directors' Remuneration Report at the 2014 Annual General Meeting. Consequently there has been a focus during the year on enhancing the Group's engagement with our shareholders and stakeholders on remuneration matters. Our Chairman Sir John Peace and the Chairman of the Remuneration Committee Ian Carter met with or spoke to the majority of the Group's largest 50 investors to discuss remuneration matters.

In addition during the year, executive management and our Investor Relations team met with the Group's 25 largest investors. Topics discussed included (but were not limited to) the Company's performance and strategy, the management transition, the Directors' Remuneration Policy and the operation of the Group's new share plan. The Senior Independent Director and all the other non-executive directors are available to meet with shareholders as required.

The Group also conducted its regular independent investor audit of its major investors through Makinson Cowell, a capital markets advisory firm, to gauge investor perception. The investor audit findings were presented to the Board.

Effective internal controls

The Group's core strategies have been developed to exploit identified opportunities through the Group's business model. Where material risks have been identified within the business, the Group has implemented an appropriate internal control environment to endeavour to mitigate such risks.

The Board is ultimately responsible for the Group's system of internal controls and risk management, and it discharges its duties in this area by:

- determining the nature and extent of the significant risks it is willing to accept in achieving the Group's strategic objectives (the Board's risk appetite); and
- ensuring that management implement effective systems of risk identification, assessment and mitigation.

The Audit Committee has been delegated the responsibility for reviewing the effectiveness of the Group's internal controls and risk management framework. The Audit Committee uses information drawn from a number of different sources to carry out this responsibility including:

- objective assurance provided by Internal Audit through its annual audit plan, which is approved by the Audit Committee and is formulated on the basis of a number of factors including the principal risks identified in the risk assessment and key internal controls;

- regular reports to the Audit Committee from executive management and key Group assurance functions detailing their risk management and compliance approaches and highlighting any significant issues;
- key outcomes from discussions at the Group's Risk Committee; and
- further objective assurance provided by external auditors.

The internal control framework has been in operation for the whole of the year under review and continues to operate up to the date of approval of the Annual Report and Accounts. Regular self-certification has also been in place for key finance processes to confirm the documented control framework continues to efficiently and effectively manage risk. The system of internal controls is designed to manage rather than eliminate the risk of not achieving business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board, through the Audit Committee, has reviewed the assessment of risks and the Group's internal control framework and has considered the effectiveness of the system of internal control in operation in the Group for the year covered by the Annual Report and Accounts and up to the date of its approval by the Board. This covered all material controls including financial, operational and compliance controls and risk management systems. The process followed by the Board in reviewing the system of internal controls (as set out above) accords with the guidance on internal control issued by the Turnbull Committee. It also accords with the provisions of the Code.

Group approach to managing risks

The Group has an integrated approach to risk management and internal controls to ensure that its review of risk is used to inform the internal audit process and the design of internal controls.

A detailed three-year strategic plan and annual budget process provides the principal metrics against which the performance of the Group is measured. The strategic plan and budget are agreed with the Board together with defined performance targets and risks. The plan and the principal risks for delivering the strategy also form part of the Board's annual review of Group strategy.

Executive management assesses risk on a regular basis through the Group's Risk Committee which meets at least three times per year and reports any key findings to the Audit Committee. The Group's Risk Committee evaluates risk through reports made to it by Internal Audit and other assurance teams and management committees. The Committee benefits from cross-functional attendance encompassing senior management of key areas such as IT, Finance, Legal, Brand Protection, Corporate Responsibility, Human Resources, Supply Chain, Asset and Profit Protection, and Health and Safety. The Risk Committee

is chaired by the Chief Operating Officer and its members include the Chief Financial Officer, the Chief Corporate Affairs Officer & General Counsel, the Vice President – Group Risk Officer, the Director of Audit, the Company Secretary and other members of senior management.

The executive directors also meet with senior management on a regular basis to discuss performance, operational and budget issues to identify any emerging risks to achieving the budget and strategic plan.

As part of the Audit Committee's ongoing monitoring of the robustness of the Group's internal controls, during the year Grant Thornton conducted an independent review of the effectiveness of the Group's Internal Audit function. The report findings concluded that the Group's Internal Audit function was effective and included a high-calibre team which operated under a continuous improvement philosophy. Actions have been taken to address the areas identified where the function could improve further. With the succession planning for the head of Internal Audit already being considered and in the context of the continued growth of the business, the review supported the Group's decision to evolve the Internal Audit function to create a separate Risk function in addition to Internal Audit.

All internal audit activity is conducted by the Internal Audit team under the leadership of the Director of Audit, who reports to the Chief Financial Officer but who also has an independent reporting line to the Chairman of the Audit Committee. In view of Internal Audit's findings, management agrees and implements corrective action plans, which are tracked to completion by Internal Audit, with the results reported to executive management, the Audit Committee and the Board.

A newly created role following the Internal Audit function review, the Vice President – Group Risk Officer reports to the Chief Operating Officer and is responsible for ensuring that the Board's requirements relating to business risk management are met. This includes the design and facilitation of the risk assessment process, the risk appetite framework and providing oversight of key business change processes. As part of the Board's consideration of the principal risks facing the Group, the Vice President – Group Risk Officer facilitates a risk assessment process in each key business area and global support function to review the significant risks facing its operations and to record the relevant controls and any actions in place to mitigate the risks. The materiality of the risk is measured based on financial and non-financial criteria, and the probability of the risk arising is also mapped. The detailed assessments are then consolidated to provide input into the Group risk assessment which is discussed and agreed by management at the Risk Committee prior to presentation to the Audit Committee. The outcome of these assessments also inform the work of Internal Audit during the year and contribute to the development of the annual audit plan.

There are areas of the Group's business where it is necessary to accept risks to achieve a satisfactory return for shareholders, with such risks reflecting the Board's overall appetite for risk. During 2014/15 the Audit Committee, in conjunction with the full Board, considered and reviewed the nature and extent of these risks. It is the Group's objective to manage rather than eliminate such risks including keeping them under regular review.

For details of the principal risks which may adversely impact the performance of the Group and the execution of its strategies and the steps the Group takes to address these risks (where they are matters within Group control), see the Principal Risks section on pages 56 to 59.

Financial reporting

Management is responsible for establishing and maintaining adequate internal controls over financial reporting. These controls are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes.

The Group has comprehensive planning, budgeting, forecasting and monthly reporting processes in place. A summary of the Group's financial results supported by commentary and performance measures is provided to the Board each month.

In relation to the preparation of the Group financial statements, the controls in place include:

- a centre of expertise responsible for reviewing new developments in reporting requirements and standards to ensure that these are reflected in Group accounting policies;
- a dedicated financial governance team which is responsible for developing the Group's financial control processes and procedures and overseeing their implementation across the Group; and
- a global finance structure consisting of employees with the appropriate expertise to ensure that Group policies and procedures are correctly applied. Effective management and control of the finance structure is achieved through the finance leadership team, consisting of key finance employees from the regions and London headquarters.

The reporting process is supported by transactional and consolidation finance systems. Reviews of controls are carried out by senior finance management. The results of these reviews are considered by the Board as part of its monitoring of the performance of controls around financial reporting.

The Audit Committee reviews the application of financial reporting standards and any significant accounting judgements made by management.

Control environment

The Group's business model is based primarily on a central design, supply chain and distribution operation to supply products to global markets via retail (including digital) and wholesale channels. This is reflected in the internal control framework which includes centralised direction, resource allocation, oversight and risk management of the key activities of marketing, inventory management, brand and technology development. This includes central support in relation to corporate governance, legal, brand protection, human resources, information systems and financial practice.

The Group has established procedures for the delegation of authorities to ensure that approval for matters that are considered significant is provided at an appropriate level, either because of their value or their materiality to the Group. In addition, the Group has policies and procedures in place that are designed to support risk management across the Group. These include policies relating to treasury, the conduct of employees and third parties with which the Group conducts business including prohibiting bribery and corruption. These authorities, policies and procedures are kept under review as the Group continues to develop.

Accountability and audit

The Annual Report and Accounts taken as a whole, is required to be fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's performance, business model and strategy. The Board is satisfied that it has met this obligation. A summary of the directors' responsibilities for the financial statements is set out on page 110. The report of the Auditors on page 111 includes a statement by the auditors concerning their reporting responsibilities.

Report of the Audit Committee

Dear Shareholder,

The role of the Audit Committee is to monitor the integrity of financial information and to provide assurance to the Board that the Group's internal controls and risk management systems are appropriate and regularly reviewed, together with overseeing the work of the external auditors, approving their remuneration and recommending their appointment.

During the year the Committee continued to focus on ensuring that the Group's systems and controls are operating effectively, are responsive to a challenging external environment and are evolving in line with the Group's growth. This included the independent review by Grant Thornton of the effectiveness of the Group's Internal Audit function which found that the function operated effectively. In addition the Group separated the Internal Audit and Risk function into two distinct areas of expertise to support the continuing evolution of the business.

The Committee also considered the significant matters set out in the table on page 77. Where these significant matters related to the financial statements for the year, the Committee requested papers from management setting out their approach, the key estimates and judgements applied and management's recommendation. The Committee reviewed and challenged these papers, together with the findings of the external auditors, in order to conclude on the appropriateness of the treatment in the financial statements.

During the year the Committee conducted a review of the standing agenda items for each meeting and refreshed the agenda to ensure that it continues to reflect the areas where the Committee might most usefully focus its attention to reflect the changing nature of the business. In addition to the significant matters considered by the Committee, the usual work of the Committee is set out in the table on page 76.

The Committee has a constructive and open relationship with management and the auditors and we thank them for their assistance during the year. With the requirement that the auditors rotate the audit engagement partner every five years, PricewaterhouseCoopers partner Andy Kemp will be replaced commencing with the 2015/16 audit. The Committee would like to thank Andy for his work over the last five years.

Philip Bowman

Chairman, Audit Committee

Audit Committee membership

The following directors served as members of the Committee during the year ending 31 March 2015:

Members	Appointment date
Philip Bowman (Chairman)	21 June 2002
Fabiola Arredondo	10 March 2015
Ian Carter	18 May 2007
Jeremy Darroch	5 February 2014
Stephanie George	19 May 2006
Matthew Key	26 September 2013
Carolyn McCall	1 September 2014
David Tyler	21 June 2002

The Audit Committee met three times during the year. The attendance record of Committee members is recorded in the table on page 70. In addition to the scheduled meetings the Chairman of the Committee meets separately with representatives of the Auditor, the Chief Financial Officer, Vice President – Financial Controller, the Director of Internal Audit and Vice President – Group Risk Officer on a regular basis, including prior to each meeting. In addition he meets with other members of management on an ad hoc basis as required to fulfil his duties.

Regular attendees at Committee meetings include: the Chairman of the Board, the Chief Financial Officer, the Chief Corporate Affairs Officer & General Counsel, the Company Secretary, the Vice President – Group Risk Officer, the Director of Audit, the Senior Vice President – Group Finance, the Vice President – Group Financial Controller, the Senior Vice President – Group Tax and the representatives of the external auditors.

The Board is satisfied that Philip Bowman as Chairman has recent and relevant financial experience and that all other Committee members have past employment experience in either finance or accounting roles or broad experience and knowledge of financial reporting and/or international businesses. Details of their experience can be found in their biographies on pages 62 and 63.

Role of the Committee

The main roles and responsibilities of the Audit Committee are set out in written terms of reference which are available on the Company's website at www.burberrypc.com. The Committee reviews its terms of reference annually. In light of its key responsibilities, the Committee considered the following items of usual business during the financial year as set out in the table below.

Key Committee roles and responsibilities	Usual business conducted during 2014/15
Financial Reports: The integrity of the Group's financial statements and formal announcements of the Group's performance.	<ul style="list-style-type: none"> • Review of the Annual Report and Accounts, annual financial statements, preliminary announcement, and interim announcement. On behalf of the Board the consideration of whether the processes and procedures in place ensure that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy. • Assessment of the Group's ability to continue as a going concern for the foreseeable future. • Consideration of the report of the external auditors on the financial statements for the year, and on the year end audit. • Ensuring compliance with relevant regulations for financial reporting and the Code.
Risks and Internal Controls: The Group's internal financial, operational and compliance controls and risk identification and management systems. Review of Group policies for identifying and assessing risks and arrangements for employees to raise concerns (in confidence) about possible improprieties.	<ul style="list-style-type: none"> • Review of the Group's statement in the Corporate Governance Report on internal controls and risk management. • Review of financial, IT and cyber security control frameworks. • Review of business risk assessments. • Treasury Policy review and compliance. • Risk Committee and Ethics Committee updates. • Health and safety reviews. • Whistleblowing reports. • Anti-Bribery and Corruption Policy compliance.
Internal Audit: Review of the annual internal audit programme and the consideration of findings of any internal investigations and management's response. Review of effectiveness of the internal audit function.	<ul style="list-style-type: none"> • Consideration of the result of internal audits and management responses to the findings. • Approval of the internal audit plan for 2015/16. • Independent review of the effectiveness of the internal audit function.
External Auditors: Recommending the appointment of external auditors, approving their remuneration and overseeing their work. Policies on the engagement of the external auditors for the supply of non-audit services.	<ul style="list-style-type: none"> • Review and approval of the proposed audit fee and terms of engagement for the Group's external auditors, PricewaterhouseCoopers LLP (PwC), for the 2014/15 financial year (see below). • Review and approval of the audit plan for the year presented by the Group's auditors in October 2014. Consideration of the key areas of risk and the audit approach applied to these areas, the proposed areas of coverage of the audit, changes of scope and areas of risk in the current year plan and the resource plan. • Review of all non-audit services provided by the Group's auditors during the period and the fees relating to the services provided (see page 78). • On the five year rotation of the audit engagement partner, the approval of new PwC audit engagement partner starting from the 2015/16 financial year.

Significant matters

The significant matters considered by the Committee during the year are set out below.

Significant matters for the year ended 31 March 2015	How the Audit Committee addressed these matters
The calculation of the fair value of the put option over the non-controlling interest in the Group's business in China.	The Committee reviewed and challenged the appropriateness of the key inputs used in the calculation of the fair value of this option. The Committee also considered the sensitivity of the fair value to reasonable changes in inputs and disclosures made in relation to the valuation, including the potential impact of the call option on the future accounting for the put option liability. Further details of the valuation of the put option, which is valued at £54.4m at the year end, are set out in note 19 of the financial statements. The Committee concluded that the fair value of the put option, the disclosure of the valuation methodology and of the impact of the judgements applied were appropriate in the financial statements for the year.
Impairment assessment of intangible assets.	The Committee considered management's assessment of the recoverability of the intangible asset relating to the termination of the fragrance and beauty relationship. Given the materiality of this asset, the Committee requested management to update the valuation to reflect latest projected sales and margins, at each balance sheet date. The reasonableness of these projections was considered, taking into account the current performance of the business and the headroom in the valuation over book value. No impairment in this intangible asset was recorded during the year. Further details of the intangible asset are provided in note 12 of the financial statements.
The recoverability of the cost of inventory and the resulting amount of provisioning required.	The Committee considered the Group's current provisioning policy, the historic loss rates incurred on inventory held at the balance sheet date and the nature and condition of current inventory. Particular focus was given to the policy and provisioning for Beauty inventory, given the limited history of loss rates in Beauty compared to the other product divisions. The Committee requested management to provide a detailed analysis of Beauty inventory at the interim and year end, in order to consider the appropriateness of the provision recognised. The Committee concluded that the carrying value of inventory was appropriate. The Committee also requested management to continue to evolve their methodology for estimating the recoverable amount of Beauty inventory as more history of loss rates became available. Movements in inventory provisioning are set out in note 16 of the financial statements.
Income and deferred taxes.	The Senior Vice President – Group Tax, who reports to the Committee at each meeting, presented a detailed update of the Group's tax strategy, developments relating to discussions with tax authorities and the status of ongoing tax audits. The Committee reviewed and challenged the appropriateness of assumptions and judgements applied in order to estimate the amount of assets and liabilities to be recognised in relation to uncertain income tax and deferred tax positions. The Committee concluded that the assets and liabilities recognised and disclosures contained in the financial statements for the period were appropriate. Details of movements in tax balances are set out in notes 9 and 14 of the financial statements and further disclosure of tax contingent liabilities is given in note 30.
Fair, balanced and understandable reporting.	The Committee considered the Annual Report and Interim Report, on behalf of the Board, to ensure that they were fair, balanced and understandable, in accordance with requirements of the UK Corporate Governance Code. As part of this review, the Committee reviewed the report from the Strategic Report Drafting Team, highlighting key considerations. The Committee considered comments arising from the review of accounts by the executive directors. For instance, given the impact of changes in foreign exchange rates, the Committee requested management to provide a detailed reconciliation of the calculation of the constant currency performance, which is included in the Strategic Report in the Group Financial Highlights. An independent review of the constant currency reporting was also sought to provide additional comfort. There were no changes to the constant currency reporting as a result of these reviews.
Other matters.	<p>At the May and November meetings, the Committee also considered management's papers on the following subjects:</p> <ul style="list-style-type: none"> • assessment of the carrying value of goodwill; • impairment assessments of property, plant and equipment; • impairment assessments of trade receivables; and • consideration of the potential impact of supplier rebates, which concluded that amounts received from supplier rebates did not have a material impact on the Group results.

External auditors

The Committee oversees the work undertaken by PricewaterhouseCoopers LLP. During the year the Committee met with the external auditors without members of management being present.

Appointment and fees

The Committee has primary responsibility for making a recommendation on the appointment, reappointment and removal of the external auditors. The Committee assesses on an annual basis the qualifications, expertise, resources and independence of the external auditors and the effectiveness of the previous audit process. Over the course of the year, the Committee has reviewed the audit process and the quality and experience of the audit partners engaged in the audit. The Committee also reviewed the proposed audit fee and terms of engagement for the 2014/15 financial year. Details of the fees paid to the external auditors during the financial year can be found in note 7 in the financial statements.

PricewaterhouseCoopers LLP have remained in place as auditors since prior to the IPO of the Company in 2002. They were reappointed with a new lead audit partner following a formal tender process undertaken by the Group for the 2010/11 financial year. The external auditors are required to rotate the audit engagement partner every five years. The current audit partner commenced his engagement for the 2010/11 financial year and is subject to rotation after the audit of the Group's financial statements for the 2014/15 financial year has been concluded. A new audit engagement partner is in place for the 2015/16 financial year.

During the year, the Committee approved the reappointment, remuneration and terms of engagement of PricewaterhouseCoopers LLP as the Group's external auditor. The Committee recommended to the Board that it proposes to shareholders that PricewaterhouseCoopers LLP be reappointed as the Group's external auditors at the Group's forthcoming Annual General Meeting.

Non-audit services

The Committee recognises that the independence of the external auditors is an essential part of the audit framework and the assurance that it provides. The Committee has adopted a policy which sets out a framework for determining whether it is appropriate to engage the Group's auditors for non-audit services. This policy was reviewed during the year in view of EU Audit Reform legislation. Key considerations set out in the policy include whether the services:

- are naturally tangential to the audit and which the auditors are best placed to provide;
- cannot be regarded as naturally tangential to the audit, but where the external auditors are in a position to provide the best service to the Group due to their previous experience, network within and knowledge of the Group, or market leadership in a particular area; and
- represent a real threat to the perceived or actual independence of the audit team.

Under the policy, the auditors may provide non-audit services that do not prejudice their independence, subject to prior approval as set out in the policy. Proposed fees above a certain level must be approved by the Chairman of the Audit Committee, and fees must be activity based and not success related. Fees paid to the external auditors for non-audit services in any given financial year cannot exceed 70% of the average of the Group audit fees received over the last three years. This is monitored jointly by Internal Audit and the external auditors on an ongoing basis and prior to any additional non-audit services being approved. At the half year and year end, the Audit Committee reviews all non-audit services provided by the auditors during the period and the fees relating to such services.

During the year, the Group spent £673,000 on non-audit services provided by PricewaterhouseCoopers LLP (being 38% of the average of Group audit fees received over the last three years). Further details can be found in note 7.

Report of the Nomination Committee

Dear Shareholder,

The role of the Nomination Committee is to:

- review the balance and composition of the Board and its Committees, ensuring that they remain appropriate;
- be responsible for overseeing the Board's succession planning requirements including the identification and assessment of potential Board candidates and making recommendations to the Board for its approval; and
- keep under review the leadership needs of, and succession planning for, the Group in relation to both its executive directors and other senior executives. This includes the consideration of recommendations made by the Chief Creative and Chief Executive Officer for changes to the executive membership of the Board.

During 2014/15 the Committee has continued to focus on executive and Board succession with the following key outcomes.

- The appointment on 1 May 2014 of Christopher Bailey as Chief Creative and Chief Executive Officer succeeding Angela Ahrendts.
- The ongoing implementation of the Board succession plan to evolve the Board's relevant skills and competencies for the future. Further progress has been made on this during the year with the appointment of Carolyn McCall and Fabiola Arredondo as non-executive directors. (See Board succession on page 70 and Diversity and inclusion on page 71).

Board succession and composition will continue to remain a priority for the coming year as the Board continues to execute its succession plan.

Sir John Peace

Chairman, Nomination Committee

Nomination Committee membership

The following directors served as members of the Committee during the year ended 31 March 2015:

Members	Appointment date
Sir John Peace (Chairman)	21 June 2002
Fabiola Arredondo	10 March 2015
Philip Bowman	21 June 2002
Ian Carter	18 May 2007
Jeremy Darroch	5 February 2014
Stephanie George	23 March 2007
Matthew Key	26 September 2013
Carolyn McCall	1 September 2014
David Tyler	23 March 2007

Role of the Committee

The main roles and responsibilities of the Nomination Committee are set out in written terms of reference which are available on the Company's website at www.burberrypkc.com. The Committee reviews its terms of reference annually.

Activities during the year

The Committee met three times during the year under review. The table on page 70 gives details of directors' attendance at these meetings. The Committee spent a significant amount of time overseeing the process which led to the appointment of Christopher Bailey as Chief Creative and Chief Executive Officer, and the appointments of Carolyn McCall and Fabiola Arredondo as non-executive directors. The external search firm, Lygon Group, advised on the appointments of Carolyn McCall and Fabiola Arredondo. Lygon Group has no other connection with the Group.

Other regular attendees at Committee meetings include the Chief Corporate Affairs Officer and General Counsel and the Company Secretary.

Annual General Meeting and annual re-election of directors

As required by the UK Corporate Governance Code, the Notice of the 2014 Annual General Meeting was sent to shareholders at least 20 working days before the meeting. A poll vote was taken on each of the resolutions put before shareholders. All directors serving at the time of the 2014 Annual General Meeting, attended and the Chairman of the Board and the Chairmen of each of the Committees were available to answer shareholders' questions.

Voting at the upcoming 2015 Annual General Meeting will be by way of poll. The results of the voting at the Annual General Meeting will be announced and details of the votes will be available to view on the Group's website at www.burberryplc.com as soon as possible after the meeting.

It is the intention that all directors, including the Chairmen of the Audit, Remuneration and Nomination Committees, will attend the 2015 Annual General Meeting and will be available to answer shareholders' questions.

All directors have, since the 2011 Annual General Meeting, offered themselves for annual re-election in accordance with the UK Corporate Governance Code. At the 2015 Annual General Meeting, all of the directors will again retire and all will offer themselves for re-election or, in the case of the newly appointed directors, for election.

The biographical details of the current directors can be found on pages 62 and 63 of this Annual Report. The Chairman confirms that, following the external evaluation conducted during the year and the review of individual director roles and performance led by the Chairman, the performance of each of the directors standing for election continues to be effective and demonstrates commitment to their roles, including commitment of time for Board and Committee meetings and any other duties. Accordingly, the Board recommends that shareholders approve the resolutions to be proposed at the 2015 Annual General Meeting relating to the re-election or election of the directors.

The terms and conditions of appointment of the directors, including the expected time commitment, are available for inspection at the Company's registered office.

Other governance disclosures

Tax strategy

The Group is committed to complying with global tax regulations in a responsible manner with due regard to governments and shareholders, and to engage in open and constructive relationships with tax authorities in the territories in which it operates. The Group's tax planning is consistent with this responsible approach, and it will not enter into arrangements simply to achieve a tax advantage. The Group tax strategy is implemented through the Group's tax policy which directs and aligns the activities of the various functions within the Group in order to achieve the strategy's objectives.

Tax governance framework

The Chief Financial Officer is responsible for the Group's tax policy which is implemented with the assistance of the finance leadership team. This is reviewed on an ongoing basis as part of the regular financial planning cycle. In addition, the Group's tax status is reported regularly to the Group Risk and Audit Committees. The Audit Committee is responsible for monitoring all significant tax matters including the Group's tax policy. Audit Committee meetings are regularly attended by a number of Group officers and employees including the Chief Financial Officer, the Senior Vice President – Group Tax and the Chief Corporate Affairs Officer & General Counsel, who oversees all corporate responsibility matters.

Share capital

Further information about the Company's share capital, including substantial shareholdings, can be found in the Directors' Report on pages 104 to 107.

DIRECTORS' REMUNERATION REPORT

Dear Shareholder,

On behalf of the Remuneration Committee (the 'Committee'), I would like to extend our sincere thanks to our shareholders, as many of you have taken time to consider and provide views to the Committee on executive remuneration matters at Burberry. As you would expect, the Committee has reflected carefully on the results of the 2014 Annual General Meeting ('AGM'). Although we were pleased to gain 83.9% of votes in favour of our remuneration policy, we were extremely disappointed that we did not receive majority support for the remuneration report. The Committee has invested considerable time since the AGM to engage with and listen to shareholders to endeavour to better understand and respond to the areas of Burberry executive remuneration that have caused concern. The Committee takes shareholders' concerns very seriously and the Chairman and I have both taken a personal role in following up on the AGM vote, with the team having met with or spoken to the majority of our 50 largest shareholders, specifically to discuss the subject of Burberry executive remuneration.

Based on our analysis of the votes against the remuneration report and our follow-up discussions with shareholders, concerns centred largely around the structure of the remuneration package for Christopher Bailey, our Chief Creative and Chief Executive Officer, and in particular, his award of one million shares granted in 2013 and his award of 500,000 performance-based shares granted in 2014 as part of his appointment to the CEO role. We acknowledge that we released information regarding Christopher Bailey's remuneration package through a number of different mediums and therefore may not have been sufficiently clear on the context for the package and these exceptional share awards. We have sought to better explain Christopher Bailey's remuneration package to our major shareholders during our engagement and I set out below the rationale behind our decisions.

Remuneration Philosophy

Our philosophy on remuneration is based on the following three key points:

- Creativity is at the heart of everything we do and is the key driver of sales and profit. We must attract and retain the best creative talent available.
- We aim to reward our people on a basis that is strongly aligned to sustainable long-term performance and commitment to the brand that delivers value to our shareholders.
- Burberry is an international luxury brand and in key areas we compete with, and recruit from, an international rather than domestic talent pool.

Christopher Bailey's Remuneration

Christopher Bailey has been with Burberry for 14 years, working in close partnership with two CEOs – first Rose-Marie Bravo and, from 2006, Angela Ahrendts. Over that period, he led the creative side, overseeing everything the customer sees and touches including brand imagery, product design and development, creative marketing and architecture. He also led the consumer technology and digital innovation for which Burberry is renowned and is the basis for our leadership in this area when compared to our luxury peers. Christopher Bailey was also a strong commercial partner to his CEOs, which is why, through our succession planning, he was the Board's clear choice when Angela Ahrendts announced her intention to leave Burberry in 2014.

A number of our major shareholders have made it clear how important it is that the Company retain Christopher Bailey, given his value to the Company and its ongoing success and the difficulty of replacing him. The Committee has also taken this view and over the years considered it appropriate to make a number of decisions regarding his remuneration. These decisions were not taken lightly. They were difficult decisions which were made after considerable debate at the Committee meetings, given that the quantum and structure of Christopher Bailey's remuneration would look unusual, especially in a UK context. I set out below the key decisions that have been made, and the Committee's rationale for these decisions:

- In 2010, Christopher Bailey was granted an exceptional award of 350,000 shares that would vest if he remained at the Company for five years. These will vest ahead of the 2015 AGM and he has committed to retain 50% of these to achieve his shareholding guideline and demonstrate his commitment to Burberry and alignment with shareholders.
- In 2013, and as the Chairman explained at the 2014 AGM, Christopher Bailey was approached for a role at another brand, rewarding him at much higher levels than his then existing Burberry package. Put simply, the market value for his creative talents was far in excess of what he was earning.

- The Committee believed it was essential to take action to retain Christopher Bailey, and while we could not match the offer, we increased his remuneration package accordingly, including an exceptional award of one million shares that would vest in full only if he stayed at Burberry until 2018.
- The Committee also considered it appropriate to provide Christopher Bailey with a cash allowance of £440,000. This was specifically chosen as a method of increasing Christopher Bailey's fixed remuneration without increasing other costs to Burberry for his annual bonus, performance-related share awards and pension allowance.
- Upon taking up the combined role as CC & CEO in 2014, the Committee made no changes to Christopher Bailey's ongoing remuneration package. To reflect his additional role and responsibilities as CC & CEO, we did, however, make Christopher Bailey a grant of an exceptional performance-related award of 500,000 shares that may vest between 2017 and 2019, subject to performance. Recognising that we did not provide sufficient information on the performance conditions attached to this award in the 2013/14 Directors' Remuneration Report, the Committee disclosed further details of the performance conditions on our website on 25 June 2014, as summarised in section 5 of this report. These are a mixture of financial, strategic and personal performance conditions.

In addition to the information and context we have shared on the 2014 award of 500,000 performance-based shares, the Committee would like to further improve transparency around the performance conditions for the benefit of shareholders. While there will be a degree of discretion applied when determining any outcome, we will provide detail (subject to commercial sensitivity) on how in practice performance has been tested at the end of each year. Section 5 of this report includes this commentary on progress towards the objectives for the first year of the performance period and the Committee reached the conclusion, in the light of strong financial performance, outstanding shareholder returns, excellent strategic progress and Christopher's own exceptional personal contribution, that overall there was an 85% performance achievement in the year.

Christopher Bailey is clearly in demand in the international luxury space and the Board is delighted that he has chosen to stay at Burberry, demonstrating his full commitment to the Company and shareholders during his first year as CC & CEO. As further demonstration of his long-term commitment to Burberry and strong alignment with the interests of shareholders, Christopher Bailey has committed to achieving his shareholding guideline requirement of 500,000 shares shortly after the 2015 AGM. On 31 March 2015, the closing share price was £17.33 and so this level of shareholding represented almost 8 times his salary.

A second area of shareholder concern was the level of discretion the Committee has in parts of the policy. While the Committee might at times require the flexibility to apply discretion, this will be done infrequently, after careful consideration and, if material, after consultation with major shareholders. Discretion can work both in favour of and against executives.

Executive Share Plan – Final Design

The Committee consulted extensively with shareholders on the design of the new Executive Share Plan ('ESP') and was pleased that the plan received strong support at the 2014 AGM, with 91.2% of votes cast in favour. Whilst the ESP design has been agreed, the remuneration policy allows a degree of flexibility around a number of the ESP design elements. This flexibility allows the Committee to determine the most appropriate approach to the following parameters ahead of each annual award:

- the weighting of each performance measure (within the specified ranges);
- the definition (and calculation approach) of each performance measure; and
- the threshold and maximum performance targets for each performance measure.

The parameters for the 2015 ESP awards are explained in detail in section 4 of this report. The Committee has also decided to apply an additional holding period on all new ESP awards granted to executive directors. To increase long-term alignment with shareholders, while executive directors are employed by Burberry, no ESP shares may be sold until five years from the date of grant.

Remuneration Policy Operation

The Remuneration Committee is pleased to confirm that all remuneration payments to executive directors made during the year have been in line with the policy approved by shareholders at the 2014 AGM. The Committee is satisfied that the remuneration policy has proved fit-for-purpose, reflecting the long-term performance of the Company, and remains appropriate going forward.

In 2014/15, underlying growth in Group Revenue and Adjusted Profit Before Tax ('Adjusted PBT') were 11% and 7% in a challenging global external environment. Management's consistent execution of key strategies and dynamic response to challenges and opportunities delivered this strong performance. Against this backdrop, the annual bonus paid out at 81% of maximum, as Adjusted PBT for the year was between the target and maximum levels set by the Committee. Underlying growth in Adjusted PBT over the last three years has been 8.3% per annum and so the Co-Investment Plan awards granted in 2012 will vest at 75% of maximum. The Restricted Share Plan awards granted to senior executives in 2012 did not vest, as the performance conditions for these awards were not met.

Finally, in terms of how the remuneration policy will be operated during the 2015/16 year, section 4 sets out the Committee's intended approach in detail. The points I would draw to your attention are that:

- the executive directors will be receiving zero increases to salaries;
- awards under the ESP will be 350% of salary for Christopher Bailey and 250% of salary for the other directors; and
- a clawback measure will be introduced on the annual bonus and ESP awards going forward.

The Committee will continue to engage with shareholders to ensure an open dialogue and improved transparency around executive remuneration arrangements at Burberry. Once again, I would like to personally thank shareholders for all the feedback this year and I look forward to gaining your support on the remuneration report when it is put to the vote at the Annual General Meeting in July 2015.

Ian Carter

Chairman, Remuneration Committee

Summary contents

The remuneration report is set out in the following sections:

1. Directors' remuneration policy
2. Directors' remuneration in 2014/15 (Annual Report on Remuneration)
3. Outstanding share interests
4. Directors' remuneration in 2015/16
5. Further information on Christopher Bailey's 2014 exceptional performance-based award of 500,000 shares
6. Payments made in the year to former directors
7. Remuneration Committee in 2014/15
8. Six-year performance graph and Chief Executive Officer remuneration

1. Directors' remuneration policy

Burberry's directors' remuneration policy ('remuneration policy') was approved by shareholders at the 2014 Annual General Meeting ('AGM') and took effect from the date of the 2014 AGM, 11 July 2014. Since the policy has a maximum life of three years, we are not seeking approval for it this year and it is set out in this report for reference only. There have been no changes to the remuneration policy and the Committee intends that this policy should apply until the 2017 AGM. The charts illustrating indicative levels of total remuneration for the executive directors have not been included this year, and the full original version of the remuneration policy can be found in the 2013/14 Annual Report, available on the Company's website.

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

Linked to the success and strategy of the business: the overall remuneration framework should provide a balance between key short-term and long-term business objectives. Variable pay for executive directors includes (1) an annual cash bonus based on the financial performance of Burberry (currently Adjusted Profit Before Tax as per the audited income statement ('Adjusted PBT*')) is the sole performance measure), and (2) long-term share-based incentives linked primarily to the financial performance of the Company but having regard to the delivery of objectives set in accordance with the Company's long-term strategic themes.

Shareholder value: remuneration should provide close alignment with long-term value creation for shareholders through the selection of appropriate performance measures and targets, be tied to the future success of the Company, emphasise variable pay and deliver a significant proportion of remuneration in shares, some of which are expected to be retained in accordance with the Group's executive shareholding policy.

* Adjusted Profit Before Tax is defined in note 2 of the Financial Statements and all references to Adjusted PBT in this report refer to this definition.

Competitive in the global talent market: total remuneration should be sufficient to attract, motivate and retain exceptional talent within the global luxury goods and digital sectors. Total remuneration for executive directors and other senior executives is therefore benchmarked against Burberry's main global competitors for talent and comparable UK companies. The Committee recognises that, for each executive, the relative importance of each of these reference groups may be different depending on the skills and experience required to undertake the specific role. Benefits are based on competitive market practice for each executive depending on individual circumstances.

1.1 Directors' remuneration policy effective from 11 July 2014

Purpose	Maximum annual opportunity and link to performance	Operation
Executive directors		
Base salary To recognise the responsibilities, experience and ability of our talent in a competitive global environment, keeping our people focused on, and passionate about, the brand.	Maximum annual increase (per individual executive director): 15% of salary.	<p>Annual increases are normally in line with the average increase for all employees and below the maximum shown.</p> <p>Salary levels and increases for executive directors are set within the same framework and ranges as those for all other employees, taking into account individual performance and overall contribution to the business during the year, cost to the Company and the external economic climate.</p> <p>Salaries are benchmarked annually against global companies of similar size and/or global reach within relevant sectors. Depending on the role, this comprises companies in the luxury goods sector and/or companies with high-profile global brands particularly in the digital sector, and to a lesser extent comparable UK companies and/or companies with a high growth profile. Salaries are reviewed, although not necessarily increased, annually.</p> <p>The Committee considers the impact of any base salary increase on the total remuneration package.</p> <p>The Committee retains the ability to recognise, for example, development in role, change in responsibility, and/or other matters relating to the role or incumbent. In these situations the Committee reserves the discretion to make annual increases above the maximum increase shown.</p>
Annual bonus To reward executive directors for achieving annual financial targets linked to the strategic plan agreed by the Board.	<p>Maximum awards are:</p> <ul style="list-style-type: none"> • 225% of salary <p>Performance measure(s):</p> <ul style="list-style-type: none"> • 100% linked to adjusted profit performance <p>Percentage of maximum bonus payable at each level of performance:</p> <ul style="list-style-type: none"> • 25% at threshold • 50% at target • 100% at maximum 	<p>The Committee reviews the performance measure annually to ensure it remains appropriate and is aligned with Burberry's strategy.</p> <p>Adjusted profit will be the primary measure used by management and the Committee believes strong performance in adjusted profit is key to delivering superior shareholder returns. Ultimately, the successful implementation of the key strategic themes is reflected in the adjusted profit.</p> <p>Targets are set before the start of each year by reference to budget, the strategic plan, long-term financial goals, latest projections for the relevant year and broker earnings estimates for Burberry and its competitors.</p> <p>Targets will be disclosed retrospectively following completion of the relevant financial year, provided they are not deemed to be commercially sensitive.</p> <p>50% of bonus will be deferred in shares for three years until executive shareholding guidelines are met.</p> <p>Use of judgement: The Committee may determine that it is appropriate to adjust (down or up) the bonus outcome. This may take into account factors such as misalignment of adjusted profit performance with other financial and operational measures of performance or targets no longer being appropriate. It is anticipated that any adjustment would be infrequent and in exceptional circumstances only. Details of any applications of judgement would be disclosed at the time in the relevant remuneration report.</p>

Purpose	Maximum annual opportunity and link to performance	Operation
<p>Burberry Executive Share Plan (ESP)</p> <p>To focus executives on, and reward them for, sustainable long-term performance and successful execution of the Group's long-term strategy.</p> <p>To help maintain the stability of the top executive team, and align executives' interests with those of shareholders.</p>	<p>Maximum awards are:</p> <ul style="list-style-type: none"> • 400% of salary (in normal circumstances) • 600% of salary (in exceptional circumstances, to be determined at the Committee's discretion) <p>Performance measures for executive directors to be measured over three years:</p> <ul style="list-style-type: none"> • 50% to 60% on growth in adjusted profit: <ul style="list-style-type: none"> – 25% vesting for threshold performance – 100% vesting for maximum performance – Straight-line vesting in between • 20% to 25% on a measure to incentivise the efficient use of capital: <ul style="list-style-type: none"> – 25% vesting for threshold performance – 100% vesting for maximum performance – Straight-line vesting in between • 20% to 25% on revenue growth: <ul style="list-style-type: none"> – 25% vesting for threshold performance – 100% vesting for maximum performance – Straight-line vesting in between <p>Vesting: 50% after three years, remaining 50% after four years.</p>	<p>Targets for the measures will be calibrated ahead of each annual grant by reference to the latest strategic plan, long-term financial goals, latest three-year projections and broker earnings estimates for Burberry and its competitors. The threshold targets will be calibrated to be of median difficulty, and the maximum targets will be of upper quartile difficulty. Targets will be disclosed ahead of each annual grant.</p> <p>Growth in adjusted profit has been chosen as it continues to be the primary financial measure used by shareholders and management, and the Committee believes strong growth in adjusted profit is key to delivering superior shareholder returns. The efficient use of capital measure is intended to incentivise management to combine superior growth in profit and revenue with attractive return on incremental investment but not to act as a disincentive to invest. Burberry's strategy is designed to deliver both profit and revenue growth and therefore to align with strategy a measure based on revenue growth is proposed as a transparent and quantifiable indicator of performance.</p> <p>Where the information is not deemed by the Committee to be commercially sensitive, commentary will be provided on an annual basis outlining progress against the targets and, for completed cycles, detail on the performance achieved.</p> <p>A cash payment equivalent to the value of dividends which would have been received during the vesting period will be paid only in respect of shares that vest.</p> <p>Discretion: The Committee retains the discretion to grant awards of up to 600% of salary in exceptional circumstances and to vary the weighting applied to each measure within the ranges shown. The Committee will consult with major shareholders in advance of applying such discretion to grant awards of up to 600%.</p> <p>Use of judgement: The Committee will have the ability to adjust down or up the calculated level of vesting by reference to the quality of earnings and effective execution of strategy to ensure the growth delivered is long-term sustainable growth. Details of any adjustments would be disclosed in the relevant remuneration report.</p> <p>Malus provision: Unvested shares or awards may be forfeited in whole or in part in the event of a material misstatement in the Company's audited financial statements.</p>
<p>All-employee share plans</p> <p>To encourage employee share ownership at all levels.</p>	<p>Sharesave: maximum savings amount of £6,000 per annum, with which shares can be purchased with a 20% discount.</p> <p>Share Incentive Plan and International Freeshare Plan: awards with a value of up to £500 per annum.</p>	<p>Burberry operates two all-employee share plans:</p> <p>The Sharesave Scheme offers eligible employees (including executive directors) an opportunity to enter into a three or five-year savings contract to save a portion of their salary which can be used to purchase Burberry shares, normally at the end of the savings contract, at up to a 20% discount to the market price at the date of invitation.</p> <p>Awards of shares or a cash equivalent (where the use of shares is not possible) are made annually to all eligible employees under the UK Share Incentive Plan and International Freeshare Plans.</p> <p>Discretion: The Committee reserves the right to increase the maxima to the extent that the change is made on the same basis for all employees participating in the plan.</p>
<p>Pensions</p> <p>To offer market-competitive benefits.</p>	<p>Maximum Company contribution: 30% of salary per annum</p>	<p>Executive directors participate in defined contribution arrangements.</p> <p>Participants may elect to receive some or all of their entitlement as a cash allowance.</p>

Purpose	Maximum annual opportunity and link to performance	Operation
Other benefits and allowances To promote the well-being of employees, allowing them to focus on the business.	<p>The aggregate maximum value of all other benefits and allowances is not anticipated to exceed £100,000 per individual per annum.</p> <p>The Committee may agree that the Company will pay additional allowances linked to relocation or international assignment. For the purposes of providing a maximum, it is not expected that this would exceed £250,000 in any year for one individual.</p> <p>For the CC & CEO only, the maximum value of all cash allowances is £440,000 per annum, as agreed in his previous role, prior to his appointment as an executive director. He is also entitled to receive the non-cash benefits, as noted to the right; the value of these is not expected to exceed £20,000 per annum.</p>	<p>Benefit levels are reviewed on an annual basis and the cost to the Company of providing benefits can vary due to a number of factors.</p> <p>Benefits for executive directors may include, but are not limited to:</p> <ul style="list-style-type: none"> • private medical insurance • life assurance • long-term disability insurance • car allowance • clothing allowance • employee discount <p>Reasonably incurred expenses will be reimbursed.</p> <p>Discretion: The Committee retains the discretion to provide other benefits to the executive directors as deemed necessary.</p>
Discretion to honour all prior commitments The Committee reserves the right to make any payments where the terms were agreed before this policy came into effect or prior to an individual being appointed a director of the Company. These payments will include the satisfaction of share awards previously granted.		
Outstanding Co-Investment Plan (CIP) awards (prior commitments) To allow payment of awards made under previous policy.	<p>Maximum awards (subject to investment of bonus):</p> <ul style="list-style-type: none"> • 400% of salary (that is a two-times match on a maximum bonus of 200% of salary) <p>The performance measure that determines vesting is growth in Adjusted PBT over three years.</p>	<p>It is the Committee's intention that outstanding CIP awards should be allowed to pay out according to the terms on grant.</p> <p>Further details are contained in the remuneration report for the year of grant and will be included in the remuneration report for the final year of the performance period.</p> <p>Malus provision: None.</p>
Outstanding Restricted Share Plan (RSP) awards (prior commitments) To allow payment of outstanding awards, made under previous policy.	<p>Maximum awards:</p> <ul style="list-style-type: none"> • 200% of salary • One-off exceptional award of 300% of salary (granted to the CC & CEO in his previous role, prior to his appointment as an executive director) <p>Performance conditions for executive directors:</p> <ul style="list-style-type: none"> • 50% on growth in Adjusted PBT over three years • 50% on relative TSR vs. sector peers over three years 	<p>It is the Committee's intention that outstanding RSP awards should be allowed to pay out according to the terms on grant.</p> <p>Further details are contained in the remuneration report for the year of grant and will be included in the remuneration report for the final year of the performance period.</p> <p>Malus provision: None.</p>
Outstanding exceptional share awards (prior commitments) To allow payment of outstanding awards, made under prior commitments to Christopher Bailey.	<p>(1) In Christopher Bailey's prior role as Chief Creative Officer.</p> <p>Maximum outstanding awards:</p> <ul style="list-style-type: none"> • 1,350,000 shares <p>Vesting conditions are continued employment over three, four and five years from date of grant</p> <p>(2) On Christopher Bailey's appointment to CC & CEO.</p> <p>Maximum outstanding award:</p> <ul style="list-style-type: none"> • 500,000 shares <p>Vesting conditions are key strategic performance objectives, as determined by the Remuneration Committee at date of grant, and continued employment over three, four and five years from date of grant</p>	<p>It is the Committee's intention that outstanding exceptional share awards should be allowed to pay out according to the terms on grant.</p> <p>Further details will be included in the remuneration report for the year when any awards are included in the single figure of total remuneration.</p> <p>In the case of the award on appointment to the CC & CEO, the Committee will disclose further details on the key strategic performance objectives at the time they are considered not to be commercially sensitive and will provide commentary on progress towards these objectives on an annual basis.</p>

Notes:

Adjustment of share awards: The number of shares subject to an award can be adjusted on a rights issue, special dividend, demerger or variation of capital or similar transaction. Awards will vest on a takeover to the extent performance conditions are achieved and the number of shares will be generally prorated to reflect early vesting. Alternatively, they can be exchanged for equivalent awards over shares in the acquiring company. The Committee can also allow full or partial vesting on a demerger, special dividend, distribution in specie or if the participant is relocated in circumstances which would give rise to unfavourable tax treatment. Share awards can be satisfied by a cash payment equal to the value of shares the participant would otherwise have received.

In respect of our share plans, this table presents a summary of the key and relevant information for the Plan Rules. It is the Committee's intention that these plans will operate in accordance with the Plan Rules as approved by shareholders.

Purpose	Maximum annual opportunity	Operation
Non-executive directors		
Chairman – fees To attract and retain a high-calibre chairman by offering a market-competitive fee.	Maximum increase: 10% of fee (per annum over period since last review date).	The Chairman is paid a single fee for all responsibilities. The fee level is reviewed at least every three years by the Committee, with reference to UK market levels in companies of a similar size, the time commitment and personal contribution. The fee is paid in cash.
Non-executive directors (NEDs) – fees To attract and retain high-calibre non-executive directors by offering market-competitive fees.	Maximum increase for each type of fee (per individual director): 10% of fee (per annum over period since last review date).	The non-executive directors are paid a basic fee. The Chairmen of the Audit and Remuneration Committees and the Senior Independent Director are paid an additional fee to reflect their extra responsibilities. Fee levels are reviewed at least every three years by the Board, with reference to UK market levels in companies of a similar size. Fees are paid in cash.
Chairman and NEDs – other benefits To enable the Chairman and non-executive directors to undertake their roles.	Non-executive directors receive a £2,000 attendance allowance per meeting for attendance at Board meetings outside of their country of residence (except the Chairman) and, as brand ambassadors, discount on Burberry products.	Attendance allowances are paid in cash. Reasonably incurred expenses will be reimbursed.
NEDs – additional fees To allow flexibility to provide additional fees if required.	Maximum additional fee: £20,000	The Company has the discretion to pay an additional fee to a non-executive director should the Company require significant additional time commitment in exceptional circumstances. The Company currently has no intention to use this discretion.

1.2. Policy on recruitment and promotion arrangements

The Committee will pay new directors in accordance with the approved remuneration policy and all its elements as set out in the table above. The ongoing annual remuneration arrangements for new executive directors will therefore comprise base salary, annual bonus, ESP award, pension, benefits and all employee share plans. In addition, the recruitment policy below permits the Committee to take the following actions, as appropriate, in the best interests of the Company and therefore shareholders.

- For an internal appointment, any commitment made in respect of the prior role will be allowed to pay out according to its terms.
- For external and internal appointments, the Committee may agree that the Company will pay certain allowances linked to relocation, as appropriate, and will meet expenses / reimburse an executive against additional costs on appointment. In addition, the Committee may agree that the Company will pay certain allowances linked to repatriation on termination of employment.
- For external appointments, the Committee may offer additional cash and/or share based elements to take account of remuneration relinquished when leaving a former employer. As far as possible and appropriate, such payments would reflect the nature, time horizons and performance requirements attaching to the relinquished remuneration.
- If necessary, the Committee may offer additional cash and/or share based elements to secure an appointment. The Committee would determine the performance conditions and time horizons that would apply to such awards at the time. Such awards would be limited to 600% of salary.
- If necessary, the Committee may enter into a service contract with a longer initial notice period, reducing to 12 months or less on a rolling basis to secure the appointment of an executive from an environment where longer notice periods are market practice.

For internal appointments the terms and conditions of the individual employment prior to the appointment will remain in force unless the Committee otherwise decides and the individual agrees.

1.3. Supplementary information

External directorships

The Board’s executive directors are permitted to hold only one non-executive directorship of a FTSE 100 company and may retain the fees payable from such an appointment. Details of the directors’ other directorships can be found in their biographies on pages 62 to 63.

Remuneration policy in the rest of the Company

The remuneration arrangements for executive directors outlined in section 1.1. above are consistent with those for the other senior executives, although quantum and award opportunities vary by executive level.

During its deliberations on executive remuneration, the Committee considers the reward framework for all employees worldwide, ensuring that the principles applied are consistent with the executive remuneration policy. Merit increases awarded to executives are determined within the broader context of employee remuneration. All employees are eligible for an annual bonus based on performance and executive share plans are extended through the organisation to senior executives and high-potential employees as and where appropriate. The principle of shareholder alignment is reflected throughout the organisation through our all employee share plans, which are (where legally possible) extended to all eligible Burberry employees globally.

Policy on service agreements and termination provisions

Executive directors

The Company’s general policy on directors’ service agreements is that they operate on a rolling basis with no specific end date and include a 12-month notice period both to and from the Company.

	Date of current service agreement	Date employment commenced	Notice period to the Company	Notice period from the Company
Christopher Bailey	30 April 2014	7 May 2001	6 months	12 months
John Smith	6 February 2013	4 March 2013	12 months	12 months
Carol Fairweather	11 July 2013	12 June 2006	6 months	12 months

Standard terms on termination

Salary, benefits and allowances: Executive directors continue to receive salary, benefits and allowances during their notice period. Pursuant to the terms of Business Protection Agreements (which set out restrictive covenants and terms relating to the non-solicitation of employees) in place with the executive directors (except the CC & CEO), payments equal to salary for the duration of certain restrictive covenants may be made if the employer chooses to enforce them to protect Burberry’s continuing business.

Annual bonus paid in cash: An executive considered to be a ‘good leaver’ (for example leaving the Company on retirement, redundancy, ill health, as a result of death in service or as decided by the Committee) may remain eligible for a prorated payment of the annual bonus subject to achievement of bonus targets. An executive who has left employment for a reason such as leaving to join a competitor company during the performance period or before the payment is due, or who has given or been given notice in those circumstances at the time of payment, will not be eligible to receive an annual bonus. The Committee retains discretion to vary the approach and the payment of annual bonus to leavers, as outlined below.

CIP invested shares: An executive leaving the Company for any reason is entitled to retain all invested shares held.

CIP matching awards: For an executive considered to be a ‘good leaver’ (including leaving the Company on retirement, redundancy, ill health, as a result of death in service or as decided by the Committee), outstanding awards will be prorated for time and vest subject to performance on the original vesting date. Upon a change in control of the Company, outstanding awards will be prorated for time and vest subject to performance at the point of change in control. For an executive whose employment is terminated for any other reason (such as leaving to join a competitor company) during the performance period, CIP matching awards will lapse in full. The Committee retains discretion to vary the approach and the extent to which CIP matching awards vest for leavers, as outlined below.

RSP awards: For an executive considered to be a 'good leaver' (including leaving the Company on retirement, redundancy, ill health, as a result of death in service or as decided by the Committee), outstanding awards will be prorated for time and vest subject to performance. Upon a change in control of the Company, outstanding awards will vest subject to performance at the point of change in control. For an executive whose employment is terminated for any other reason (such as leaving to join a competitor company) during the performance period, RSP awards will lapse in full. The Committee retains discretion to vary the approach and the extent to which RSP awards vest for leavers, as outlined below.

ESP awards: For an executive considered to be a 'good leaver' (including leaving the Company on retirement, redundancy, ill health, as a result of death in service or as decided by the Committee), outstanding awards will be prorated for time and vest subject to performance on the original vesting date. Upon a change in control of the Company, outstanding awards will be prorated for time and vest subject to performance at the point of change in control. For an executive whose employment is terminated for any other reason (such as leaving to join a competitor company) during the performance period, ESP awards will lapse in full. The Committee retains discretion to vary the approach and the extent to which awards vest for leavers, as outlined below.

Other: Reasonable disbursements (for example, legal or professional fees, relocation costs) will be paid.

Discretion: In the Committee's experience, directors leave for a wide variety of reasons and individual circumstances, which do not all fall within the 'good leaver' categories outlined above. The Committee therefore retains discretion to approve payments to individuals based on individual circumstances and performance while in office. In applying any such discretion, the Committee will make any decisions by considering the best interests of shareholders and those of the remaining employees including directors. Where awards are subject to performance conditions, these would be tested at the end of the relevant period(s) and any award which is allowed to vest would be prorated for time in office.

Christopher Bailey

The Company has agreed specific arrangements with Christopher Bailey in relation to termination of his employment in substitution for the first two bullets of the standard terms described in the previous section ('Salary, benefits and allowances' and 'Annual bonus paid in cash'). These specific arrangements are described below.

The Company may terminate Christopher Bailey's service agreement without cause by giving 12 months' written notice. The Company may terminate the service agreement immediately, in its sole discretion, by written notice and electing to pay to Christopher Bailey either (1) a lump sum representing his salary in lieu of the unexpired notice period within 14 days of termination or (2) in monthly instalments of 1/12 of his annual salary and 1/12 of his annual allowance of £440,000 in lieu of the unexpired notice period or until Christopher Bailey commences any new employment or engagement if earlier. Christopher Bailey must use his reasonable endeavours to seek alternative employment during the balance of his unexpired notice period. The Company will also pay Christopher Bailey a bonus for the year in which employment terminated subject to achievement of the performance targets and other requirements of the bonus arrangements for that year, prorated to actual service in the bonus year. The bonus would be paid on the usual bonus payment date.

Christopher Bailey may terminate his service agreement at any time for 'Good Reason', provided he has requested that the Company remedy the relevant breach within 14 days of notification and the Company has failed to do so. 'Good Reason' means the Company is guilty of serious and continued non-observance or breach of the terms of the service agreement or of any applicable substantial laws which are detrimental to Christopher Bailey. On termination for 'Good Reason' Christopher Bailey is entitled to a lump sum payment representing his salary in lieu of notice. The Company will also pay Christopher Bailey a bonus for the year in which employment terminated subject to achievement of the performance targets and other requirements of the bonus arrangements for that year, prorated to actual service in the bonus year. The bonus would be paid on the usual bonus payment date.

The Company may terminate the service agreement on health grounds by giving Christopher Bailey not less than six months' notice once Christopher Bailey's entitlement to Company sick pay has been exhausted or he has been incapacitated for more than 26 weeks (whether or not continuous) in any period of 52 weeks. The Company may, in its sole discretion, terminate the employment by making a payment of 130 per cent of his salary, and pay the allowance in lieu of notice within 14 days of termination. The Company will also pay Christopher Bailey a bonus for the year in which employment terminated subject to achievement of the performance targets and other requirements of the bonus arrangements for that year, prorated to actual service in that year. The bonus would be paid on the usual bonus payment date.

If Christopher Bailey dies during his employment with the Company, the Company will pay his estate his salary to the termination date and a bonus calculated as for an ill health termination described above.

Upon termination of the service agreement, Christopher Bailey's entitlements (if any) under the relevant share plans in which he participates will be determined in accordance with the rules of those plans, as described above.

Non-executive directors

The non-executive directors serve under Letters of Appointment with the Company. Non-executive directors may continue to serve subject to the annual re-election by shareholders at each Annual General Meeting of the Company, subject to six months' notice by either party. There are no provisions for compensation for loss of office, or payments in lieu of notice in the Letters of Appointment.

1.4. Development of directors' remuneration policy

In developing and reviewing the directors' remuneration policy, the Committee is mindful of the views of shareholders and is sensitive of the relativities of arrangements for senior executives to those for employees more generally.

The Committee proactively seeks feedback from shareholders when considering any significant changes to remuneration for executive directors. The Committee also listens to and takes into consideration investor views more generally throughout the year. As detailed in the introductory letter from the Remuneration Committee, the Company has consulted extensively during the 2014/15 year with its major shareholders to follow up on the 2014 AGM and also on the performance measures and targets for the first awards under the ESP (to be granted June 2015).

Base salary increases awarded to executives are determined within the broader context of Company-wide salary increases. Given the scale, geographic spread and the diversity of roles of the Company's employees, the Committee does not proactively consult with employees specifically on the remuneration policy for directors. Employees are free to communicate their views internally on any topic including by using the Burberry internal social media platform or using the employee confidential helpline. In addition, many of the Company's employees are shareholders, through the Sharesave and Free Share plans, and they, like other shareholders, are able to express their views on directors' remuneration at each general meeting.

2. Directors' remuneration in 2014/15 (Annual Report on Remuneration)

The information set out in this section has been subject to external audit where indicated.

2.1. Single figure of total remuneration outcomes for 2014/15 (audited)

The table below sets out the single figure of total remuneration received or receivable by the directors in respect of the 2014/15 year (or the three-year performance period ending on 31 March 2015 in respect of the 2012 Co-Investment Plan and 2012 Restricted Share Plan awards).

The remuneration for Christopher Bailey relates to the period 1 May 2014 to 31 March 2015, the period during which he served as a director and Chief Creative and Chief Executive Officer. The remuneration for Angela Ahrendts relates to the period from 1 April 2014 to 30 April 2014, when she stepped down from the Board.

	Salary/fees £'000	Benefits/ allowances £'000	Bonus £'000	CIP £'000	RSP £'000	Total LTI £'000	Pension £'000	Total £'000
Executive directors								
Christopher Bailey								
Year to 31 March 2015	1,008	424	1,782	4,426	–	4,426	303	7,943
John Smith								
Year to 31 March 2015	588	41	719	–	–	–	176	1,524
Year to 31 March 2014	575	48	604	–	–	–	173	1,400
Carol Fairweather								
Year to 31 March 2015	488	32	608	454	0	454	146	1,728
Year to 31 March 2014	302	23	308	325	–	325	91	1,049
Former executive directors								
Angela Ahrendts								
Year to 31 March 2015	89	41					27	157
Year to 31 March 2014	1,057	467	1,492	4,674	–	4,674	317	8,007
Stacey Cartwright								
Year to 31 March 2014	175	11	–	–	–	–	53	239
Non-executive directors								
Sir John Peace								
Year to 31 March 2015	400	4						404
Year to 31 March 2014	388	2						390
Fabiola Arredondo								
Year to 31 March 2015	7	17						24
Philip Bowman								
Year to 31 March 2015	135	2						137
Year to 31 March 2014	130	1						131
Ian Carter								
Year to 31 March 2015	115	134						249
Year to 31 March 2014	109	78						187
Jeremy Darroch								
Year to 31 March 2015	78	–						78
Year to 31 March 2014	15	–						15
Stephanie George								
Year to 31 March 2015	80	74						154
Year to 31 March 2014	78	46						124
Matthew Key								
Year to 31 March 2015	80	3						83
Year to 31 March 2014	47	1						48
Carolyn McCall								
Year to 31 March 2015	47	3						50
David Tyler								
Year to 31 March 2015	80	–						80
Year to 31 March 2014	78	–						78

The table below details the benefits/allowances received by the directors during the 2014/15 year:

2014/15 benefits/ allowances (£'000)	Cash allowance	Car allowance	Clothing allowance	Private medical insurance	Life assurance	Long-term disability insurance	Tax and other professional advice	Expenses	Tax on expenses	Total £'000
Executive directors										
Christopher Bailey	403	–	–	12	4	5	–			424
John Smith	–	17	15	2	4	3	–			41
Carol Fairweather	–	10	15	3	1	3	–			32
Former executive directors										
Angela Ahrendts	29	1	2	2	0.5	0.5	6			41
Non-executive directors										
Sir John Peace	–							2	2	4
Fabiola Arredondo	2							8	7	17
Philip Bowman	–							1	1	2
Ian Carter	10							68	56	134
Jeremy Darroch	–							–	–	–
Stephanie George	10							35	29	74
Matthew Key	–							2	1	3
Carolyn McCall	–							2	1	3
David Tyler	–							–	–	–

Notes:

- Each executive director is entitled to an annual pension contribution or allowance equal to 30% of base salary. No director receives a defined benefit pension.
- Fees for Carolyn McCall relate to the period from 1 September 2014 (her appointment date) to 31 March 2015.
- Fees for Fabiola Arredondo relate to the period from 10 March 2015 (her appointment date) to 31 March 2015.
- Fees for Jeremy Darroch for 2014/15 are £78,000 rather than £80,000, due to a £2,000 adjustment for a payment received in March 2014 in relation to his 2014/15 fees.
- John Smith will invest 50% of his 2014/15 annual bonus after tax into shares, in accordance with the Remuneration Policy.
- The amounts shown for 2012 CIP awards vesting for Christopher Bailey and Carol Fairweather (for year to 31 March 2015) assume a share price of £17.93, based on the average share price over the three months to 31 March 2015, and payments of £208,578 and £21,406 respectively in lieu of dividends, because these awards are yet to vest.
- The amounts shown for 2011 CIP awards vesting for Angela Ahrendts and Carol Fairweather (for year to 31 March 2014) shown in the 2013/14 report assumed a share price of £14.75, based on the average share price over the three months to 31 March 2014, and payments of £233,595 and £16,259 respectively in lieu of dividends (because these awards had yet to vest). These awards vested on the 7 June 2014 at a share price of £14.79 and Angela Ahrendts and Carol Fairweather received payments in lieu of dividends of £233,596 and £16,259 respectively – the relevant amounts shown in the table above reflect these details.
- Amounts for shares under Burberry's SAYE will be included in the single figure of total remuneration for the year in which they are exercised. No SAYE share awards were exercised by executive directors during the 2014/15 year.
- No shares were awarded under the Burberry SIP or Free Share plans to executive directors in the 2014/15 year.
- For the full year to 31 March 2014, Angela Ahrendts served as Chief Executive Officer and was therefore entitled to an annual bonus, her 2011 CIP award, which vested in full (300,252 shares at a price of £14.79, plus a dividend equivalent payment of £233,596) and the final tranche (25%) of her 2009 RSP award which vested in full (112,500 shares at a share price of £15.33). All other outstanding share awards held by Angela Ahrendts lapsed in full upon her departure from Burberry, in accordance with the rules of each plan and as stated in the 2013/14 Directors' Remuneration Report. Angela Ahrendts did not receive any payment for loss of office or otherwise in respect of her departure from the Company.
- No payment has been made to a past director during the 2014/15 year, other than to Angela Ahrendts, as stated above.
- Cash allowances for Fabiola Arredondo, Ian Carter and Stephanie George are attendance allowances of £2,000 for each meeting attended outside of their country of residence.
- The reimbursement of certain expenses incurred by non-executive directors in the performance of their duties is deemed by HM Revenue & Customs to be subject to UK Income Tax. The tables above include figures for 'Benefits/allowances', including costs in respect of air travel and other incidental costs incurred in attending regular Board meetings. Any tax liabilities arising on the reimbursement of these costs will be settled by the Company. Amounts disclosed have been estimated and have been 'grossed up' at a tax rate of 45%. The comparatives have been restated to reflect these benefits. Note that expenses for Fabiola Arredondo, Ian Carter and Stephanie George include travel expenses from the USA. Ian Carter has incurred larger expenses than the other Non-Executive Directors arising from his role as Remuneration Committee Chairman, requiring additional travel from the USA to the UK to attend engagement meetings with Burberry's larger shareholders.

2.2. Salary for 2014/15

When Christopher Bailey became an executive director and took on the role of Chief Creative and Chief Executive Officer on 1 May 2014, his salary remained unchanged at £1,100,000. John Smith's salary was reviewed in July 2014 and increased by 3.0% to £592,000. Carol Fairweather's salary was also reviewed in July 2014 and increased by 11.1% to £500,000 in recognition of her strong performance as CFO and to address that her salary was set at below market levels when she was appointed to the role. The executive directors have decided not to accept any increase to their salaries for the 2015/16 year.

2.3. Annual bonus outcomes 2014/15 (audited)

Annual bonuses for 2014/15 were based entirely on Adjusted PBT. For the year to 31 March 2015, the 2014/15 Adjusted PBT achieved was between the target and maximum level set by the Committee, which resulted in bonuses for the executive directors of 81% of maximum, as set out in the table below.

Annual bonus for 2014/15	Maximum bonus opportunity (% of salary)	2014/15 Adjusted PBT targets (£m)	Level of 2014/15 Adjusted PBT achieved* (£m)	2014/15 bonus payment (% of maximum)	2014/15 bonus payment (% of salary)	2014/15 bonus payment (£'000)
Christopher Bailey	200%	Threshold: 465			162%	1,782
John Smith	150%	Target: 475	494	81%	122%	719
Carol Fairweather	150%	Maximum: 505			122%	608

* The bonus outcome is calculated using the average exchange rates of the year on which the targets were based, as set out in the performance condition to awards (at the start of the performance period). The level of Adjusted PBT achieved is therefore different (higher this year) than the reported 2014/15 Adjusted PBT due to the adjustments made by the Committee to reflect constant exchange rates.

The 2013/14 Adjusted PBT targets were set at £440m (threshold), £450m (target) and £470m (maximum). The level of Adjusted PBT achieved in 2013/14 was £457.7m which resulted in 2013/14 bonuses of 70% of maximum. This level of Adjusted PBT achieved was lower than the reported 2013/14 Adjusted PBT due to adjustments made by the Committee to reflect constant exchange rates and any other items deemed to be outside of management's control.

John Smith will invest 50% of his bonus (after the deduction of tax) into Burberry shares, in accordance with the Remuneration Policy.

2.4. Co-Investment Plan outcomes for 2014/15 (audited)

In June 2012, Christopher Bailey and Carol Fairweather were awarded Co-Investment Plan ('CIP') matching awards of 313,534 and 32,178 shares respectively. Vesting was subject to performance from 1 April 2012 to 31 March 2015, as follows: 25% of awards vest if growth in Adjusted PBT is 5% per annum over three years, 100% vest if Adjusted PBT growth is equal to or exceeds 10% per annum over three years. The vesting outcome based on three-year Adjusted PBT growth is calculated using Adjusted PBT as disclosed in the annual accounts. Actual Adjusted PBT growth over the three-year period to 31 March 2015 at constant exchange rates was 8.3%, therefore 75% of awards will vest in June 2015, as set out in the table below.

CIP outcomes for 2014/15	2012 CIP award (no. of matching shares)	2012 CIP Adjusted PBT growth targets over three years (p.a.)	Level of Adjusted PBT growth achieved over three years*	2014/15 CIP vesting (% of maximum)	2014/15 CIP vesting (£'000)*
Christopher Bailey	313,534	Threshold: 5%	8.3% p.a.	75%	4,426
Carol Fairweather	32,178	Maximum: 10%		75%	454

* The amounts shown for 2012 CIP awards vesting for Christopher Bailey and Carol Fairweather (for year to 31 March 2015) assume a share price of £17.93, based on the average share price over the three months to 31 March 2015, and payments of £208,578 and £21,406 respectively in lieu of dividends, because these awards are yet to vest.

The CIP outcome is calculated using the average exchange rates of the year on which the targets were based, as set out in the performance condition to awards (at the start of the performance period). The level of Adjusted PBT achieved is therefore different (higher this year) than the reported 2014/15 Adjusted PBT due to the adjustments made by the Committee to reflect constant exchange rates.

John Smith became an executive director on 4 March 2013 and so did not receive a CIP award in 2012.

2.5. Restricted Share Plan outcomes for 2014/15 (audited)

In June 2012, Carol Fairweather was awarded a Restricted Share Plan ('RSP') award of 39,651 shares. Vesting was subject to performance from 1 April 2012 to 31 March 2015, as detailed in the table below. The overall outcome is that 0% of the total award will vest.

RSP outcomes for 2014/15	2012 RSP award (no. of shares)	Performance measure	Vesting schedule	Level of performance achieved over three years*	2014/15 RSP vesting (% of maximum)	2014/15 RSP vesting (£'000)
Carol Fairweather	39,651	Growth in Adjusted PBT over three years (50%)	25% for 10% p.a. 100% for 15% p.a. or above	8.3% p.a.	0%	£0
		Straight-line vesting between				
		TSR vs. sector peers over three years (50%)	25% for median 100% for upper quartile or above	TSR outcome* of below median ranking, resulting in vesting of 0%		
		Straight-line vesting between				

The RSP outcome is calculated using the average exchange rates of the year on which the targets were based, as set out in the performance condition to awards (at the start of the performance period). The level of Adjusted PBT achieved is therefore different (higher this year) than the reported 2014/15 Adjusted PBT due to the adjustments made by the Committee to reflect constant exchange rates.

* The vesting outcome based on TSR is calculated by Towers Watson. The TSR peer group for the 2012 awards comprised: Coach, Compagnie Financière Richemont, Estée Lauder, Fossil, Fifth & Pacific (formerly Liz Claiborne), Geox, Hermès International, Hugo Boss, Inditex, Kering (formerly PPR), Luxottica Group, LVMH Moët Hennessy Louis Vuitton, Nike, Nordstrom, Polo Ralph Lauren, Saks, Swatch, Tiffany & Co, and Tod's.

2.6. Change in the Chief Executive Officer's remuneration relative to all employees

The table below sets out Christopher Bailey's base salary, benefits and bonus received for 2014/15. As Christopher Bailey was appointed to the role of Chief Executive Officer on 1 May 2014, the year-on-year change reported compares his salary, benefits and bonus received for the full 2014/15 year (including April 2014 when he was Chief Creative Officer) to that received in 2013/14 in his previous role as Chief Creative Officer. The year-on-year change (2014/15 vs. 2013/14) of salary, benefits and annual bonus received for a comparator group of UK-based employees is shown.

		Salary	Benefits	Bonus
Chief Creative and Chief Executive Officer	£'000	£1,008	£424	£1,782
	Year-on-year change (%)	0%	0%	16%
Employees*	Year-on-year change (%)	2.0%	0%	16%

* The comparator group includes employees in senior corporate roles based in the UK. This group has been chosen as these employees have a remuneration package with a similar structure to the CEO (including salary, benefits/allowances and annual bonus) and being UK-based, most closely reflects the economic environment encountered by the CC & CEO. For the comparator group of employees, the salary and bonus year-on-year changes include the annual salary review but exclude any additional changes made in the year (to salary or bonus levels), for example on promotion. In 2014/15, the bonus outturn based on Adjusted PBT performance was 81% of maximum, compared to 70% of maximum in 2013/14. The 0% increase for benefits for the comparator group of employees reflects no change to benefits policies or levels during the year. It does not reflect any changes to the level of benefits an individual may have received as a result of a change in role, for example on promotion. For all employees, the average salary increase was 2.0% (including annual salary review but excluding any additional changes). A meaningful year-on-year change for benefits and bonus for all Group employees cannot be provided due to the variation in structure of these pay elements across roles and regions.

2.7. Relative importance of spend on pay for 2014/15

The table below sets out the total payroll costs for all employees over 2014/15 compared to total dividends payable for the year.

Relative importance of spend on pay		2014/15	2013/14
Dividends paid during the year (total)	£m	144.9	130.7
	% change	+10.9%	
Payroll costs for all employees	£m	468.1	441.3
	% change	+6.1%	
Average number of full-time equivalent employees		10,309	9,698
	% change	+6.3%	

3. Outstanding share interests

The information set out in this section has been subject to external audit where indicated.

3.1. Conditional share awards granted in 2014/15 (audited)

The table below summarises the long-term conditional share awards granted to directors during 2014/15. Note that these were the final awards under the CIP and RSP plans and were granted prior to the approval of the remuneration policy.

Summary of conditional share awards granted in 2014/15

Type of award	Performance measure	Vesting schedule	Performance period end	Director	Basis of award ⁴	Number of shares awarded	Face value at grant ⁵
CIP matching share awards ¹	Growth in Adjusted PBT over three years	25% for 5% p.a.	31/3/2017	Christopher Bailey	196% of salary (1.4x invested 13/14 bonus) Maximum match of 2:1 awarded at 70% based on 13/14 bonus outcome	147,491	£2,155,991
		100% for 10% p.a. or above		John Smith	110% of salary (1.05x invested 13/14 bonus) Maximum match of 1.5:1 awarded at 70%	43,367	£633,929
		Straight-line vesting between		Carol Fairweather	99% of salary (1.05x invested 13/14 bonus) Maximum match of 1.5:1 awarded at 70%	30,545	£446,500
RSP share awards ²	Growth in Adjusted PBT over three years (50%)	25% for 5% p.a.	31/3/2017	Christopher Bailey	100% of salary	74,610	£1,100,000
		100% for 15% p.a. or above		John Smith	100% of salary	40,154	£592,004
		Straight-line vesting between		Carol Fairweather	150% of salary	50,870	£749,993
	TSR vs. sector peers over three years (50%)	25% for median					
		100% for upper quartile or above					
		Straight-line vesting between					
Exceptional performance share award ³	Key strategic performance objectives, as outlined in more detail on page 100	As determined by the Committee. Commentary on progress towards these objectives will be provided on an annual basis, as outlined in more detail on pages 100 to 101.	31/3/2017 31/3/2018 31/2/2019	Christopher Bailey	Fixed number of shares	500,000	£7,308,890

- The CIP matching shares were awarded on 12 June 2014 and will vest after three years, subject to the performance conditions outlined above.
- The RSP shares were awarded on 12 June 2014 and will vest 50% after three years, and 25% after each of four and five years, subject to the performance conditions outlined above.
- The exceptional performance share award was granted on 12 June 2014 and will vest 25% on 31 July 2017, 25% on 31 July 2018, and 50% on 31 July 2019, subject to the performance conditions outlined above.
- The CIP matching awards were determined based on the 2013/14 bonus outcome, as follows:
13/14 Bonus invested (as a % of salary) x Maximum match (multiple of invested bonus) x 13/14 Bonus outcome (as a % of maximum)
- The face value of each award has been calculated using the share price at the date of grant (£14.61778 for CIP matching awards, £14.74333 for RSP awards and £14.61778 for the exceptional award). As receipt of these is conditional on performance, the actual value of these awards may be nil. Vesting outcomes will be disclosed in the 2017/18 remuneration report.

3.2. Further information on conditional share awards granted in 2014/15 (audited)

TSR performance vs. sector peers

50% of the RSP share awards granted in 2014/15 vest subject to Burberry's three-year TSR performance relative to sector peers. The TSR peer group for the 2014 awards comprises: Coach, Compagnie Financière Richemont, Estée Lauder, Fossil, Fifth & Pacific (formerly Liz Claiborne), Geox, Hermès International, Hugo Boss, Inditex, Kering (formerly PPR), Luxottica Group, LVMH Moët Hennessy Louis Vuitton, Nike, Nordstrom, Polo Ralph Lauren, Saks, Swatch, Tiffany & Co, and Tod's. The vesting outcome based on relative TSR is calculated by Towers Watson.

Growth in Adjusted PBT

The vesting outcome based on three-year Adjusted PBT growth is calculated using Adjusted PBT as disclosed in the annual accounts, subject to any adjustments (down or up) made by the Committee to reflect constant exchange rates and any other items deemed to be outside of management's control.

3.3. Total interests in shares (audited)

The table below summarises the total interests of the directors in ordinary shares of Burberry Group plc as at 31 March 2015. There have been no changes in the period up to and including 19 May 2015. These include beneficial and conditional interests and the interests of their connected persons in shares.

Director	Type of award	Date of grant	Conditional (with performance)	Conditional (continued employment)	Unconditional but unexercised	Number of shares owned	Total
Christopher Bailey ⁵	RSP ¹	17-Jun-13	243,542	–	–	–	–
	RSP ¹	12-Jun-14	74,610	–	–	–	–
	CIP ²	18-Jul-12	313,534	–	–	–	–
	CIP ²	14-Jun-13	165,161	–	–	–	–
	CIP ²	12-Jun-14	147,491	–	–	–	–
	NCO	08-Dec-10	–	–	350,000	–	–
	NCO	14-Jun-13	–	1,000,000	–	–	–
	NCO	12-Jun-14	500,000	–	–	–	–
	SAYE/SIP	20-Jun-13	–	1,229	–	–	–
	Total		1,444,338	1,001,229	350,000	304,762	3,100,329
John Smith	RSP ¹	14-Jun-13	63,653	–	–	–	–
	RSP ¹	12-Jun-14	40,154	–	–	–	–
	CIP ²	12-Jun-14	43,367	–	–	–	–
	SAYE/SIP	20-Jun-13	–	737	–	–	–
	SAYE/SIP	20-Jun-14	–	740	–	–	–
	Total		147,174	1,477	–	24,297	172,948
Carol Fairweather ³	RSP	25-Jun-08	–	–	6,250	–	–
	RSP	10-Jun-10	–	6,525	–	–	–
	RSP ¹	13-Jun-12	39,651	–	–	–	–
	RSP ¹	14-Jun-13	25,830	–	–	–	–
	RSP ¹	12-Jun-14	50,870	–	–	–	–
	CIP ²	18-Jul-12	32,178	–	–	–	–
	CIP ²	14-Jun-13	21,677	–	–	–	–
	CIP ²	12-Jun-14	30,545	–	–	–	–
	SAYE/SIP	20-Jun-13	–	737	–	–	–
	Total		200,751	7,262	6,250	67,963	282,226
Sir John Peace			–	–	–	195,738	195,738
Fabiola Arredondo			–	–	–	0	0
Philip Bowman			–	–	–	75,000	75,000
Ian Carter			–	–	–	35,047	35,047
Jeremy Darroch			–	–	–	1,000	1,000
Stephanie George			–	–	–	41,600	41,600
Matthew Key			–	–	–	1,260	1,260
Carolyn McCall			–	–	–	1,117	1,117
David Tyler			–	–	–	44,000	44,000
Former directors							
Angela Ahrendts ⁴ (holding as at 30 April 2014)	RSP	01-Jun-09	–	112,500	–	–	–
	CIP ²	07-Jun-11	300,252	–	–	–	–
	Total		300,252	112,500	–	685,011	1,097,763

1 RSP awards are awarded as nil-cost options and are subject to the same performance conditions as outlined on pages 93 and 95, and vest 50% after 3 years, 25% after 4 years and 25% after 5 years from date of grant.

2 CIP awards are awarded as nil-cost options and are subject to the same performance conditions as outlined on page 95.

3 Carol Fairweather exercised the following awards during the year:
20,898 shares under CIP (granted 7 June 2011). The market value of Burberry shares on the date of exercise (11 June 2014) was 1461.778p;
10,000 shares under RSP (granted 1 June 2009). The market value of Burberry shares on the date of exercise (11 June 2014) was 1461.778p;
6,525 shares under RSP (granted 10 June 2010). The market value of Burberry shares on the date of exercise (11 June 2014) was 1461.778p

4 Angela Ahrendts exercised the following awards during the year:
300,252 shares under CIP (granted 7 June 2011). The market value of Burberry shares on the date of exercise (22 May 2014) was 1517.532p;
112,500 shares under RSP (granted 1 June 2009). The market value of Burberry shares on the date of exercise (22 May 2014) was 1517.532p;

5 Christopher Bailey exercised the following awards during the year:
288,120 shares under CIP (granted 7 June 2011). The market value of Burberry shares on the date of exercise (20 August 2014) was 1466.991p;
100,000 shares under RSP (granted 1 June 2009). The market value of Burberry shares on the date of exercise (20 August 2014) was 1466.991p.

Shareholding guidelines

To ensure continued alignment with the interests of shareholders, in 2014 the Board increased the minimum shareholding requirement for directors and senior executives to the following levels:

- 500,000 shares for the CC & CEO;
- two-times base salary for other executive directors;
- one-times base salary for other senior executives; and
- the Chairman and non-executive directors are expected to hold shares with a market value of £6,000 for each year of their appointment.

Senior executives are expected to retain 50% of shares acquired on the exercise of options and awards net of tax, until such guidelines are met – there is no specific timeline in which shareholding guidelines must be achieved.

As at 31 March 2015, Christopher Bailey owned 304,762 shares. As demonstration of his long-term commitment to Burberry and providing strong alignment with shareholders, Christopher Bailey has committed to the Board to achieve his shareholding guideline requirement of 500,000 shares shortly after the 2015 AGM. As at 31 March 2015 (at the closing share price of £17.33), the value of shares owned by John Smith and Carol Fairweather was £421,067 and £1,177,799 respectively (or 71% and 236% of their respective salaries as at that date). John Smith became an executive director during 2013 and is expected to make progress towards his executive shareholding requirement of two-times salary. As at 31 March 2015, all of the non-executive directors had fulfilled the requirement to hold shares with a market value of £6,000 for each year of their appointment, with the exception of Fabiola Arredondo who was appointed on 10 March 2015. As at her leaving date, Angela Ahrendts had fulfilled her shareholding requirement.

4. Directors' remuneration in 2015/16

The table below summarises how the remuneration policy will be implemented for executive directors in the year 2015/16. None of the executive directors will receive a salary increase during the 2015/16 year. There will be no changes to the policy for the 2015/16 year as compared to 2014/15.

4.1. Summary of key remuneration aspects in 2015/16 for executive directors

Element	Performance measure(s)	Director	Maximum level
Base salary	–	Christopher Bailey	£1,100,000 (no increase)
		John Smith	£592,000 (no increase)
		Carol Fairweather	£500,000 (no increase)
Annual bonus	Annual Adjusted PBT The Board considers the forward-looking PBT bonus targets to be commercially sensitive and so they will be disclosed retrospectively only	Christopher Bailey	200% of salary
		John Smith	150% of salary
		Carol Fairweather	150% of salary
ESP share awards	Three-year growth in Adjusted PBT (50%) 25% for 3% p.a. 100% for 11% p.a. Straight-line vesting between	Three-year growth in Group revenue (25%) 25% for 3% p.a. 100% for 11% p.a. Straight-line vesting between	Adjusted Retail/Wholesale Return on Invested Capital (25%) 25% for 2014/15 ROIC minus 250 basis points 100% for 2014/15 ROIC Straight-line vesting between
		Christopher Bailey	350% of salary
		John Smith	250% of salary
		Carol Fairweather	250% of salary

4.2. Adoption of a clawback measure on the annual bonus and ESP

The Committee has decided to introduce a clawback provision on future bonus payments, whereby for a period of 3 years from date of payment, any bonus may be recovered from individuals in whole or in part in the event of a material misstatement in the Company's audited financial statements or if the outcome has been incorrectly calculated.

Similarly, a clawback provision is also being introduced on future ESP awards, whereby for a period of 3 years from date of vest, any vested shares or awards may be recovered from individuals in whole or in part in the event of a material misstatement in the Company's audited financial statements or if the outcome has been incorrectly calculated. This is in addition to the malus provision that we currently have on the ESP (whereby unvested shares or awards may be forfeited in whole or in part in the event of a material misstatement in the Company's audited financial statements).

4.3. Further information on ESP performance measures

Whilst the ESP design has been agreed, the remuneration policy allows a degree of flexibility around a number of the ESP design elements. This flexibility allows the Committee to determine the most appropriate approach to the following parameters ahead of each annual award:

- the weighting of each performance measure (within the specified ranges)
- the definition (and calculation approach) of each performance measure
- the threshold and maximum performance targets for each performance measure

The following performance measures have been selected by the Committee.

1. Growth in Group Adjusted Profit Before Tax (Adjusted PBT) – this will be calculated on a constant currency basis consistent with our current approach for the Adjusted PBT performance measures on outstanding Co-Investment and Restricted Share Plan awards.
2. Growth in Group Revenue – this will be calculated on a constant currency basis in the same manner as Adjusted PBT.
3. Adjusted Retail/Wholesale Return on Invested Capital (ROIC) – this has been determined by the Committee as the most appropriate return measure. It measures the efficient use of capital to deliver attractive returns on incremental investment, which is important given the Group's investment in new projects.

At present, Burberry's Group ROIC includes the contribution from its licensing business, a high return business. For example, in FY 2014/15, licensing generated £56.0m of adjusted operating profit from £2.6m of total assets – see note 3 of the Financial Statements. Given the expiry of the Japan licence during FY 2015/16, a strategy which is fully supported by our major shareholders, the Committee decided that it is most appropriate to measure ROIC on Burberry's Retail/Wholesale business only.

Retail/Wholesale ROIC, for the purposes of the ESP performance measure, is calculated as the Retail/Wholesale post-tax adjusted operating profit divided by the average operating assets, measured over the three year period, on a reported currency basis. A reconciliation of Adjusted Retail/Wholesale ROIC is included in the 5-year summary on page 162.

The ROIC performance targets have been set with the objective of rewarding maximum performance if growth in operating assets does not exceed growth in profitability. This is seen as a challenging target given the growing capital intensity of Burberry's strategy, including the continuing shift in the business model from wholesale to retail, continued investment in retail stores, particularly in Japan given the transition to a direct retail business, and further evolution of the store portfolio, increasingly focused on flagship markets. It should be noted that Retail/Wholesale ROIC in 2014/15 was 17.8%, so even if ROIC were to decline, Burberry is still creating long-term value for shareholders.

The proposed targets for all three performance measures have been carefully calibrated in light of a number of factors, including the latest Burberry strategic plan, Burberry's long-term financial goals, latest three-year projections and broker earnings estimates for Burberry and its competitors. The Committee believes these targets are stretching, extremely so at the top end, given the changes to the business model in Japan and globally and the current growth prospects in the luxury sector. They will ensure management are incentivised to continue to deliver superior returns to shareholders.

The performance measures for the 2015 ESP awards are summarised below

ESP performance measure	Definition	Weighting (% of award)	Target (% of maximum vesting)	
			Threshold (25%)	Maximum (100%)
Group Adjusted Profit Before Tax (PBT)	3-year growth, calculated on a constant currency basis	50%	3% p.a.	11% p.a.
Group Revenue	3-year growth, calculated on a constant currency basis	25%	3% p.a.	11% p.a.
Adjusted Return on Invested Capital (ROIC) in Retail/Wholesale	3-year average	25%	2014/15 ROIC minus 250 basis points	2014/15 ROIC

Vesting between the threshold and maximum targets will be on a straight-line basis for all three performance measures.

ESP awards will vest 50% after 3 years and 50% after 4 years (from the date of grant). The Committee has also decided to apply an additional holding period on all new ESP awards granted to executive directors. To increase long-term alignment with shareholders, while executives are employed by Burberry, no ESP shares may be sold except to cover any tax liabilities arising out of the award until five years from the date of grant.

Note that the CIP and RSP have both now expired and no further awards will be made under these plans.

4.4. Summary of Chairman and Non-Executive Director fees for 2015/16

The table below sets out the fee structure for the Chairman and non-executive directors for 2015/16.

Summary of Chairman and NED fees for 2015/16	Fee level £'000
Chairman ¹	400
Non-Executive Director	80
Senior Independent Director	20
Audit Committee Chair	35
Remuneration Committee Chair	35
Attendance allowance ²	2

¹ The Chairman is not eligible for committee chairmanship fees or attendance allowances.

² Non-executive directors receive an attendance allowance for each meeting attended outside of their country of residence.

³ Expenses incurred in the normal course of business are re-imbursed and, as these are considered by HMRC to be taxable benefits, the tax due on these will also be met by the Company.

5. Further information on Christopher Bailey's 2014 exceptional performance-based award of 500,000 shares

The exceptional performance-based award of 500,000 shares that was granted to Christopher Bailey upon his appointment to the Chief Creative and Chief Executive Officer role was intended to recognise:

- how important it is to ensure Christopher Bailey is well-aligned with shareholders' interests and is highly motivated to successfully execute the long-term strategy of Burberry; and
- how important it is to retain Christopher Bailey given his importance to the continued success of the Company and also the challenge the Board would face to attempt to replace him.

The quantum of the award, at 500,000 shares, was carefully considered by the Committee and was intended to recognise the significant increase in the scope of his role upon appointment as the CEO, in addition to continuing his role as Chief Creative Officer at Burberry.

Vesting will be determined by reference to the following key performance criteria:

- the strategic development of the business measured against the strategic plan approved by the Board from time to time;
- the Company's financial performance, in assessing which the Remuneration Committee will have reference to the profit before tax condition applied to awards made in 2014 under the Burberry Group Co-Investment Plan. This performance condition requires growth in Adjusted PBT over three years of between 5% at threshold and 10% p.a. at maximum.
- the personal contribution made by Christopher Bailey;
- the shareholder value delivered in the context of the evolution of the luxury goods markets in which Burberry operated over the period between the date of grant and the relevant vesting date; and
- any other performance factors which are appropriate in assessing the extent of vesting having regard to the interests of shareholders.

Vesting of the award will be phased over 5 years from the date of grant and only subject to the extent that the performance criteria outlined above has been met. 125,000 shares will vest on 31 July 2017, 125,000 shares on 31 July 2018 and 250,000 shares on 31 July 2019, subject to performance measured from the date of grant to the relevant vesting date.

The Committee assesses progress towards achieving these objectives each financial year and prior to each vesting date will determine the extent to which the objectives were achieved over the 3, 4 or 5 year performance period, having regard to the level of performance achieved in each relevant financial year. Accordingly, at the end of 2014/15 the Committee reviewed performance in relation to the award of 500,000 shares granted to the Chief Creative and Chief Executive Officer, in the context of the following.

- Strategic development

In 2014/15 Burberry made excellent progress across the six pillars of its strategic agenda, including:

1. Inspire with the Brand

- Continued to strengthen the Burberry brand through key brand investments including the 'Dreams of London' event at the Shanghai's Kerry Centre store opening, digital interactions in established and emerging social media platforms, and the 2014 Festive campaign, the brand's most comprehensive holiday marketing program to date

2. Realise Product Potential

- Re-launched the Heritage trench coat and cashmere scarf, reasserting the brand's core and driving commercial success
- Continued to execute its Beauty strategic plan by launching My Burberry, the brand's signature statement in fragrance, advancing the early-stage make-up category, and opening the second Beauty Box store

3. Optimise Channels

- Continued to invest in creating a seamless consumer experience across physical and digital consumer touch points, including the new fulfilment solution in China, a substantially upgraded mobile site, and the expansion of collect-in-store services

4. Unlock Market Opportunity

- Made significant progress in executing the comprehensive plan to integrate Japan with the global brand upon licence exit during 2015

5. Pursue Operational Excellence

- Further evolved the sourcing model to a more collaborative and sustainable manufacturing approach, focusing on key strategic raw material and finished goods partners

6. Build our Culture

- Continued to attract top talent to the organisation
- Professional social network LinkedIn named Burberry 36th most in-demand employer globally

- Financial performance

Underlying Group Adjusted PBT annual growth of 7.0% in a challenging global environment.

Underlying Group revenue annual growth of 11% in a challenging global environment.

- Personal contribution

Burberry commenced the 14/15 year with an imminent change of CEO from Angela Ahrendts to Christopher Bailey. Shareholders understandably expressed concern over the departure of Angela Ahrendts and the Board's objective was for this management transition to be seamless given a major change of this nature can be very disruptive at a number of levels, impacting financial performance and shareholder value. This transition required the ongoing evolution and execution of strategy and the delivery of strong financial performance in terms of revenue and profit growth and shareholder return, all in the context of what was becoming an increasingly uncertain environment. Further it required key members of the senior management team to be retained, united and motivated under new leadership. Christopher Bailey's performance in achieving this objective in his first CEO role has been exceptional particularly in the context of his creative achievements, from the innovative runway shows to the flagship events in Shanghai and Los Angeles.

- **Shareholder value**

Share price has increased by 16.7% since Christopher's appointment to the CEO role (from closing price on 30 April 2014 to 31 March 2015) and dividends for 2014/15 are 35.2 pence per share. This is an increase of 10% on 2013/14.

Overall Total Shareholder Return (TSR) of 30.1% for the 2014/15 year (from 1 April 2014 to 31 March 2015), which outperformed all our core luxury peers* and compares to an average TSR of 7.6% for this group and 7.5% for the FTSE 100.

* Boss, Coach, Ferragamo, Hermes, Kering, LVMH, Prada, Ralph Lauren, Richemont, Swatch, Tiffany, Tod's

After careful review the Committee considers that shareholder return was exceptional in 2014/15 as was Christopher Bailey's performance in his first year in the CC & CEO role, whilst he continued to be the creative leader of Burberry. The strategic development of the business was excellent whilst underlying adjusted PBT growth was 7%, as reflected in the financial performance criteria, noting however that underlying revenue growth was 11%. Accordingly taking into account the degree of achievement of each of the performance criteria the Committee reached the conclusion that overall there was an 85% performance achievement in the 2014/15 year.

6. Payments made in the year to former directors (audited)

The table of total remuneration outcomes for 2014/15 (on page 91) details the remuneration Angela Ahrendts received during 2014/15. She stepped down from the Board and departed Burberry on 30 April 2014. Angela continued to receive her regular salary, pension contribution and benefit payments until 30 April 2014.

As disclosed in the 2013/14 Directors' Remuneration Report, the Committee determined that Angela Ahrendts's outstanding 2011 Co-Investment Plan (CIP) matching award of 300,252 shares would vest. This award vested on the 7 June 2014 at a share price of £14.79 and Angela Ahrendts received a payments in lieu of dividends of £233,596. The relevant amount shown in the table 2.1 on page 91 reflects these details.

Also as disclosed in last year's report the Committee determined that Angela Ahrendts's outstanding final tranche of her 2009 Restricted Share Plan (RSP) of 112,500 shares would vest. This award vested on the 1 June 2014 at a share price of £15.33.

All other outstanding share awards held by Angela Ahrendts lapsed in full upon her departure from Burberry, in accordance with the rules of each plan. Angela Ahrendts did not receive any payment relating to her departure from the Company.

7. Remuneration Committee in 2014/15

Committee membership

The following directors served as members of the Committee throughout the financial year ending 31 March 2015:

Ian Carter (Chairman)
Fabiola Arredondo (from 10 March 2015)
Philip Bowman
Jeremy Darroch
Stephanie George
Matthew Key
Carolyn McCall (from 1 September 2014)
David Tyler

Advisers to the Committee during 2014/15

At the invitation of the Committee, except where their own remuneration was being discussed, the following people attended meetings and provided advice to the Committee: Sir John Peace (Chairman), Christopher Bailey (Chief Creative and Chief Executive Officer), John Smith (Chief Operating Officer), Carol Fairweather (Chief Financial Officer), Michael Mahony (Chief Corporate Affairs Officer), Anne-Soline Thorndike (Senior Vice President – Reward and Recognition), Nigel Jones (Vice President – Group Financial Controller) and Catherine Sukmonowski (Company Secretary).

During the 2014/15 financial year, the Committee received external advice from Towers Watson, as detailed in the table below. Towers Watson has been the appointed independent adviser to the Committee since 2011 and were selected at that time following a formal tender process. Towers Watson is a member of the Remuneration Consultants' Group, which is responsible for the development and maintenance of the voluntary Code of Conduct that clearly sets out the role of executive remuneration consultants and the professional standards by which they advise their clients and, as such, the Committee is satisfied that their advice is objective and independent.

The Committee also received advice during the year from Deloitte – this advice was specifically on shareholder engagement. Deloitte is also a member of the Remuneration Consultants' Group.

The external auditors PricewaterhouseCoopers LLP, carried out agreed upon procedures to assist the Remuneration Committee in assessing the calculations used to determine the FY15 adjusted PBT at FY12 foreign exchange rates.

Linklaters LLP provided advice to the Committee in relation to compliance with legislation, namely the regulations governing the disclosure of directors' remuneration in the Directors' Remuneration Report.

External advisers and fees

Advisers	Services provided to the Committee	Other services provided to the Company	Fees for Committee assistance
Towers Watson ('TW')	Appointed by the Committee, to provide advice on the ongoing operation of employee and executive share plans together with advice on executive remuneration	A term of the engagement between the Committee and TW is that any additional consulting services provided by TW to management are reported on a regular basis to the Committee. Where an actual or potential conflict may occur, such work is agreed by the Chairman of the Committee prior to commencement. TW provides market benchmarking information to management in relation to a small number of roles which fall below the remit of Committee review. Fees charged on a time and expense basis	£94,578 Fees charged on a time and expense basis
Deloitte	Advice to the Committee on shareholder engagement in relation to executive remuneration	None	£15,650 Fees charged on a time and expense basis
PricewaterhouseCoopers LLP ('PwC')	Agreed upon procedures to assist the Remuneration Committee in assessing the calculations used to determine the recalculation of FY15 adjusted PBT at FY12 foreign exchange rates	PwC is the external auditor of the Company and also provides other non-audit services as set out in note 7 of the financial statements	£7,950 Fees charged on a time and expense basis

Remuneration report voting results

The table below shows the results of the remuneration related shareholder votes from the 2014 AGM. As mentioned earlier in this report, the Committee listens to and takes into consideration investor views throughout the year, and was extremely disappointed not to receive majority support for the advisory vote on the 2013/14 Directors' Remuneration Report. As detailed in the introductory letter from the Remuneration Committee, the Company has consulted extensively during the 2014/15 year with its larger shareholders to follow up on the 2014 AGM.

2014 AGM voting results

Vote	Votes for	Votes against	Votes withheld	Any issues raised and Company response
To approve the Directors' Remuneration Policy	271,305,305 (83.92%)	51,981,069 (16.08%)	11,037,131	Not applicable
To approve the Directors' Remuneration Report for the year ended 31 March 2014 (advisory)	157,179,496 (47.32%)	174,989,922 (52.68%)	2,154,087	The main concern was about the structure of the remuneration package for Christopher Bailey, in particular, around his award of one million shares granted in 2013 and his award of 500,000 performance-based shares granted in 2014 on his appointment as CC & CEO. The Committee has engaged extensively with larger shareholders during 2014/15 to follow up on the AGM. The Committee has sought to better explain Christopher Bailey's remuneration package, including providing the context and rationale behind its decisions. The Committee is committed to providing detail on the performance conditions attached to the 500,000 share award each year to increase transparency for shareholders. For the 2014/15 year, this detail can be found in Section 5.
To approve the Burberry Group plc Executive Share Plan 2014	303,072,798 (91.16%)	29,386,262 (8.84%)	1,864,445	Not applicable

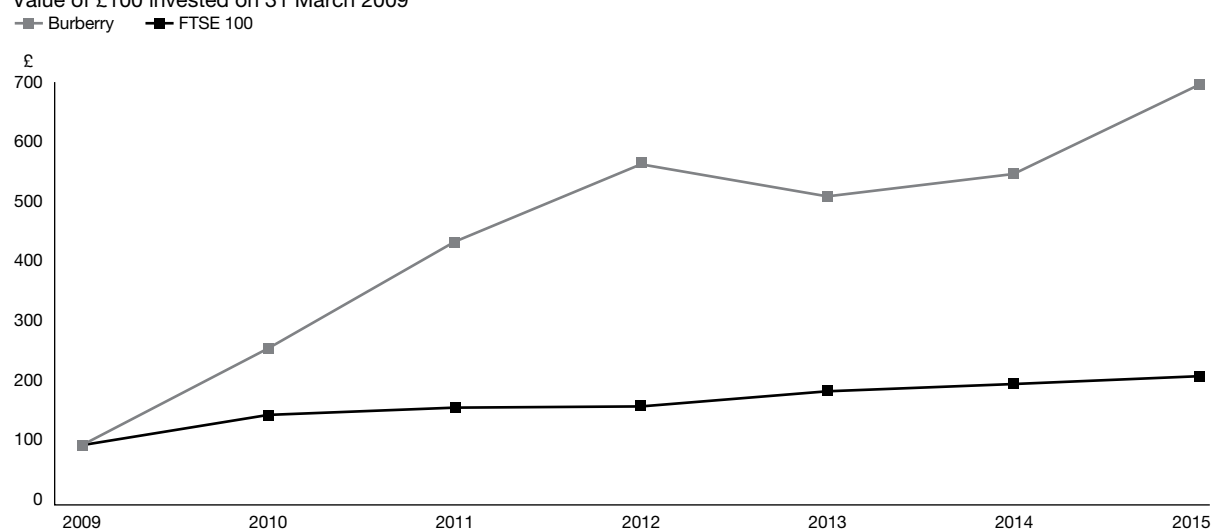
8. Six-year performance graph and Chief Executive Officer remuneration

The first chart below shows the Total Shareholder Return ('TSR') for Burberry Group plc compared to the companies in the FTSE 100 index assuming £100 was invested on 31 March 2009. The FTSE 100 was selected because Burberry became a constituent on 10 September 2009 and prior to that had a market capitalisation close to that of companies at the lower end of the FTSE 100 index.

The second chart below shows the total remuneration earned by the incumbent Chief Executive Officer over the same six-year period, along with the proportion of maximum opportunity earned in relation to each type of incentive. The total amounts are based on the same methodology as used for the table on page 91 (Single figure of total remuneration for 2014/15).

Six-year TSR performance graph and Chief Executive Officer remuneration

Value of £100 invested on 31 March 2009



Angela Ahrendts (AA, CEO to 30 April 2014), Christopher Bailey (CB, CC & CEO from 1 May 2014)

	2009/10 (AA)	2010/11 (AA)	2011/12 (AA)	2012/13 (AA)	2013/14 (AA)	2014/15 (AA)	2014/15 (CB)
Total remuneration (£'000)	7,362	16,003	9,574	10,901	8,007	157	7,943
Bonus (% of maximum)	100%	100%	100%	75%	70%	–	81%
CIP (% of maximum)	100%	100%	–	100%	100%	–	75%
RSP (% of maximum)	42.5%	–	100%	–	–	–	–
EPP* (% of maximum)	15%	50%	–	–	–	–	–

* The 'EPP' was the Burberry Exceptional Performance Share Plan, a one-off long-term incentive plan under which performance-based awards were granted in 2007 only. Details of this plan can be found in the relevant historical directors' remuneration reports.

Approval

This report has been approved by the Board and signed on its behalf by:

Ian Carter

Chairman, Remuneration Committee

19 May 2015

DIRECTORS' REPORT

The directors present their Annual Report and the audited consolidated financial statements of the Company for the year to 31 March 2015.

Strategic Report

Burberry Group plc is required by the Companies Act 2006 to prepare a Strategic Report that includes a fair review of the Company's business, the development and the performance of the Company's business during the year, of the position of the Company at the end of the financial year to 31 March 2015 and a description of the principal risks and uncertainties faced by the Company. The Strategic Report can be found on pages 8 to 59. The Corporate Governance Report is set out on pages 66 to 80, is incorporated by reference and shall be deemed to form part of this report.

Revenue and profit

Revenue from the continuing business during the period amounted to £2,523.2m (2014: £2,329.8m). The profit for the year attributable to equity holders of the Company was £336.3m (2014: £322.5m).

Dividends

The directors recommend that a final dividend of 25.5p per ordinary share (2014: 23.20p) in respect of the year to 31 March 2015 be paid on 31 July 2015 to those persons on the Register of Members as at 3 July 2015.

An interim dividend of 9.70p per ordinary share was paid to shareholders on 23 January 2015 (2014: 8.80p). This will make a total dividend of 35.2p per ordinary share in respect of the financial year to 31 March 2015. The aggregate dividends paid and recommended in respect of the year to 31 March 2015 total £155.2m (2014: £140.4m).

Directors

The names and biographical details of the directors as at the date of this report are set out on pages 62 and 63 and are incorporated by reference into this report.

At the 2015 Annual General Meeting, all of the current directors will offer themselves for election or re-election. The Notice of this year's Annual General Meeting sets out why the Board believes the directors should be elected or re-elected. Details of the directors' service agreements and letters of appointment are given in the Directors' Remuneration Report on pages 81 to 103.

Directors' share interests

The interests of the directors holding office at 31 March 2015 in the shares of the Company are shown within the Directors' Remuneration Report on page 96. There were no changes to the beneficial interests of the directors between the period 31 March 2015 and 19 May 2015.

Directors' insurance and indemnities

The Company maintains directors' and officers' liability insurance which gives appropriate cover for any legal action brought against its directors. In accordance with section 236 of the Companies Act 2006, qualifying third-party indemnity provisions are in place for the directors in respect of liabilities incurred as a result of their office, to the extent permitted by law. Both the insurance and indemnities applied throughout the financial year ended 31 March 2015 and through to the date of this report.

Share capital

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

The Company has one class of ordinary share which carries no right to fixed income. Each share carries the right to one vote at general meetings of the Company. The ordinary shares are listed on the Official List and traded on the London Stock Exchange. As at 31 March 2015, the Company had 444,744,067 ordinary shares in issue. The Company does not hold any shares in treasury.

In order to retain maximum flexibility, the Company proposes to renew the authority granted by ordinary shareholders at the Annual General Meeting in 2014, to repurchase up to just under 10% of its issued share capital. Further details are provided in the Notice of this year's Annual General Meeting.

At the Annual General Meeting in 2014, shareholders approved resolutions to allot shares up to an aggregate nominal value of £73,200 and to allot shares for cash other than pro rata to existing shareholders. Resolutions will be proposed at this year's Annual General Meeting to renew these authorities.

No person has any special rights of control over the Company's share capital and all issued shares are fully paid. There are no specific restrictions on the size of holding or on the transfer of shares which are both governed by the general provisions of the Articles of Association and prevailing legislation. The directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or voting rights. The directors have no current plans to issue shares other than in connection with employee share schemes.

Details of employee share schemes are set out in note 26. The Burberry Group plc ESOP Trust has waived all dividends payable by the Company in respect of the ordinary shares held by it. In addition, the Burberry Group plc SIP Trust has waived all dividends payable by the Company in respect of the unappropriated ordinary shares held by it. The total dividends waived by the trusts in the year to 31 March 2015 were in aggregate £1.2m (2014: £1.3m).

With regard to the appointment and replacement of directors, the Company follows the UK Corporate Governance Code and is governed by its Articles of Association, the Companies Act 2006 and related legislation. The Articles of Association may be amended by special resolution of the shareholders.

Substantial shareholdings

As at 31 March 2015, the Company had been notified under Rule 5 of the Disclosure and Transparency Rules of the following major interests in its issued ordinary share capital:

	Number of ordinary shares	% of total voting rights
The Capital Group Companies, Inc	26,343,299	5.92
BlackRock, Inc.	22,207,161	5.00
Schroders plc	21,666,352	4.99
JP Morgan Chase & Co	21,578,580	4.99
FMR LLC	21,867,513	4.98
Ameriprise Financial, Inc.	21,664,800	4.97
Thornburg Investment Management	21,910,655	4.94
Massachusetts Financial Services Company	20,073,645	4.61

Between 31 March 2015 and 19 May 2015, the Company was notified that Blackrock, Inc. holds 22,866,982 shares, representing 5.14% of total voting rights.

Interests in own shares

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

Political donations

The Company made no political donations during the year in line with its policy (2014: £nil). In keeping with the Company's approach in prior years, shareholder approval is being sought at the forthcoming Annual General Meeting, as a precautionary measure, for the Company and its subsidiaries to make donations and/or incur expenditure which may be construed as 'political' by the wide definition of that term included in the relevant legislation. Further details are provided in the Notice of this year's Annual General Meeting.

Greenhouse Gas emissions

The disclosures concerning the Company's greenhouse gas emissions required by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 are included in the Burberry Impact section of the Strategic Report on page 47.

Employment policies

Diversity and inclusion

The Group takes a very inclusive approach to diversity. As a global business, Burberry values people of all cultures, nationalities, races, religions and ethnicities, regardless of characteristics such as gender, gender identity and/or expression, age, disability or sexual orientation. Burberry is passionate about attracting, developing and rewarding the most talented and skilled individuals, regardless of background. The Group encourages its employees to work across functions, geographies and cultures to enhance understanding and create a connected global community. As the Group continues to grow globally, it is building on its long-term commitment to diversity and inclusion – embracing the cultures of all the countries where we do business. Burberry is committed to making the necessary adjustments to support the employment of people with disabilities and provide training and development to ensure they have the opportunity to achieve their potential. In a situation where an employee becomes disabled during their employment, the Group will endeavour to assist the employee by offering additional training, adapting the job if appropriate or by offering a transfer to another position.

Health and safety

The Group has a health and safety policy approved by the Board. Governance of the health and safety strategy is maintained through a Global Health and Safety Committee which is chaired by the Chief Corporate Affairs Officer & General Counsel. Health and safety is also considered at the Group Risk Committee and Audit Committee.

Each region has a local Committee which assists with the implementation of the health and safety strategy. Strategic direction on health and safety matters is provided by the Director of Workplace Services and Health & Safety supported by a global team. There have been a number of internal and external health and safety audits carried out to provide assurance globally.

Further information regarding the Group's employment policies are provided in Build our Culture on pages 40 to 41.

Employee involvement

Employee communication

The Group believes that employee communication is important to enhance the Company culture and connectivity, and to motivate and retain its employees. A global communications programme, incorporating various physical and digital methods and channels, enables all employees to connect and collaborate closely, and to understand the Company's key strategies, financial performance and other matters of interest and importance, quickly and efficiently.

Social media platform 'Burberry World' is the key digital channel used by the Company to communicate internally. However, other methods and channels are also used, including face-to-face briefings, open discussion forums with senior management, email and instant messaging. Burberry 'Chat Live' global video broadcasts are hosted by Christopher Bailey and provide real-time communications to highlight the Group's performance and its ongoing strategic initiatives. The Company also uses videos and digital web pages to communicate key initiatives, events and other brand messages, to enhance internal communication, employee connectivity and the Burberry culture.

Employee share ownership

The Group encourages share ownership at all levels and runs incentive schemes and share ownership schemes for the benefit of employees. Further details of these schemes are set out in the Directors' Remuneration Report on pages 81 to 103.

The Group again intends to grant free share awards or cash-based awards to all eligible employees during 2015/16. The Group also intends, where possible, to invite employees to take part in the Sharesave Scheme.

Further information regarding the Group's approach to employee involvement and communications are provided in Build our Culture on pages 40 and 41.

Financial instruments

The Group's financial risk management objectives and policies are set out within note 25 of the financial statements. Note 25 also details the Group's exposure to foreign exchange, share price, interest, credit, capital and liquidity risks. This note is incorporated by reference and deemed to form part of this report.

Significant contracts – change of control

Pursuant to the Companies Act 2006, the directors disclose that in the event of a change of control, the Company's borrowings under the Group's £300m Revolving Credit Facility (dated 25 November 2014) could become repayable.

Details of the service agreements of the executive directors are set out on page 88 of the Directors' Remuneration Report.

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

Independent auditors

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

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

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

Note 7 of the financial statements states the auditors' fees both for audit and non-audit work.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Group Financial Review on pages 50 to 55, along with details of the Group's cash flows. Details of the Group's liquidity position and borrowing facilities are described in notes 18 and 21. Financial risk management objectives, details of financial instruments and hedging activities, and exposures to credit risk and liquidity risk are described in note 25.

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

Annual General Meeting

The Annual General Meeting of the Company will be held at the offices of Nomura, 1 Angel Lane, London EC4R 3AB commencing at 9.30am on Thursday, 16 July 2015. The Notice of this year's Annual General Meeting will be available to view on the Company's website at www.burberryplc.com.

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

The Strategic Report (from pages 8 to 59) and Directors' Report (from pages 104 to 107) have been approved by the Board on 19 May 2015.

By order of the Board

Catherine Sukmonowski

Company Secretary

19 May 2015

Burberry Group plc
Registered Office:
Horseferry House
Horseferry Road
London
SW1P 2AW

Registered in England and Wales
Registered number: 03458224

FINANCIAL STATEMENTS

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Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report, which includes the Strategic Report; the Directors' Report; the Directors' Remuneration Report; and the financial statements in accordance with applicable laws and regulations.

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

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

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

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

The directors consider that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

Each of the directors, whose names and functions are listed on pages 62 to 63 confirm that, to the best of their knowledge:

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

These statements were approved by the Board on 19 May 2015 and signed on its behalf by:

Sir John Peace
Chairman

Carol Fairweather
Chief Financial Officer

Report on the Group financial statements

Our opinion

In our opinion, Burberry Group plc's Group financial statements (the financial statements):

- give a true and fair view of the state of the Group's affairs as at 31 March 2015 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

What we have audited

Burberry Group plc's financial statements comprise:

- the Group Balance Sheet as at 31 March 2015;
- the Group Income Statement and Statement of Comprehensive Income for the year then ended;
- the Group Statement of Changes in Equity and Statement of Cash Flows for the year then ended;
- the Analysis of Net Cash as at 31 March 2015; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union. Certain disclosures required by the financial reporting framework have been presented elsewhere in the Burberry Group plc Annual Report 2014/15 (the "Annual Report"), rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

Our audit approach

Overview

Materiality Overall Group materiality: £20 million which represents approximately 5% of profit before tax (2014: £20 million).

Audit Scope We identified six reporting units which, in our view, required an audit of their complete financial information, either due to their size or their risk characteristics, providing 78% (2014: 79%) coverage over Group revenue and 92% (2014: 91%) coverage over profit before taxation. This, together with additional procedures performed at the Group level relating primarily to taxation, litigation, impairment and earnings per share, gave us the evidence we needed for our opinion on the Group financial statements as a whole.

Areas of Focus

- Inventory provisioning.
- Completeness and valuation of provisions for tax exposures.
- China put option liability valuation.
- Impairment of fragrance and beauty licence intangible asset.
- Impairment of property, plant and equipment.
- Presentation of results and non-GAAP measures.

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)").

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as "areas of focus" in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Area of focus	How our audit addressed the area of focus
<p>Inventory provisioning</p> <p>The Group manufactures and sells luxury goods and is subject to changing consumer demands and fashion trends, increasing the level of judgement involved in estimating inventory provisions (refer to note 16 to the financial statements). Judgement is required to assess the appropriate level of provisioning for items which may be ultimately destroyed or sold below cost as a result of a reduction in consumer demand. Such judgements include management's expectations for future sales and inventory liquidation plans, especially in relation to relatively new business operations such as Beauty.</p>	<p>For both finished goods and raw materials, we critically reviewed the basis for the inventory provisions, the consistency of provisioning in line with policy and the rationale for the recording of specific provisions. In particular, for Beauty inventory, we assessed management's provision methodology, which has been updated to reflect more historical information that is now available and the refined sales forecasting process.</p> <p>In doing so we understood the ageing profile of inventory, the process for identifying specific problem inventory and historical loss rates.</p> <p>As a result, we satisfied ourselves that both finished goods and raw materials inventory provisions have been prepared in line with policy and are supportable on the basis of historical trends as well as management's expectations for future sales and inventory management plans.</p>
<p>Completeness and valuation of provisions for tax exposures</p> <p>The directors are required to apply significant judgement when determining whether, and how much, to provide in respect of tax assessments leading to uncertain tax positions in a number of jurisdictions (refer to notes 9 and 14 to the financial statements). Given the inherent uncertainty over the outcome of pending tax assessments, significant judgement is applied by the directors in estimating the final outcome of such tax assessments.</p> <p>We focused on this area due to the inherent complexity and judgement in estimating the amount of provision required, which is increased due to the numerous jurisdictions in which the Group operates.</p> <p>As noted in note 30 to the financial statements, the Group is subject to tax audits and claims in a number of jurisdictions, including a dispute with the Spanish tax authorities.</p>	<p>Through discussions with management, we understood the Group's process for identifying uncertain tax positions and the related accounting policy of provisioning for tax exposures. Based on this, we understood the extent to which provision adjustments are supported by underlying changes in circumstances and confirmed that they are being made on a consistent basis to previous years.</p> <p>We assessed the appropriateness of provisions recorded in the financial statements, or the rationale for not recording a provision, by using our specialist tax knowledge, reading the latest correspondence between the Group and the various tax authorities and advisors, and by obtaining written responses from the Group's external advisors on the material tax exposures.</p> <p>These procedures assisted in our corroboration of management's position in respect of significant tax exposures, and with our assessment that the disclosures and provisions recorded in the financial statements, including whether any provisions sufficiently addressed probable penalties and interest, were appropriate and reflected the latest developments.</p>
<p>China put option liability valuation</p> <p>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. A put option exists over this interest, which is exercisable after 1 September 2020. At 31 March 2015 the option is recorded at £54.4m (2014: £51.3m).</p> <p>The valuation of the put option over the non-controlling interest in the Group's business in China is based on a number of assumptions, the key ones being the future performance of the Group's business in China; the average historical Burberry Group plc multiple; and the risk adjusted discount rate for China, taking into account the risk free rate in China (refer to note 19 to the financial statements). We focused on this area because of the inherent judgement involved in determining these assumptions and the magnitude of the put option liability. Changes in the fair value of the liability will be made through the Income Statement and could result in fluctuations in profit.</p>	<p>Given the inherent judgement in forecasting in a high-growth market such as China, the most judgemental input is the forecast performance of the Group's business in China. We agreed this to latest available information including management's forecasts of the future performance of the Group's business in China, actual historic results of the China business and GDP growth forecasts for the Chinese economy as published by third-party sources.</p> <p>The average historical Burberry Group plc multiple is in line with our recalculation of the multiple based on the Group's actual multiple and is consistent with the average multiple for Burberry's peer group.</p> <p>Similarly, we critically assessed the risk adjusted discount rate for China to confirm this was in line with the China business' cost of capital and with the discount rate of comparable luxury retailers.</p> <p>We tested the calculation of the liability to determine whether it was consistent with prior periods and with the terms of the put option, with no material exceptions or inconsistencies noted.</p> <p>We confirmed the appropriateness of disclosures relating to the valuation, including the related sensitivities. We confirmed that the net present value of the put option has been recognised as a non-current financial liability under IAS 39 and that related disclosures are in line with the disclosure requirements contained within IFRS 7.</p>

Area of focus	How our audit addressed the area of focus
<p>Impairment of fragrance and beauty licence intangible asset</p> <p>In FY13, the Group reacquired the licence to sell Beauty products, resulting in the recognition of a fragrance and beauty licence intangible of £70.9m, which is being amortised on a straight-line basis over the period 1 April 2013 to 31 December 2017.</p> <p>An underperformance of the Beauty business would expose the Group to the risk of impairment of the Beauty licence, the value of which is £41.1m at March 2015 (2014: £56.0m).</p> <p>We have focused on this area due to the size of the Beauty licence intangible and the inherent judgement involved in forming a valuation of the intangible, particularly regarding future sales and profit forecasts in this fast-growing part of the business.</p>	<p>We challenged management's assessment of Beauty performance by comparing actual results to forecasts, including assessing sales patterns and levels of credit notes and returns. Having compared the Group's future plans and forecasts for Beauty products to actual results and market conditions, we are satisfied that future performance is expected to support the current carrying value of the licence.</p> <p>Having discussed Beauty performance with management we are satisfied that management has carried out a suitable assessment of whether any impairment indicators exist for the Beauty licence intangible.</p> <p>We also considered the related disclosures and are satisfied that the financial statements adequately disclose the potential risk of future impairment if the performance of the Beauty business does not meet management's expectations.</p>
<p>Impairment of property, plant and equipment</p> <p>The Group has a material operational asset base which may be vulnerable to impairment in the event of trading performance being below expectations.</p> <p>The value-in-use models used to assess the risk of impairment are based on assumptions including revenue forecasts, gross and operating margins and discount rates, all of which are country- as well as store-specific (refer to note 13 to the financial statements). Such stores may be located in both emerging markets such as Brazil, which are typically more volatile than developed markets, as well as more established economies such as the USA and Italy, where the Group is working towards consolidating its position within the market. Management's assessment resulted in the recognition of a net impairment charge for FY15 of £4.1m (FY14: £12.3m).</p> <p>We focused on this area because of the inherent judgement involved in determining key assumptions such as future sales growth, profit margins and discount rates, and the magnitude of the assets under consideration.</p>	<p>We tested management's assessment of impairment triggers and are satisfied that they appropriately took into account both internal and external impairment indicators, including the trading performance of each store.</p> <p>We tested the value-in-use models for assets where an impairment trigger has been identified, including challenging management forecasts and other assumptions including discount rates and long-term growth rates, and found that these assumptions were reasonable. In particular we focussed on the forecasts for sales growth and are satisfied that they reflect reasonable expectations for each store, taking into account the maturity of each store and the market in which it is located.</p> <p>We also performed sensitivity analysis on key assumptions, particularly revenue growth, and agreed with management's conclusion that reasonably possible changes to the assumptions would not result in a material difference to the charges already recognised.</p>
<p>Presentation of results and non-GAAP measures</p> <p>The presentation of results continues to be a focus area for regulators, particularly the use of adjusted and underlying measures to explain business performance, and the classification of items as adjusting, especially where they recur each year. There is a risk that the use of such measures means that the overall presentation of results is not fair, balanced and understandable.</p> <p>Consistent with prior years, the Group has identified two adjusting items, being Amortisation of the fragrance and beauty licence intangible and Put option liability finance (income)/charge.</p>	<p>We considered management's assessment of adjusting items and the related presentation and accompanying disclosures and are satisfied that the selection of adjusting items is consistent with prior years and adequately explained in the financial statements.</p> <p>We noted no instances of inappropriate or inconsistent presentation of results and non-GAAP measures. Specifically, we are satisfied that non-GAAP measures are adequately explained and reconciled to GAAP measures.</p>

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group operates across three regions and is structured across two channels to market, being retail/wholesale and licensing. The Group financial statements are a consolidation of 97 reporting units, comprising the Group's operating businesses and holding companies across the two channels to market.

Based on our risk and materiality assessments, we determined which entities were required to report full-scope audit opinions to us having considered the relative significance of each entity to the Group, locations with significant inherent risks and the overall coverage obtained over each material line item in the consolidated financial statements. We identified six reporting units which, in our view, required an audit of their complete financial information, either due to their size or their risk characteristics, providing 78% (2014: 79%) coverage over Group revenue and 92% (2014: 91%) coverage over profit before taxation. This, together with additional procedures performed at the Group level relating primarily to taxation, litigation, impairment and earnings per share, gave us the evidence we needed for our opinion on the Group financial statements as a whole.

How we tailored the audit scope (continued)

In addition to the audits performed on full-scope components, we gathered other audit evidence across the rest of the Group through testing of the Group's global monitoring controls and global SAP system, Group-level analytical procedures and testing at the London and Hong Kong Shared Service Centres. In addition, we performed statutory audits for many of the entities not in scope for reporting to Group.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed at the reporting units by us, as the Group engagement team, or component auditors within PwC UK and from other PwC network firms operating under our instruction. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those reporting units to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole. Our Group engagement team's involvement included various site visits and component auditor working paper reviews across each of the Group's three regions, together with conference calls with the component audit teams and participation in all in scope component audit clearance meetings.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the Group financial statements as a whole as follows:

Overall Group materiality	£20 million (2014: £20 million).
How we determined it	5% of profit before taxation.
Rationale for benchmark applied	Burberry is a profit orientated entity and hence profit before taxation has been selected as the benchmark.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.75 million (2014: £0.75 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

Under the Listing Rules we are required to review the directors' statement, set out on page 107, in relation to going concern. We have nothing to report having performed our review.

As noted in the directors' statement, the directors have concluded that it is appropriate to prepare the Group's financial statements using the going concern basis of accounting. The going concern basis presumes that the Group has adequate resources to remain in operation, and that the directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the directors' use of the going concern basis is appropriate.

However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's ability to continue as a going concern.

Other required reporting

Consistency of other information

Companies Act 2006 opinion

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

ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

Information in the Annual Report is:	We have no exceptions to report arising from this responsibility.
<ul style="list-style-type: none"> materially inconsistent with the information in the audited Group financial statements; or apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or otherwise misleading. 	
The statement given by the directors on page 110, in accordance with provision C.1.1 of the UK Corporate Governance Code ("the Code"), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's performance, business model and strategy is materially inconsistent with our knowledge of the Group acquired in the course of performing our audit.	We have no exceptions to report arising from this responsibility.
The section of the Annual Report on page 77, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.	We have no exceptions to report arising from this responsibility.

Adequacy of information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion, we have not received all the information and explanations we require for our audit. We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Corporate Governance Statement

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the parent Company's compliance with 10 provisions of the UK Corporate Governance Code. We have nothing to report having performed our review.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 110, the directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

What an audit of financial statements involves

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited Group financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Other matters

We have reported separately on the parent Company financial statements of Burberry Group plc for the year ended 31 March 2015 and on the information in the Directors' Remuneration Report that is described as having been audited.

Andrew Kemp

Senior Statutory Auditor,
for and on behalf of PricewaterhouseCoopers LLP,
Chartered Accountants and Statutory Auditors,
London, 19 May 2015

Group Income Statement

	Note	Year to 31 March 2015 £m	Year to 31 March 2014 £m
Continuing operations			
Revenue	3	2,523.2	2,329.8
Cost of sales		(757.7)	(671.3)
Gross profit		1,765.5	1,658.5
Net operating expenses	4	(1,325.2)	(1,213.1)
Operating profit		440.3	445.4
Financing			
Finance income		4.4	3.9
Finance expense		(3.8)	(3.2)
Other financing income/(charges)		3.7	(1.7)
Net finance income/(charge)	8	4.3	(1.0)
Profit before taxation	5	444.6	444.4
Taxation	9	(103.5)	(112.1)
Profit for the year		341.1	332.3
Attributable to:			
Owners of the Company		336.3	322.5
Non-controlling interest		4.8	9.8
Profit for the year		341.1	332.3
Earnings per share			
Basic	10	76.4p	73.6p
Diluted	10	75.1p	72.1p
		£m	£m
Reconciliation of adjusted profit before taxation:			
Profit before taxation		444.6	444.4
Adjusting items:			
Amortisation of the fragrance and beauty licence intangible in operating expenses	6	14.9	14.9
Put option liability finance (income)/charge	6	(3.7)	1.7
Adjusted profit before taxation – non-GAAP measure		455.8	461.0
Adjusted earnings per share – non-GAAP measure			
Basic	10	78.3p	77.0p
Diluted	10	76.9p	75.4p
Dividends per share			
Interim	11	9.70p	8.80p
Proposed final (not recognised as a liability at 31 March)	11	25.50p	23.20p

Group Statement of Comprehensive Income

	Note	Year to 31 March 2015 £m	Year to 31 March 2014 £m
Profit for the year		341.1	332.3
Other comprehensive income ¹ :			
Cash flow hedges	22	(7.4)	(5.0)
Foreign currency translation differences		52.0	(54.6)
Tax on other comprehensive income:			
Cash flow hedges		1.5	1.3
Foreign currency translation differences		(4.4)	4.6
Other comprehensive income/(expense) for the year, net of tax		41.7	(53.7)
Total comprehensive income for the year		382.8	278.6
Total comprehensive income attributable to:			
Owners of the Company		372.5	272.5
Non-controlling interest		10.3	6.1
		382.8	278.6

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 2015 £m	As at 31 March 2014 £m
ASSETS			
Non-current assets			
Intangible assets	12	193.5	195.4
Property, plant and equipment	13	436.5	398.4
Investment properties		2.2	2.6
Deferred tax assets	14	145.0	116.0
Trade and other receivables	15	60.5	42.3
Derivative financial assets	17	1.5	0.5
		839.2	755.2
Current assets			
Inventories	16	436.6	419.8
Trade and other receivables	15	260.3	231.4
Derivative financial assets	17	8.4	4.6
Income tax receivables		11.3	9.0
Cash and cash equivalents	18	617.4	545.5
		1,334.0	1,210.3
Total assets		2,173.2	1,965.5
LIABILITIES			
Non-current liabilities			
Trade and other payables	19	(117.1)	(107.4)
Deferred tax liabilities	14	(0.9)	(1.0)
Derivative financial liabilities	17	–	(0.9)
Retirement benefit obligations		(0.7)	(0.6)
Provisions for other liabilities and charges	20	(22.2)	(15.9)
		(140.9)	(125.8)
Current liabilities			
Bank overdrafts and borrowings	21	(65.2)	(143.0)
Derivative financial liabilities	17	(12.5)	(1.6)
Trade and other payables	19	(406.0)	(399.8)
Provisions for other liabilities and charges	20	(10.3)	(10.7)
Income tax liabilities		(86.8)	(76.6)
		(580.8)	(631.7)
Total liabilities		(721.7)	(757.5)
Net assets		1,451.5	1,208.0
EQUITY			
Capital and reserves attributable to owners of the Company			
Ordinary share capital	22	0.2	0.2
Share premium account		207.6	204.8
Capital reserve	22	45.3	40.0
Hedging reserve	22	(0.3)	5.6
Foreign currency translation reserve	22	147.3	104.7
Retained earnings		1,000.8	810.1
Equity attributable to owners of the Company		1,400.9	1,165.4
Non-controlling interest in equity		50.6	42.6
Total equity		1,451.5	1,208.0

The consolidated financial statements of Burberry Group plc (registered number 03458224) on pages 116 to 160 were approved by the Board on 19 May 2015 and signed on its behalf by:

Sir John Peace
Chairman

Carol Fairweather
Chief Financial Officer

Group Statement of Changes in Equity

	Note	Attributable to owners of the Company				Total £m	Non- controlling interest £m	Total equity £m
		Ordinary share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m			
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	22	–	–	(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 options		–	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
Profit for the year		–	–	–	336.3	336.3	4.8	341.1
Other comprehensive income:								
Cash flow hedges	22	–	–	(7.4)	–	(7.4)	–	(7.4)
Foreign currency translation differences		–	–	46.5	–	46.5	5.5	52.0
Tax on other comprehensive income		–	–	(2.9)	–	(2.9)	–	(2.9)
Total comprehensive income for the year		–	–	36.2	336.3	372.5	10.3	382.8
Transfer between reserves		–	–	5.8	(5.8)	–	–	–
Transactions with owners:								
Employee share incentive schemes								
Value of share options granted		–	–	–	21.0	21.0	–	21.0
Value of share options transferred to liabilities		–	–	–	(0.8)	(0.8)	–	(0.8)
Tax on share options granted		–	–	–	5.2	5.2	–	5.2
Exercise of share options		–	2.8	–	–	2.8	–	2.8
Purchase of own shares by ESOP trusts		–	–	–	(19.2)	(19.2)	–	(19.2)
Acquisition of additional interest in subsidiary from non-controlling interest		–	–	–	(1.1)	(1.1)	(2.3)	(3.4)
Capital contribution by non-controlling interest		–	–	–	–	–	0.4	0.4
Dividends paid in the year		–	–	–	(144.9)	(144.9)	(0.4)	(145.3)
Balance as at 31 March 2015		0.2	207.6	192.3	1,000.8	1,400.9	50.6	1,451.5

Group Statement of Cash Flows

	Note	Year to 31 March 2015 £m	Year to 31 March 2014 £m
Cash flows from operating activities			
Operating profit		440.3	445.4
Depreciation		104.0	105.6
Amortisation		34.6	33.0
Net impairment charges		4.1	12.3
Loss/(profit) on disposal of property, plant and equipment and intangible assets		2.1	(1.3)
Gain on derivative instruments		(2.0)	(3.8)
Charges in respect of employee share incentive schemes		21.0	25.4
(Payment)/proceeds from settlement of equity swap contracts		(0.2)	15.7
Increase in inventories		(15.1)	(68.2)
Increase in receivables		(43.8)	(73.8)
Increase in payables		23.1	45.2
Cash generated from operating activities		568.1	535.5
Interest received		3.8	3.4
Interest paid		(2.6)	(2.6)
Taxation paid		(114.4)	(111.1)
Net cash generated from operating activities		454.9	425.2
Cash flows from investing activities			
Purchase of property, plant and equipment		(127.8)	(129.5)
Purchase of intangible assets		(27.9)	(24.5)
Proceeds from sale of property, plant and equipment		–	3.0
Proceeds from sale of intangible assets		1.3	–
Acquisition of subsidiaries, net of cash acquired		–	(2.6)
Net cash outflow from investing activities		(154.4)	(153.6)
Cash flows from financing activities			
Dividends paid in the year	11	(144.9)	(130.7)
Dividends paid to non-controlling interest		(0.4)	–
Capital contributions by non-controlling interest		0.4	0.7
Payment to acquire additional interest in subsidiary from non-controlling interest		(3.4)	–
Issue of ordinary share capital		2.8	1.2
Sale of own shares by ESOP trusts		–	1.7
Purchase of own shares by ESOP trusts		(19.2)	(24.7)
Net cash outflow from financing activities		(164.7)	(151.8)
Net increase in cash and cash equivalents		135.8	119.8
Effect of exchange rate changes		13.9	(13.9)
Cash and cash equivalents at beginning of year		402.5	296.6
Cash and cash equivalents at end of year		552.2	402.5

Analysis of Net Cash

	Note	As at 31 March 2015 £m	As at 31 March 2014 £m
Cash and cash equivalents as per the Balance Sheet	18	617.4	545.5
Bank overdrafts	21	(65.2)	(143.0)
Net cash		552.2	402.5

1. Basis of preparation

Burberry Group plc and its subsidiaries (the Group) is a global luxury goods manufacturer, retailer and wholesaler. The Group also licences third parties to manufacture and distribute products using the 'Burberry' trade marks. All of the companies which comprise the Group are controlled by Burberry Group plc (the Company) directly or indirectly.

The consolidated financial statements of the Group have been prepared in accordance with the European Union 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. These consolidated financial statements have been prepared under the historical cost convention, except as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss.

Amendment to IAS 32 Financial Instruments: Presentation was effective for annual periods beginning on or after 1 January 2014, and has been adopted for the first time by the Group from 1 April 2014. This has not had a material impact on the financial statements of the Group. No other new standards, amendments and interpretations have been adopted for the first time by the Group during the year ended 31 March 2015.

As at 31 March 2015, the following new and revised standards, amendments and interpretations, which may be relevant to the Group's results, were issued but not yet effective:

IFRS 9 Financial instruments

This standard addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 replaces the guidance in IAS 39 Financial instruments: Recognition and measurement that relates to the classification and measurement of financial instruments. The new standard retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The standard is effective for annual periods beginning on or after 1 January 2018, however it is not currently endorsed by the European Union. Any potential impact of this new standard will be quantified closer to the date of adoption.

IFRS 15 Revenue from contracts with customers

This standard deals with revenue recognition and replaces both IAS 18 Revenue and IAS 11 Construction contracts, providing a single revenue standard to be applied across all industries. Under the new standard, revenue is recognised when a customer obtains control of a good or service. IFRS 15 establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The standard is effective for annual periods beginning on or after 1 January 2017, however it is not currently endorsed by the European Union and the IASB has recently proposed to defer the effective date to 1 January 2018. Any potential impact of this new standard will be quantified closer to the date of adoption.

Basis of consolidation

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

Subsidiaries are all entities (including special purpose entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Where there is a loss of control of a subsidiary, the consolidated financial statements include the results for the portion of the reporting period during which the Group had control. Intra-group transactions, balances and unrealised profits on transactions between Group companies are eliminated in preparing the Group financial statements. The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For acquisitions of additional interests in subsidiaries from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals of interests in subsidiaries to non-controlling interests are also recorded in equity.

1. Basis of preparation (continued)

Key sources of estimation and judgement

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

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

Put option liability over non-controlling interest

The calculation of the fair value of the put option over the non-controlling interest in the Group's business in China is based on the contractual agreement and requires the application of key assumptions around both the future performance of the Group's business in China; the average historical Burberry Group plc multiple; and the risk adjusted discount rate in China, taking into account the risk free rate in China. Refer to notes 19 and 25 for further details of the put option liability.

Impairment of property, plant and equipment

Property, plant and equipment is reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount of an asset or a cash generating unit is determined based on value-in-use calculations prepared on the basis of management's assumptions and estimates. Refer to note 13 for further details of property, plant and equipment.

Impairment of the fragrance and beauty licence intangible asset

The fragrance and beauty licence intangible asset is reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be fully recoverable. Where a review for impairment is carried out, the recoverable amount of the intangible asset is determined from a value-in-use calculation of the anticipated incremental income earned by the Group as a result of selling Beauty products through retail and wholesale channels rather than under licence. The value-in-use calculation is prepared on the basis of management's assumptions and estimates of the future trading performance of the Beauty product division. Refer to note 12 for further details of the fragrance and beauty licence intangible asset.

Inventory provisioning

The Group manufactures and sells luxury goods and is subject to changing consumer demands and fashion trends. As a result it is necessary to consider the recoverability of the cost of inventories and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials. Refer to note 16 for further details of the carrying value of inventory.

1. Basis of preparation (continued)

Key sources of estimation and judgement (continued)

Income and deferred taxes

The Group is subject to income taxes in numerous jurisdictions. Judgement is required in determining the provision for income taxes in each territory. There are many transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final outcome of these matters is different from the amounts which were initially recorded, such differences will impact the income tax and deferred tax provisions and assets in the period in which such determination is made. Refer to notes 9 and 14 for further details of income and deferred tax balances.

Impairment of trade receivables

The Group is required to make an estimate of the recoverable value of trade receivables. When assessing impairment of trade receivables, management considers factors including the ageing profile of debtors as well as any specific known problems or risks. Given global economic conditions and the range of countries the Group trades in, unanticipated future events may occur that could impact the appropriateness of the assessment made as to the recoverability of the Group's trade receivables. Refer to notes 15 and 25 for further details on the net carrying value and credit quality of trade receivables.

2. Accounting policies

The principal accounting policies of the Group are:

a) Revenue

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

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

In arrangements where the Group acts as a purchasing agent to facilitate the procurement of Burberry branded products on behalf of its licensees, the purchases and sales from the supplier to the licensee are not recorded as transactions by the Group. Any costs incurred by the Group are recorded as operating expenses and any agency fees receivable are recorded as operating income.

b) Segment reporting

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

c) Business combinations

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

2. Accounting policies (continued)

d) Share schemes

The Group operates a number of equity-settled share based compensation schemes, under which services are received from employees (including executive directors) as consideration for equity instruments of the Company. The cost of the share based incentives is measured with reference to the fair value of the equity instruments awarded at the date of grant. Appropriate option pricing models, including Black-Scholes and Monte Carlo, are used to determine the fair value of the awards made. The fair value takes into account the impact of any market performance conditions, but the impact of non-market performance conditions is not considered in determining the fair value on the date of grant. Vesting conditions which relate to non-market conditions are allowed for in the assumptions used for the number of options expected to vest. The estimate of the number of options expected to vest is revised at each balance sheet date.

In some circumstances, employees may provide services in advance of the grant date. The grant date fair value is estimated for the purposes of recognising the expense during the period between the service commencement period and the grant date.

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

When options are exercised, they are settled either via issue of new shares in the Company, or through shares held in an Employee Share Option Plan (ESOP) trust, depending on the terms and conditions of the relevant scheme. The proceeds received from the exercises, net of any directly attributable transaction costs, are credited to share capital and share premium accounts.

e) Leases

The Group is both a lessor and lessee of property, plant and equipment. Determining whether an arrangement is or contains a lease is based on the substance of the arrangement. Leases in which substantially all of the risks and rewards incidental to ownership of an asset are retained by the lessor are classified as operating leases.

Gross rental expenditure/income in respect of operating leases is recognised on a straight-line basis over the term of the leases. Certain rental expenses are determined on the basis of revenue achieved in specific retail locations and are accrued for on that basis.

Amounts paid to/received from the landlord to acquire or transfer the rights to a lease are treated as prepayments/accrued income on the lease contract. Lease incentives, typically rent free periods and capital contributions, are held on the Balance Sheet in accruals and deferred income and recognised over the term of the lease.

Finance leases where the Group is a lessee are capitalised at the commencement of the lease at the lower of fair value of the leased asset and the present value of the minimum lease payments. Interest is charged to the Income Statement and credited to the lease liability using the effective interest rate method. Lease liabilities are held in Trade and other payables on the Balance Sheet. The capitalised leased assets are held in Property, plant and equipment on the Balance Sheet, and are depreciated over the shorter of the lease term and the useful life of the leased asset.

f) Dividend distributions

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

2. Accounting policies (continued)**g) Pension costs**

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

h) Intangible fixed assets*Goodwill*

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

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

Trade marks, licences and other intangible assets

The cost of securing and renewing trade marks and licences, and the cost of acquiring other intangible assets such as key money is capitalised at purchase price and amortised by equal annual instalments over the period in which benefits are expected to accrue, typically ten years for trade marks, or the term of the lease or licence. The useful economic life of trade marks and other intangible assets is determined on a case-by-case basis, in accordance with the terms of the underlying agreement and the nature of the asset.

Computer software

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

i) Property, plant and equipment

Property, plant and equipment, with the exception of assets in the course of construction, is stated at cost or deemed cost, based on historical revalued amounts prior to the adoption of IFRS, less accumulated depreciation and provision to reflect any impairment in value. Assets in the course of construction are stated at cost less any provision for impairment and transferred to completed assets when substantially all of the activities necessary for the asset to be ready for use have occurred. Cost includes the original purchase price of the asset and costs attributable to bringing the asset to its working condition for its intended use.

Depreciation

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

Type of asset	Category of property, plant and equipment	Useful life
Land	Freehold land and buildings	Not depreciated
Freehold buildings	Freehold land and buildings	Up to 50 years
Leaseholds	Leasehold improvements	Over the unexpired term of the lease
Plant and machinery	Fixtures, fittings and equipment	Up to 10 years
Short life leasehold improvements	Fixtures, fittings and equipment	Up to 10 years
Retail fixtures and fittings	Fixtures, fittings and equipment	Up to 5 years
Office fixtures and fittings	Fixtures, fittings and equipment	5 years
Computer equipment	Fixtures, fittings and equipment	Up to 5 years
Assets in the course of construction	Assets in the course of construction	Not depreciated

Profit/loss on disposal of property, plant and equipment and intangibles

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

2. Accounting policies (continued)

j) Impairment of non-financial assets

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

k) Investment properties

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

l) Discontinued operations and assets classified as held for sale

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

Non-current assets are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction rather than through continued use, and a sale within the next 12 months is considered to be highly probable. Assets classified as held for sale cease to be depreciated and they are stated at the lower of carrying amount and fair value less cost to sell.

m) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost consists of all costs of purchase, costs of conversion, design costs and other costs incurred in bringing the inventories to their present location and condition. For inventories relating to the Beauty product division, including raw materials and finished goods, cost is measured using a weighted average method. For all other product divisions, the cost of inventories is determined using a first-in, first-out (FIFO) method, taking account of the fashion seasons for which the inventory was offered. Where necessary, provision is made to reduce cost to no more than net realisable value having regard to the nature and condition of inventory, as well as its anticipated utilisation and saleability.

n) Taxation

Tax expense represents the sum of the tax currently payable and deferred tax charge.

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

Deferred income tax is recognised, using the liabilities method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the temporary difference arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, no deferred tax will be recognised. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled.

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

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

2. Accounting policies (continued)

n) Taxation (continued)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entities or different taxable entities where there is an intention to settle the balances on a net basis.

o) Provisions

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

Property obligations

A provision for the present value of future property reinstatement costs is recognised where there is an obligation to return the leased property to its original condition at the end of an operating lease. Where a leased property is no longer expected to be fully occupied or where the costs exceed the future expected benefits, an onerous lease provision will be recognised for that portion of the lease excess to the Group's requirements and not fully recovered through sub-leasing, or through value-in-use.

Restructuring costs

Provisions for costs associated with restructuring programmes are recognised when a detailed formal restructuring plan has been approved and communicated. Examples of restructuring related costs include employee termination payments, contract termination penalties and onerous contract payments.

p) Share capital

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

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

q) Financial instruments

A financial instrument is initially recognised at fair value on the Balance Sheet when the entity becomes a party to the contractual provisions of the instrument. A financial asset is derecognised when the contractual rights to the cash flow expire or substantially all risks and rewards of the asset are transferred. A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Subsequent to initial recognition, all financial liabilities are stated at amortised cost using the effective interest rate method except for derivatives, which are classified as held for trading, except where they qualify for hedge accounting, and are held at fair value. The fair value of the Group's financial assets and liabilities held at amortised cost approximate their carrying amount due to the short maturity of these instruments.

2. Accounting policies (continued)**q) Financial instruments (continued)**

The Group classifies its instruments in the following categories:

Financial instrument category	Note	Classification	Measurement	Fair value measurement hierarchy ²
Cash and cash equivalents	18	Loans and receivables	Amortised cost	N/A
Trade and other receivables	15	Loans and receivables	Amortised cost	N/A
Trade and other payables	19	Other financial liabilities	Amortised cost	N/A
Borrowings	21	Other financial liabilities	Amortised cost	N/A
Put option liability over non-controlling interest	19	Derivative instrument	Fair value through profit and loss	3
Forward foreign exchange contracts ¹	17	Derivative instrument	Fair value through profit and loss	2
Equity swap contracts	17	Derivative instrument	Fair value through profit and loss	2
Onerous lease provision	20	Other financial liabilities	Amortised cost	N/A

1 Cash flow hedge accounting is applied to the extent it is achievable.

2 The fair value measurement hierarchy is only applicable for financial instruments measured at fair value.

The measurements for financial instruments carried at fair value are categorised into different levels in the fair value hierarchy based on the inputs to the valuation technique used. The different levels are defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: includes unobservable inputs for the asset or liability.

Observable inputs are those which are developed using market data, such as publicly available information about actual events or transactions. The Group has an established framework with respect to measurement of fair values, including Level 3 fair values. The Group regularly reviews any significant inputs which are not derived from observable market data and considers, where available, relevant third-party information, to support the conclusion that such valuations meet the requirements of IFRS. The classification level in the fair value hierarchy is also considered periodically. Significant valuation issues are reported to the Audit Committee.

The fair value of forward foreign exchange contracts and equity swap contracts is based on a comparison of the contractual and market rates and, in the case of forward foreign exchange contracts, after discounting using the appropriate yield curve as at the balance sheet date. All Level 2 fair value measurements are calculated using inputs which are based on observable market data.

The fair value of the put option liability over non-controlling interest is derived using a present value calculation, incorporating observable and non-observable inputs. This valuation technique has been adopted as it most closely mirrors the contractual arrangement.

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

Cash and cash equivalents

On the Balance Sheet, cash and cash equivalents comprise cash and short-term deposits with a maturity date of three months or less, held with banks and liquidity funds. In the Statement of Cash Flows, cash and cash equivalents also include bank overdrafts, which are recorded under current liabilities on the Balance Sheet.

2. Accounting policies (continued)

q) Financial instruments (continued)

Trade and other receivables

Trade and other receivables are included in current assets, except for maturities greater than 12 months after the balance sheet date. Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the movement in the provision is recognised in the Income Statement.

Trade and other payables

Trade and other payables are included in current liabilities, except for maturities greater than 12 months after the balance sheet date. Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

Borrowings (including overdrafts)

Borrowings are recognised initially at fair value, inclusive of transaction costs incurred. Borrowings are subsequently stated at amortised cost and the difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Income Statement over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Put option liabilities over non-controlling interest

Put options over shares in subsidiaries held by non-controlling interests are recognised initially at fair value through equity when granted. They are subsequently remeasured at fair value at each reporting period with the change in fair value recorded in the Income Statement as other finance expenses or income.

Derivative instruments

The Group uses derivative financial instruments to hedge its exposure to fluctuations in foreign exchange rates arising on certain trading transactions. The principal derivative instruments used are forward foreign exchange contracts taken out to hedge highly probable cash flows in relation to future sales, royalty receivables and product purchases. The Group also may designate foreign currency borrowings as a net investment hedge of the assets of overseas subsidiaries.

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

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

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

2. Accounting policies (continued)**q) Financial instruments (continued)***Derivative instruments (continued)*

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is deferred in other comprehensive income. The gain or loss relating to the ineffective portion of the gain or loss is recognised immediately in the Income Statement. Amounts deferred in other comprehensive income are recycled in the Income Statement in the periods when the hedged item affects the Income Statement. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at the time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Income Statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Income Statement within 'net exchange gain/(loss) on derivatives held for trading'. If a derivative instrument is not designated as a hedge, the subsequent change to the fair value is recognised in the Income Statement within operating expenses or interest depending upon the nature of the instrument.

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

r) Foreign currency translation*Functional and presentation currency*

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

Transactions in foreign currencies

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

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 2015	Year to 31 March 2014	As at 31 March 2015	As at 31 March 2014
Euro	1.28	1.19	1.38	1.21
US Dollar	1.60	1.59	1.48	1.67
Chinese Yuan Renminbi	9.94	9.78	9.21	10.34
Hong Kong Dollar	12.42	12.38	11.51	12.94
Korean Won	1,709	1,734	1,646	1,771

The average exchange rate achieved by the Group on its Yen royalty income, taking into account its use of Yen forward foreign exchange contracts executed on a monthly basis approximately 12 months in advance of royalty receipts, was Yen 164.2: £1 in the year to 31 March 2015 (2014: Yen 137.0: £1).

2. Accounting policies (continued)

s) Adjusted profit before taxation

In order to provide additional consideration of the underlying performance of the Group's ongoing 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 ongoing business. Generally this will include those items that are largely one-off and material in nature and any fair value movements on options 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.

3. Segmental analysis

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

The Board considers 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 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 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.

	Retail/Wholesale		Licensing		Total	
	Year to 31 March 2015 £m	Year to 31 March 2014 £m	Year to 31 March 2015 £m	Year to 31 March 2014 £m	Year to 31 March 2015 £m	Year to 31 March 2014 £m
Retail	1,807.4	1,622.6	–	–	1,807.4	1,622.6
Wholesale	648.1	628.0	–	–	648.1	628.0
Licensing	–	–	70.1	81.6	70.1	81.6
Total segment revenue	2,455.5	2,250.6	70.1	81.6	2,525.6	2,332.2
Inter-segment revenue ¹	–	–	(2.4)	(2.4)	(2.4)	(2.4)
Revenue from external customers	2,455.5	2,250.6	67.7	79.2	2,523.2	2,329.8
Depreciation and amortisation	138.7	138.6	–	–	138.7	138.6
Net impairment charges	4.1	12.3	–	–	4.1	12.3
Other non-cash expenses:						
Share based payments	17.8	21.6	3.2	3.8	21.0	25.4
Adjusted operating profit	399.2	393.5	56.0	66.8	455.2	460.3
Adjusting items ²					(11.2)	(16.6)
Finance income					4.4	3.9
Finance expense					(3.8)	(3.2)
Profit before taxation					444.6	444.4

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 6 for details of adjusting items.

3. Segmental analysis (continued)Segmental asset analysis

	Retail/Wholesale		Licensing		Total	
	Year to 31 March 2015 £m	Year to 31 March 2014 £m	Year to 31 March 2015 £m	Year to 31 March 2014 £m	Year to 31 March 2015 £m	Year to 31 March 2014 £m
Additions to non-current assets	157.1	160.9	–	–	157.1	160.9
Total segment assets	1,300.6	1,200.4	2.6	5.8	1,303.2	1,206.2
Goodwill					88.8	80.2
Cash and cash equivalents					617.4	545.5
Taxation					156.3	125.0
Assets relating to discontinued Spanish operations					7.5	8.6
Total assets per Balance Sheet					2,173.2	1,965.5

Additional revenue analysis

	Year to 31 March 2015 £m	Year to 31 March 2014 £m
Revenue by product division		
Accessories	892.5	816.1
Womens	743.0	684.0
Mens	557.5	520.8
Childrens/Other	77.7	78.4
Beauty	184.8	151.3
Retail/Wholesale	2,455.5	2,250.6
Licensing	67.7	79.2
Total	2,523.2	2,329.8

	Year to 31 March 2015 £m	Year to 31 March 2014 £m
Revenue by destination		
Asia Pacific	938.1	870.3
EMEIA ¹	869.0	811.5
Americas	648.4	568.8
Retail/Wholesale	2,455.5	2,250.6
Licensing	67.7	79.2
Total	2,523.2	2,329.8

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

Entity-wide disclosures

Revenue derived from external customers in the UK totalled £233.3m for the year to 31 March 2015 (2014: £213.2m).

Revenue derived from external customers in foreign countries totalled £2,289.9m for the year to 31 March 2015 (2014: £2,116.6m). This amount includes £551.6m of external revenues derived from customers in the USA (2014: £493.8m) and £346.2m of external revenues derived from customers in China (2014: £318.2m).

The total of non-current assets other than financial instruments and deferred tax assets located in the UK is £197.7m (2014: £213.7m). The remaining £455.4m of non-current assets are located in other countries (2014: £394.0m), with £174.9m located in the USA (2014: £136.9m) and £87.8m located in China (2014: £84.3m).

4. Net operating expenses

	Note	Year to 31 March 2015 £m	Year to 31 March 2014 £m
Selling and distribution costs		762.9	673.6
Administrative expenses		547.4	524.6
Adjusting items			
Amortisation of the fragrance and beauty licence intangible asset	6	14.9	14.9
Total		1,325.2	1,213.1

5. Profit before taxation

	Note	Year to 31 March 2015 £m	Year to 31 March 2014 £m
Adjusted profit before taxation is stated after charging/(crediting):			
Depreciation of property, plant and equipment			
Within cost of sales		1.0	0.8
Within selling and distribution costs		88.8	88.7
Within administrative expenses		14.2	16.1
Amortisation of intangible assets			
Within selling and distribution costs		1.7	2.2
Within administrative expenses		18.0	15.9
Loss/(profit) on disposal of property, plant and equipment and intangible assets		2.1	(1.3)
Net impairment charge relating to retail assets		4.1	12.3
Employee costs		468.1	441.3
Operating lease rentals			
Minimum lease payments		190.9	156.5
Contingent rents		87.5	83.2
Net exchange (gain)/loss on revaluation of monetary assets and liabilities		(1.4)	11.5
Net exchange gain on derivatives held for trading for the year		(1.4)	(4.2)
Trade receivables net impairment charge/(reversal)		0.1	(1.5)
Adjusting items			
Amortisation of the fragrance and beauty licence intangible asset	6	14.9	14.9
Put option liability finance (income)/charges	6	(3.7)	1.7

6. 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 2015 is £14.9m (2014: £14.9m) (refer to note 12). A related tax credit of £3.1m (2014: £1.9m) has also been recognised in the current period.

6. Adjusting items (continued)**Put option liability finance income/charge**

The financing income of £3.7m for the year ended 31 March 2015 (2014: charge of £1.7m) 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 19 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.

7. 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 2015 £m	Year to 31 March 2014 £m
Audit services in respect of the financial statements of the Company and consolidation	0.4	0.4
Audit services in respect of the financial statements of subsidiary companies	1.5	1.4
Audit related assurance services	0.1	0.1
Services relating to taxation		
Compliance services	0.1	0.1
Advisory services	0.3	0.3
Other non-audit related services	0.2	0.2
Total	2.6	2.5

8. Financing

	Note	Year to 31 March 2015 £m	Year to 31 March 2014 £m
Bank interest income		3.7	2.9
Other finance income		0.7	1.0
Finance income		4.4	3.9
Interest expense on bank loans and overdrafts		(1.8)	(1.6)
Bank charges		(1.8)	(1.4)
Other finance expense		(0.2)	(0.2)
Finance expense		(3.8)	(3.2)
Other financing income/(charges) – put option liability	6	3.7	(1.7)
Net finance income/(charge)		4.3	(1.0)

9. Taxation

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

	Year to 31 March 2015 £m	Year to 31 March 2014 £m
Current tax		
UK corporation tax		
Current tax on income for the year to 31 March 2015 at 21% (2014: 23%)	58.8	69.1
Double taxation relief	(0.7)	(0.8)
Adjustments in respect of prior years	(2.4)	(3.8)
	55.7	64.5
Foreign tax		
Current tax on income for the year	60.9	50.9
Adjustments in respect of prior years	6.9	6.2
Total current tax	123.5	121.6
Deferred tax		
UK deferred tax		
Origination and reversal of temporary differences	2.1	2.3
Impact of changes to tax rates	–	4.1
Adjustments in respect of prior years	0.9	0.2
	3.0	6.6
Foreign deferred tax		
Origination and reversal of temporary differences	(21.3)	(16.9)
Adjustments in respect of prior years	(1.7)	0.8
Total deferred tax	(20.0)	(9.5)
Total tax charge on profit	103.5	112.1

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

	Year to 31 March 2015 £m	Year to 31 March 2014 £m
Current tax		
Recognised in other comprehensive income		
Current tax charge/(credit) on exchange differences on loans (foreign currency translation reserve)	4.4	(4.6)
Total current tax recognised in other comprehensive income	4.4	(4.6)
Recognised in equity		
Current tax credit on share options (retained earnings)	(5.6)	(9.6)
Total current tax recognised directly in equity	(5.6)	(9.6)
Deferred tax		
Recognised in other comprehensive income		
Deferred tax (credit)/charge on cash flow hedges deferred in equity (hedging reserve)	(1.3)	0.9
Deferred tax credit on cash flow hedges transferred to income (hedging reserve)	(0.2)	(2.2)
Total deferred tax recognised in other comprehensive income	(1.5)	(1.3)
Recognised in equity		
Deferred tax charge on share options (retained earnings)	0.4	5.8
Total deferred tax recognised directly in equity	0.4	5.8

9. Taxation (continued)

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 2015 £m	Year to 31 March 2014 £m
Profit before taxation	444.6	444.4
Tax at 21% (2014: 23%) on profit before taxation	93.4	102.2
Rate adjustments relating to overseas profits	1.8	(2.9)
Permanent differences	5.6	3.4
Current year tax losses not recognised	2.4	1.9
Prior year tax losses recognised in the year	(3.4)	–
Adjustments in respect of prior years	3.7	3.4
Adjustments to deferred tax relating to changes in tax rates	–	4.1
Total taxation charge	103.5	112.1

Total taxation recognised in the Group Income Statement arises on:

	Year to 31 March 2015 £m	Year to 31 March 2014 £m
Adjusted profit before taxation	106.6	114.0
Adjusting items	(3.1)	(1.9)
Total taxation charge	103.5	112.1

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 2015 £m	Year to 31 March 2014 £m
Attributable profit for the year before adjusting items ¹	344.4	337.2
Effect of adjusting items ¹ (after taxation)	(8.1)	(14.7)
Attributable profit for the year	336.3	322.5

¹ Refer to note 6 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 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. Refer to note 26 for additional information on the terms and conditions of the employee share incentive schemes.

	Year to 31 March 2015 Millions	Year to 31 March 2014 Millions
Weighted average number of ordinary shares in issue during the year	440.0	437.9
Dilutive effect of the employee share incentive schemes	7.8	9.4
Diluted weighted average number of ordinary shares in issue during the year	447.8	447.3

11. Dividends paid to owners of the Company

	Year to 31 March 2015 £m	Year to 31 March 2014 £m
Prior year final dividend paid 23.20p per share (2014: 21.00p)	102.1	92.1
Interim dividend paid 9.70p per share (2014: 8.80p)	42.8	38.6
Total	144.9	130.7

A final dividend in respect of the year to 31 March 2015 of 25.50p (2014: 23.20p) per share, amounting to £112.4m, 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 31 July 2015 to shareholders on the register at the close of business on 3 July 2015.

12. Intangible assets

Cost	Goodwill £m	Trade marks, licences and other intangible assets £m	Computer software £m	Intangible assets in the course of construction £m	Total £m
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
Effect of foreign exchange rate changes	8.6	(1.1)	0.8	–	8.3
Additions	–	1.8	16.6	8.9	27.3
Disposals	–	(12.6)	(0.1)	(0.8)	(13.5)
Reclassifications from assets in the course of construction	–	–	5.2	(5.2)	–
As at 31 March 2015	88.8	87.0	121.0	12.2	309.0
Accumulated amortisation and impairment					
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
Effect of foreign exchange rate changes	–	(0.7)	1.1	–	0.4
Charge for the year	–	16.4	18.2	–	34.6
Net impairment charge on assets (note 13)	–	0.2	–	–	0.2
Disposals	–	(11.1)	(0.1)	–	(11.2)
As at 31 March 2015	–	37.1	78.4	–	115.5
Net book value					
As at 31 March 2015	88.8	49.9	42.6	12.2	193.5
As at 31 March 2014	80.2	66.6	39.3	9.3	195.4

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 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 2015 is £41.1m (2014: £56.0m). No impairment has been recorded in the current period. Management has considered the impact of a decrease in the future revenue estimates used in the latest value-in-use calculation. Based on this sensitivity, a decrease of 12% in future revenue projections, with no change in operating profit margin, would imply an impairment of £10m as at 31 March 2015.

12. Intangible assets (continued)**Impairment testing of goodwill**

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

	As at 31 March 2015 £m	As at 31 March 2014 £m
China ¹	45.8	40.7
Korea	25.1	23.3
Other	17.9	16.2
Total	88.8	80.2

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 at a value equal to 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 2018. These plans contain management's best view of the expected performance for the year ending 31 March 2016 and the expected growth rates for the two years ending 31 March 2017 and 31 March 2018. 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 2018 incorporating the assumption that there is no growth beyond 31 March 2018.

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 2016. 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 16.8% and 14.3% respectively (2014: 17.2%; 14.6%).

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.

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 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
Effect of foreign exchange rate changes	3.3	23.2	3.7	1.0	31.2
Additions	7.0	48.7	48.1	26.0	129.8
Disposals	–	(18.3)	(20.7)	(1.0)	(40.0)
Reclassification from assets in the course of construction	1.1	8.1	8.0	(17.2)	–
Reclassification ²	29.8	(29.8)	–	–	–
As at 31 March 2015	137.5	361.5	443.5	27.8	970.3
Accumulated depreciation and impairment					
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
Effect of foreign exchange rate changes	(0.5)	11.5	2.4	–	13.4
Charge for the year	2.8	37.5	63.7	–	104.0
Disposals	–	(18.0)	(20.4)	–	(38.4)
Net impairment charge on assets	–	1.9	2.0	–	3.9
Reclassification ²	9.2	(9.2)	–	–	–
As at 31 March 2015	48.2	181.3	304.3	–	533.8
Net book value					
As at 31 March 2015	89.3	180.2	139.2	27.8	436.5
As at 31 March 2014	59.6	172.0	147.8	19.0	398.4

1 Included in fixtures, fittings and equipment are finance lease assets with a net book value of £2.3m (2014: £2.8m).

2 During the year ended 31 March 2015, £20.6m of assets were reclassified from leasehold improvements to freehold land and buildings as this was more representative of the nature of the assets.

During the year to 31 March 2015, a net impairment charge of £4.1m (2014: £12.3m) was identified as part of the annual impairment review of the retail store assets, £3.9m (2014: £11.3m) charged against property, plant and equipment and £0.2m (2014: £1.0m) charged against intangible assets. The impairment charge relates to 22 retail cash generating units (2014: 29 retail cash generating units) for which the total recoverable amount at the balance sheet date is £6.5m (2014: £10.0m).

Where indicators of impairment were identified, the impairment review compared the value-in-use of the assets to the carrying values at 31 March 2015. 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 12.1% and 18.3% (2014: between 12.4% and 18.3%), based on the Group's weighted average cost of capital adjusted for country-specific tax rates and risks.

14. Deferred taxation

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

	As at 31 March 2015 £m	As at 31 March 2014 £m
Deferred tax assets	145.0	116.0
Deferred tax liabilities	(0.9)	(1.0)
Net amount	144.1	115.0

	Year to 31 March 2015 £m	Year to 31 March 2014 £m
The movement in the deferred tax account is as follows:		
As at 1 April	115.0	116.8
Effect of foreign exchange rate changes	8.0	(6.8)
Credited to the Income Statement	20.0	9.5
Credited to other comprehensive income	1.5	1.3
Charged to equity	(0.4)	(5.8)
As at 31 March	144.1	115.0

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

Deferred tax liabilities

	Capital allowances £m	Unrealised inventory profit and other inventory provisions £m	Derivative instruments £m	Unused tax losses £m	Other £m	Total £m
As at 31 March 2013	25.4	(3.5)	1.5	–	(16.6)	6.8
Effect of foreign exchange rate changes	(2.0)	0.3	–	–	1.3	(0.4)
(Credited)/charged to the Income Statement	(8.3)	(0.4)	–	(0.2)	8.1	(0.8)
As at 31 March 2014	15.1	(3.6)	1.5	(0.2)	(7.2)	5.6
Effect of foreign exchange rate changes	0.1	(0.1)	–	–	(0.3)	(0.3)
(Credited)/charged to the Income Statement	(13.0)	2.6	–	0.2	9.1	(1.1)
As at 31 March 2015	2.2	(1.1)	1.5	–	1.6	4.2

Deferred tax assets

	Capital allowances £m	Unrealised inventory profit and other inventory provisions £m	Share schemes £m	Derivative instruments £m	Unused tax losses £m	Other ¹ £m	Total £m
As at 31 March 2013	25.9	35.4	31.5	(1.5)	2.7	29.6	123.6
Effect of foreign exchange rate changes	(0.4)	(3.9)	–	–	(0.1)	(2.8)	(7.2)
(Charged)/credited to the Income Statement	(5.3)	(1.4)	(0.2)	–	0.1	15.5	8.7
Credited to other comprehensive income	–	–	–	1.3	–	–	1.3
Charged to equity	–	–	(5.8)	–	–	–	(5.8)
As at 31 March 2014	20.2	30.1	25.5	(0.2)	2.7	42.3	120.6
Effect of foreign exchange rate changes	(1.6)	3.6	0.2	–	(0.3)	5.8	7.7
(Charged)/credited to the Income Statement	(11.1)	6.6	(3.5)	–	3.4	23.5	18.9
Credited to other comprehensive income	–	–	–	1.5	–	–	1.5
Charged to equity	–	–	(0.4)	–	–	–	(0.4)
As at 31 March 2015	7.5	40.3	21.8	1.3	5.8	71.6	148.3

1 Deferred tax balances within the 'Other' category in the analysis above include temporary differences arising on provisions, deferred income and unrealised exchange differences deferred in equity.

14. Deferred taxation (continued)

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related benefit through the future taxable profits is probable. The Group did not recognise deferred tax assets of £53.2m (2014: £20.1m) in respect of losses and temporary timing differences amounting to £190.6m (2014: £62.1m) that can be set off against future taxable income. There is a time limit for the recovery of £16.8m of these potential assets (2014: £14.9m) which ranges from four to nine years (2014: five to nine years). During the year, the restructuring and simplification of our Spanish entities relating to the previously discontinued Spanish wholesale business crystallised tax losses which are available to be offset against future taxable profits of the continuing retail business in Spain. These amounts are included in the total above.

Included within other temporary differences above is a deferred tax liability of £nil (2014: £0.6m) relating to unremitted overseas earnings. No deferred tax liability is provided in respect of any future remittance of earnings of foreign subsidiaries where the Group is able to control the remittance of earnings and it is probable that such earnings will not be remitted in the foreseeable future, or where no liability would arise on the remittance. The aggregate amount of temporary differences in respect of unremitted earnings is £250m (2014: £150m).

15. Trade and other receivables

	As at 31 March 2015 £m	As at 31 March 2014 £m
Non-current		
Deposits and other financial receivables	39.6	31.0
Other non-financial receivables	2.7	–
Prepayments	18.2	11.3
Total non-current trade and other receivables	60.5	42.3
Current		
Trade receivables	193.6	171.2
Provision for doubtful debts	(4.6)	(5.3)
Net trade receivables	189.0	165.9
Other financial receivables	16.3	14.1
Other non-financial receivables	23.9	20.3
Prepayments	28.1	27.5
Accrued income	3.0	3.6
Total current trade and other receivables	260.3	231.4
Total trade and other receivables	320.8	273.7

Included in total trade and other receivables are non-financial assets of £72.9m (2014: £59.1m).

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 2015, trade receivables of £13.6m (2014: £14.1m) were impaired. The amount of the provision against these receivables was £4.6m as at 31 March 2015 (2014: £5.3m). 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 2015 £m	As at 31 March 2014 £m
Current	0.1	–
Less than one month overdue	8.8	9.7
One to three months overdue	1.5	0.7
Over three months overdue	3.2	3.7
	13.6	14.1

15. Trade and other receivables (continued)

As at 31 March 2015, trade receivables of £7.5m (2014: £12.8m) were overdue but not impaired. The ageing of these overdue receivables is as follows:

	As at 31 March 2015 £m	As at 31 March 2014 £m
Less than one month overdue	4.5	7.6
One to three months overdue	2.3	4.5
Over three months overdue	0.7	0.7
	7.5	12.8

Movement in the provision for doubtful debts is as follows:

	Year to 31 March 2015 £m	Year to 31 March 2014 £m
As at 1 April	5.3	7.3
Increase/(decrease) in provision for doubtful debts	0.1	(1.5)
Receivables written off during the year as uncollectable	(0.8)	(0.5)
As at 31 March	4.6	5.3

As at 31 March 2015 there were £nil impaired receivables within other receivables (2014: £nil).

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

	Year to 31 March 2015 £m	Year to 31 March 2014 £m
Asia Pacific	105.0	88.2
EMEIA	78.2	70.8
Americas	64.7	55.6
	247.9	214.6

16. Inventories

	As at 31 March 2015 £m	As at 31 March 2014 £m
Raw materials	29.2	36.3
Work in progress	2.2	2.7
Finished goods	405.2	380.8
Total inventories	436.6	419.8

The cost of inventories recognised as an expense and included in cost of sales amounted to £730.1m (2014: £646.2m).

The net movement in inventory provisions included in cost of sales for the year ended 31 March 2015 was a cost of £31.3m (2014: £13.3m).

The cost of finished goods physically destroyed in the year is £19.7m (2014: £11.0m).

17. Derivative financial instruments**Cash flow hedges**

The Group Income Statement is affected by transactions denominated in foreign currency. To reduce exposure to currency fluctuations, the Group has a policy of hedging foreign currency denominated transactions by entering into forward foreign exchange contracts. These transactions are recorded as cash flow hedges. The Group's foreign currency denominated transactions arise principally from royalty income, sales and purchases of inventory.

Master netting arrangements

The Group's forward foreign exchange contracts and equity swap contracts are entered into under International Swaps and Derivatives Association (ISDA) master netting arrangements. In general, under such agreements the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single amount that is payable by one party to the other. In certain circumstances, such as when a default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions. The ISDA agreements do not meet the criteria for offsetting in the Balance Sheet as the Group's right to offset is enforceable only on the occurrence of future events such as default. The Group's Balance Sheet would not be materially different if it had offset its forward foreign exchange contracts and equity swap contracts subject to these ISDA agreements.

Derivative financial assets

	As at 31 March 2015 £m	As at 31 March 2014 £m
Forward foreign exchange contracts – cash flow hedges	6.6	4.6
Forward foreign exchange contracts – held for trading ¹	0.5	–
Equity swap contracts – held for trading	2.8	0.5
Total position	9.9	5.1
Comprising:		
Total non-current position	1.5	0.5
Total current position	8.4	4.6

Derivative financial liabilities

	As at 31 March 2015 £m	As at 31 March 2014 £m
Forward foreign exchange contracts – cash flow hedges	(10.7)	(1.2)
Forward foreign exchange contracts – held for trading ¹	(1.8)	–
Equity swap contracts – held for trading	–	(1.3)
Total position	(12.5)	(2.5)
Comprising:		
Total non-current position	–	(0.9)
Total current position	(12.5)	(1.6)

Net derivative financial instruments

	As at 31 March 2015 £m	As at 31 March 2014 £m
Notional principal amounts of the outstanding forward foreign exchange contracts – cash flow hedges	218.4	218.4
Notional principal amounts of the outstanding forward foreign exchange contracts – held for trading ¹	197.4	–
Notional principal amounts of the outstanding equity swap contracts	13.8	17.9

¹ Forward foreign exchange contracts classified as held for trading are used for cash management purposes. At 31 March 2015 all such contracts had maturities of no greater than three months from the balance sheet date.

17. Derivative financial instruments (continued)**Contractual maturities of derivatives used for hedging**

The gross inflows/(outflows) disclosed in the table below represent the contractual undiscounted cash flows relating to derivative financial assets and liabilities held for risk management purposes. They are usually not closed out prior to the contractual maturity. The foreign currency cash flows shown are based on spot rates at the balance sheet date.

		Contractual maturities			
	Carrying amount £m	Contractual cash flows £m	1 to 6 months £m	6 to 12 months £m	1 to 2 years £m
As at 31 March 2015					
Forward exchange contracts used for hedging:					
Outflow		(216.0)	(167.8)	(48.2)	–
Inflow		211.7	165.2	46.5	–
	(4.1)	(4.3)	(2.6)	(1.7)	–
As at 31 March 2014					
Forward exchange contracts used for hedging:					
Outflow		(214.1)	(99.2)	(106.6)	(8.3)
Inflow		217.3	101.5	107.5	8.3
	3.4	3.2	2.3	0.9	–

The contractual maturity profile of non-current financial liabilities is shown in note 25.

18. Cash and cash equivalents

	As at 31 March 2015 £m	As at 31 March 2014 £m
Cash at bank and in hand	252.3	275.4
Short-term deposits	365.1	270.1
Total	617.4	545.5

19. Trade and other payables

	As at 31 March 2015 £m	As at 31 March 2014 ¹ £m
Non-current		
Put option liability over non-controlling interest	54.4	51.3
Other payables	3.7	4.4
Deferred income and non-financial accruals	59.0	51.7
Total non-current trade and other payables	117.1	107.4
Current		
Trade payables	159.8	174.3
Other taxes and social security costs	61.0	66.6
Other payables	4.5	5.7
Accruals	164.0	140.1
Deferred income and non-financial accruals	16.7	13.1
Total current trade and other payables	406.0	399.8
Total trade and other payables	523.1	507.2

¹ As at 31 March 2014, £18.1m was reclassified from current 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 £136.7m (2014: £131.4m).

19. Trade and other payables (continued)

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 liability has been recognised as a non-current financial liability under IAS 39. The present value of any payment under the call option would be different should Burberry decide to exercise the call option.

The value of the put option liability is £54.4m at 31 March 2015 (2014: £51.3m). The movement in the liability for the period includes a decrease of £3.7m relating to unrealised fair value movements, as described in note 6, 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 liability are the future performance of the Group's business in China; the average historical 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 £5.4m increase/decrease in the carrying value of the put option liability at 31 March 2015 (2014: £5.1m), and a corresponding £5.4m loss/gain in the profit before taxation for the year ended 31 March 2015 (2014: £5.1m).

A 1% increase/decrease in the risk adjusted discount rate for China would result in a £2.9m decrease/£3.0m increase in the carrying value of the put option liability at 31 March 2015 (2014: £3.0m decrease/£3.1m increase), and a corresponding £2.9m gain/£3.0m loss in the profit before taxation for the year ended 31 March 2015 (2014: £3.0m gain/£3.1m loss).

Ultimately, the put option liability is subject to a contractual cap of £200m. The undiscounted value of the put option liability at 31 March 2015 is £109.0m (2014: £115.3m).

20. Provisions for other liabilities and charges

	Property obligations £m	Restructuring costs £m	Other costs £m	Total £m
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
Effect of foreign exchange rate changes	0.7	(0.1)	(0.1)	0.5
Created during the year	12.3	–	0.6	12.9
Discount unwind	0.2	–	–	0.2
Utilised during the year	(5.4)	(0.6)	(0.2)	(6.2)
Released during the year	(1.3)	–	(0.2)	(1.5)
Balance as at 31 March 2015	29.4	0.8	2.3	32.5

	As at 31 March 2015 £m	As at 31 March 2014 £m
Analysis of total provisions:		
Non-current	22.2	15.9
Current	10.3	10.7
Total	32.5	26.6

The non-current provisions relate to provisions for onerous leases and property reinstatement costs which are expected to be utilised within 21 years (2014: 22 years).

21. Bank overdrafts and borrowings

Included within bank overdrafts is £60.9m (2014: £140.9m) representing balances on cash pooling arrangements in the Group.

The Group has a number of uncommitted overdraft and borrowing facilities agreed with third-party banks. At 31 March 2015, the Group held bank overdrafts of £4.3m (2014: £2.1m) excluding balances on cash pooling arrangements.

On 25 November 2014, the Group entered into a £300m multi-currency revolving credit facility with a syndicate of third-party banks. This replaced the previous facility which would have matured on 30 June 2016. At 31 March 2015, there were £nil outstanding drawings (2014: £nil). The facility matures in November 2019. The agreement contains two options which allow the Group to extend for an additional one year which are exercisable in 2015 and 2016, at the consent of the syndicate.

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

22. Share capital and reserves

Allotted, called up and fully paid share capital	Number	£m
Ordinary shares of 0.05p (2014: 0.05p) each		
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
Allotted on exercise of options during the year	1,101,777	–
As at 31 March 2015	444,744,067	0.2

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 2015, no ordinary shares were repurchased by the Company under this authority (2014: 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 2015 the amounts offset against this reserve are £57.0m (2014: £69.7m). As at 31 March 2015, the ESOP trusts held 4.1m shares (2014: 5.2m) in the Company, with a market value of £71.9m (2014: £72.5m). In the year to 31 March 2015 the Burberry Group plc ESOP trust has waived its entitlement to dividends of £1.2m (2014: £1.3m).

During the year profits of £5.3m (2014: £3.0m) 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			Total £m
	Capital reserve £m	Hedging reserve £m	Foreign currency translation reserve £m	
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
Other comprehensive income:				
Cash flow hedges – losses deferred in equity	–	(6.1)	–	(6.1)
Cash flow hedges – gains transferred to income	–	(1.3)	–	(1.3)
Foreign currency translation differences	–	–	46.5	46.5
Tax on other comprehensive income	–	1.5	(4.4)	(2.9)
Total comprehensive (expense/income) for the year	–	(5.9)	42.1	36.2
Transfer between reserves	5.3	–	0.5	5.8
Balance as at 31 March 2015	45.3	(0.3)	147.3	192.3

23. Financial commitments

The Group leases various retail stores, offices, warehouses and equipment under non-cancellable operating lease arrangements. The leases have varying terms, escalation clauses and renewal rights. The Group has commitments relating to future minimum lease payments under these non-cancellable operating leases as follows:

	As at 31 March 2015 £m	As at 31 March 2014 £m
Amounts falling due:		
Within one year	205.4	166.0
Between two and five years	513.1	407.2
After five years	264.4	197.2
Total	982.9	770.4

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

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

	Leases		Subleases	
	As at 31 March 2015 £m	As at 31 March 2014 £m	As at 31 March 2015 £m	As at 31 March 2014 £m
Amounts falling due:				
Within one year	0.7	0.7	2.1	0.5
Between two and five years	2.6	3.0	5.6	1.8
After five years	–	0.7	–	–
Total	3.3	4.4	7.7	2.3

24. Capital commitments

	As at 31 March 2015 £m	As at 31 March 2014 £m
Capital commitments contracted but not provided for:		
Property, plant and equipment	36.3	26.1
Intangible assets	1.0	2.2
Total	37.3	28.3

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

25. Financial risk management

The Group's principal financial instruments comprise derivatives, cash and short-term deposits, external borrowings (including overdrafts), trade and other receivables, and trade and other payables arising directly from operations.

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

Risk management is carried out by Group Treasury based on forecast business requirements to reduce financial risk and to ensure sufficient liquidity is available to meet foreseeable needs and to invest in cash assets safely and profitably. Group Treasury does not operate as a profit centre and transacts only in relation to the underlying business requirements. The policies of the Group treasury department are reviewed and approved by the Board of Directors. The Group uses derivative instruments to hedge certain risk exposures.

Market risk

Foreign exchange risk

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

The Group's Income Statement is affected by transactions denominated in foreign currency. To reduce exposure to currency fluctuations, the Group has a policy of hedging foreign currency denominated transactions by entering into forward foreign exchange contracts (see note 17).

The Group's treasury risk management policy is to hedge anticipated cash flows in each major foreign currency that qualify as 'highly probable' forecast transactions for hedge accounting purposes within the current or previous year.

The Group monitors the desirability of hedging the net assets of overseas subsidiaries when translated into Sterling for reporting purposes.

At 31 March 2015, the Group has performed a sensitivity analysis to determine the effect of Sterling strengthening/weakening by 20% (2014: 20%) against other currencies with all other variables held constant. The effect on translating foreign currency denominated net cash, trade, intercompany and other financial receivables and payables and financial instruments at fair value through profit or loss would have been to decrease/increase operating profit for the year by £12.6m (2014: decrease/increase £7.2m). The effect on translating forward foreign exchange contracts designated as cash flow hedges and Sterling denominated loans held as a net investment in overseas subsidiaries would have been to decrease/increase equity by £13.0m (2014: decrease/increase £16.1m) on a post-tax basis.

The following table shows the extent to which the Group has monetary assets and liabilities at the year end in currencies other than the local currency of operation, after accounting for the effect of any specific forward foreign exchange contracts used to manage currency exposure. Monetary assets and liabilities refer to cash, deposits, borrowings and other amounts to be received or paid in cash. Amounts exclude intercompany balances which eliminate on consolidation. Foreign exchange differences on retranslation of these assets and liabilities are recognised in 'Net operating expenses' with the exception of the put liability over the non-controlling interest which are recognised in 'Other financing income and charges'.

	As at 31 March 2015			As at 31 March 2014		
	Monetary assets £m	Monetary liabilities £m	Net £m	Monetary assets £m	Monetary liabilities £m	Net £m
Sterling	0.9	(0.9)	–	0.1	(0.3)	(0.2)
US Dollar	33.4	(13.0)	20.4	31.0	(22.7)	8.3
Euro	50.6	(63.0)	(12.4)	52.3	(57.9)	(5.6)
Chinese Yuan Renminbi ¹	0.1	(58.0)	(57.9)	–	(51.3)	(51.3)
Other currencies	2.3	(3.0)	(0.7)	6.9	(3.6)	3.3
Total	87.3	(137.9)	(50.6)	90.3	(135.8)	(45.5)

1 The balance includes the put option over the non-controlling interest (see note 19).

25. Financial risk management (continued)

Market risk (continued)

Share price risk

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

To reduce exposure to fluctuations in the employer's national insurance liability due to movements in the Group's share price, the Group has a policy of entering into equity swaps at the time of granting share options and awards. The Group does not seek hedge accounting treatment for equity swaps. The Group monitors its exposure to fluctuations in the employer's national insurance liability on an ongoing basis. An increase/decrease in the share price of 50.0p would have resulted in an increase/decrease in profit after tax of £0.1m (2014: £0.1m).

Interest rate risk

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

The floating rate financial liabilities at 31 March 2015 are £65.2m (2014: £143.0m). This includes cash pool overdraft balances of £60.9m (2014: £140.9m) which are offset by cash balances for the purpose of interest calculations. At 31 March 2015 the remaining borrowings were £4.3m (2014: £2.1m) and any change in interest rates would not significantly impact profit.

The floating rate financial assets comprise short-term deposits of £365.2m (2014: £270.1m) and interest bearing current accounts of £72.5m (2014: £43.4m) as at 31 March 2015. At 31 March 2015, if interest rates on floating rate financial assets had been 100 basis points higher/lower (2014: 100 basis points), with all other variables held constant, post-tax profit for the year would have been £2.4m (2014: £1.3m) higher/lower, as a result of higher/lower interest income.

Credit risk

The Group has no significant concentrations of credit risk. The trade receivables balance is spread across a large number of different customers with no single debtor representing more than 8% of the total balance due (2014: 7%). The Group has policies in place to ensure that wholesale sales are made to customers with an appropriate credit history. Sales to retail customers are made in cash or via major credit cards. In addition, receivables balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant and default rates have historically been very low. An ageing of overdue receivables is included in note 15.

During the year ended 31 March 2013 the Group entered into a retail leasing arrangement in the Republic of Korea. As part of this arrangement, a KRW 27bn (£16.0m) 15 year interest-free loan was provided to the landlord. The Group holds a registered mortgage over the leased property for the equivalent value of the loan which acts as collateral. At 31 March 2015 the discounted fair value of the loan is £9.8m (2014: £8.6m). Other than this arrangement, the Group does not hold any other collateral as security. The maximum exposure to credit risk at the reporting date with respect to trade and other receivables is approximated by the carrying amount on the Balance Sheet.

With respect to credit risk arising from other financial assets, which comprise cash and short-term deposits and certain derivative instruments, the Group's exposure to credit risk arises from the default of the counterparty with a maximum exposure equal to the carrying value of these instruments. The Group has policies that limit the amount of credit exposure to any financial institution and only deposits funds with independently rated financial institutions with a minimum rating of 'A' other than where required for operational purposes. A total of £40.8m was held with institutions with a rating below 'A' at 31 March 2015, of which £36.6m was held in a UK government majority owned institution. These amounts are monitored on a weekly basis and regularly reported to the Board.

The Group has deposited CHF 0.3m (2014: CHF 0.3m), INR 0.2m (2014: INR 0.2m) and AED 0.3m (2014: AED 0.3m) which is held as collateral at a number of European banks.

25. Financial risk management (continued)**Liquidity risk**

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

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

The maturity profile of the contractual undiscounted cash flows of the Group's non-current financial liabilities, excluding derivatives used for hedging, is as follows:

	As at 31 March 2015 £m	As at 31 March 2014 £m
In more than one year, but not more than two years	5.9	5.9
In more than two years, but not more than three years	2.3	3.0
In more than three years, but not more than four years	0.8	1.1
In more than four years, but not more than five years	0.8	0.8
In more than five years	109.5	117.5
Total financial liabilities	119.3	128.3

Other non-current financial liabilities relate to other payables, onerous lease provisions and the put option liability over non-controlling interests.

Capital risk

The Group manages its capital (defined as net cash plus equity excluding non-controlling interest) to ensure that entities in the Group are able to operate as going concerns and optimise returns to shareholders. At 31 March 2015, the Group had net cash of £552.2m (2014: £402.5m) and total equity excluding non-controlling interest of £1,400.9m (2014: £1,165.4m). The Group has access to a facility of £300m which was undrawn at 31 March 2015. For further details refer to note 21.

Cash is used to fund the continued investment in the Group and growth of the global brand. It is also used to make routine outflows of capital expenditure, tax and dividends. The Group's dividend policy sets the payout target as increasing from 40% of adjusted diluted EPS to 50% over time. The Board reviews the Group's dividend policy and funding requirements annually.

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

26. Employee costs

Staff costs, including the cost of directors, incurred during the year are as shown below. Directors' remuneration, which is separately disclosed in the Directors' Remuneration Report on pages 81 to 103 and forms part of these financial statements, includes the notional gains arising on the exercise of share options and awards but excludes the charge in respect of these share options and awards recognised in the Group Income Statement.

	Year to 31 March 2015 £m	Year to 31 March 2014 £m
Wages and salaries	384.8	348.6
Social security costs	44.3	50.4
Share based compensation (all awards and options settled in shares)	21.0	25.4
Other pension costs	18.0	16.9
Total	468.1	441.3

26. Employee costs (continued)

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

	Number of employees	
	Year to 31 March 2015	Year to 31 March 2014
EMEIA ¹	5,113	4,757
Americas	2,048	1,807
Asia Pacific	3,148	3,134
Total	10,309	9,698

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

Share options granted to directors and employees

The Group operates a number of equity-settled share based compensation schemes for its directors and employees. Details of each of these schemes are set out in this note. The share option schemes have been valued using the Black-Scholes option pricing model.

The key inputs used in the Black-Scholes pricing model to determine the fair value include the share price at the commencement date; the exercise price attached to the option; the vesting period of the award; an appropriate risk-free interest rate; a dividend yield discount for those schemes that do not accrue dividends during the course of the vesting period; and an expected share price volatility, which is determined by calculating the historical annualised standard deviation of the market price of Burberry Group plc shares over a period of time, prior to the grant, equivalent to the vesting period of the option.

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

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

Savings-Related Share Option Scheme

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

On 20 June 2014, further options were granted under this scheme with a three-year and five-year vesting period offered to employees. The savings contract commencement date for this grant was 1 September 2014. These options are exercisable for a period of up to six months from 1 September 2017 and 1 September 2019 for the three-year and five-year schemes respectively, with vesting dependent on continued employment, as well as a saving obligation over the vesting period. The exercise price for these options is calculated at a 20% discount to market price over the three dealing days preceding the invitation date. Three day averages are calculated by taking middle market quotations of a Burberry Group plc share from the London Stock Exchange.

The fair value per option for the grant is £1.52, determined by applying the Black-Scholes option pricing model. The key factors used in determining the fair value were as follows:

Share price at contract commencement date	£14.34
Exercise price	£12.16
Life of award	Equivalent to vesting period
Dividend yield	2.71%
Expected volatility	34.5%
Risk-free interest rate	1.28%

26. Employee costs (continued)*Savings-Related Share Option Scheme (continued)*

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

	Weighted average exercise price	Year to 31 March 2015	Weighted average exercise price	Year to 31 March 2014
Outstanding at 1 April	1,066.0p	958,090	895.7p	1,009,317
Granted during the year	1,216.0p	704,230	1,220.0p	313,852
Lapsed and forfeited during the year	1,157.0p	(156,786)	1,020.5p	(104,476)
Withdrawn during the year	1,167.3p	(47,131)	1,001.5p	(34,893)
Exercised during the year	931.1p	(296,914)	549.5p	(225,710)
Outstanding at 31 March	1,175.0p	1,161,489	1,066.0p	958,090
Exercisable at 31 March	1,049.0p	1,667	–	–

The weighted average share price at the respective exercise dates in the year was £15.39 (2014: £15.78).

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

Option term	Exercise price	Number of shares under option as at 31 March 2015	Number of shares under option as at 31 March 2014
30 June 2009 – 28 February 2015	321.0p	–	48,331
30 June 2010 – 28 February 2016	557.0p	26,124	27,843
24 June 2011 – 28 February 2015	1,049.0p	1,667	271,890
24 June 2011 – 28 February 2017	1,049.0p	36,033	38,766
22 June 2012 – 28 February 2016	1,104.0p	209,687	264,737
22 June 2012 – 28 February 2018	1,104.0p	13,455	15,356
20 June 2013 – 28 February 2017	1,220.0p	220,296	272,626
20 June 2013 – 28 February 2019	1,220.0p	15,166	18,541
20 June 2014 – 28 February 2018	1,216.0p	603,642	–
20 June 2014 – 28 February 2020	1,216.0p	35,419	–
Total		1,161,489	958,090

Burberry Senior Executive Restricted Share Plan 2004 ('the RSP')

Under the RSP participants may be awarded shares, structured as nil-cost options, up to a maximum value of two times base salary per annum. Certain participants will be granted awards subject to both market and non-market performance conditions, while other participants will be granted awards subject to non-market performance conditions only. A limited number of awards will be granted without performance conditions.

The market performance condition is a measure of TSR performance relative to sector peers. The non-market performance condition is compound annual adjusted PBT growth over a three year period from the date of grant.

Awards subject to both market and non-market performance conditions will vest in full if the Group achieves at least upper quartile TSR relative to its global peers, and if the maximum adjusted PBT growth target is achieved. A proportion of the award (12.5%) vests if TSR performance exceeds the median of the peer group, or if the threshold adjusted PBT growth target is achieved. Vesting against each metric occurs on a straight-line basis between the threshold and maximum. None of the award vests if TSR performance is below the median of the peer group and if the adjusted PBT growth is below the threshold. Of the shares which meet the performance criteria, 50% vest after three years. The remaining 50% vest in two equal tranches on the fourth and fifth anniversaries of the date of grant.

Awards subject to non-market performance conditions only will vest in full if the maximum adjusted PBT growth target is achieved. A proportion of the award (25%) vests if the threshold adjusted PBT growth target is achieved. Vesting occurs on a straight-line basis between the threshold and maximum. None of the award vests if the adjusted PBT growth is below the threshold. Of the shares which meet the performance criteria, 50% vest after three years. The remaining 50% vest in two equal tranches on the fourth and fifth anniversaries of the date of grant.

26. Employee costs (continued)*Burberry Senior Executive Restricted Share Plan 2004 ('the RSP') (continued)*

The threshold and maximum adjusted PBT growth targets for the RSP awards that are still within the initial three year vesting period as at 31 March 2015 are:

Year of grant and participant group	Number of awards outstanding as at 31 March 2015	Three year compound adjusted PBT growth targets	
		Threshold	Maximum
2012 – market and non-market conditions	1,217,556	10%	15%
2012 – non-market conditions only	694,058	5%	15%
2012 – no performance conditions	204,482	N/A	N/A
2013 – market and non-market conditions	1,236,762	10%	15%
2013 – non-market conditions only	905,661	5%	15%
2013 – no performance conditions	248,627	N/A	N/A
2014 – market and non-market conditions	836,249	5%	15%
2014 – non-market conditions only	1,232,277	5%	15%
2014 – no performance conditions	310,957	N/A	N/A

Obligations under this plan will be met either by market purchase shares via the ESOP trust or by the issue of ordinary shares of the Company.

On 12 June 2014, further awards of 2,481,329 ordinary shares were made to senior management under the RSP (2014: 2,809,173). This was the final award that will be granted under the RSP, which will be replaced by the Executive Share Plan (ESP) from 1 April 2015. The fair value of the awards granted with PBT performance conditions was determined by applying the Black-Scholes option pricing model. A discount was applied to the awards with the TSR performance condition, by applying the Monte Carlo model.

	12 June 2014
Fair value: PBT performance conditions	£13.53
Fair value: TSR performance conditions	£5.03

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

	12 June 2014
Share price at grant date	£14.68
Exercise price	£nil
Life of award	Equivalent to vesting period
Dividend yield	2.71%
Expected volatility	36.3%
Risk-free interest rate	1.28%

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

	Year to 31 March 2015	Year to 31 March 2014
Outstanding at 1 April	7,675,508	7,759,198
Granted during the year	2,481,329	2,809,173
Lapsed and forfeited during the year	(505,036)	(658,330)
Exercised during the year	(1,738,719)	(2,234,533)
Outstanding at 31 March	7,913,082	7,675,508
Exercisable at 31 March	301,555	361,189

The weighted average share price at the respective exercise dates in the year was £15.15 (2014: £14.23).

26. Employee costs (continued)*Burberry Senior Executive Restricted Share Plan 2004 ('the RSP') (continued)*

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

Term of the award	Number of awards as at 31 March 2015	Number of awards as at 31 March 2014
21 July 2005 – 20 July 2015	5,411	5,411
10 August 2006 – 9 August 2016	5,101	5,101
27 November 2006 – 26 November 2016	2,124	2,124
11 June 2007 – 10 June 2017	8,764	11,635
21 November 2007 – 20 November 2017	–	373
25 June 2008 – 24 June 2018	30,492	84,595
1 June 2009 – 31 May 2019	106,867	937,542
30 June 2009 – 29 June 2019	–	1,375
20 November 2009 – 19 November 2019	–	1,250
10 June 2010 – 9 June 2020	398,554	768,410
22 November 2010 – 21 November 2020	3,000	26,199
20 June 2011 – 19 June 2021	438,626	969,734
21 November 2011 – 20 November 2021	27,514	58,405
13 June 2012 – 12 June 2022	1,989,090	2,100,904
16 November 2012 – 15 November 2022	127,006	127,588
14 June 2013 – 13 June 2023	2,124,852	2,308,326
17 June 2013 – 16 June 2023	243,542	243,542
25 November 2013 – 24 November 2023	22,656	22,994
12 June 2014 – 11 June 2024	2,379,483	–
Total	7,913,082	7,675,508

All Employee Share Plan

Employees are offered awards of ordinary shares in the Company at a £nil exercise price under an All Employee Share Plan. All awards vest after three years and the vesting of these share awards is dependent on continued employment over the vesting period.

On 31 July 2014, 212,940 ordinary shares were granted under this scheme (2014: 205,050). The fair value of the awards granted is £14.14, determined by applying the Black-Scholes option pricing model. The key factors used in determining the fair value were as follows:

	31 July 2014
Share price at grant date	£14.14
Exercise price	£nil
Life of award	Equivalent to vesting period
Expected volatility	35.8%
Risk-free interest rate	1.28%

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

	Year to 31 March 2015	Year to 31 March 2014
Outstanding at 1 April	458,410	454,190
Granted during the year	212,940	205,050
Lapsed and forfeited during the year	(89,280)	(74,280)
Exercised during the year	(81,030)	(126,550)
Outstanding at 31 March	501,040	458,410
Exercisable at 31 March	64,180	53,320

The weighted average share price at the respective exercise dates in the year was £15.06 (2014: £14.56).

26. Employee costs (continued)*All Employee Share Plan (continued)*

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

Term of the award	Number of awards as at 31 March 2015	Number of awards as at 31 March 2014
12 July 2002 – 18 July 2082 ¹	2,700	3,700
30 August 2003 – 18 July 2082 ¹	2,850	4,250
20 August 2004 – 18 July 2082 ¹	6,000	7,050
1 September 2005 – 18 July 2082 ¹	3,880	4,960
19 July 2010 – 18 July 2082 ¹	26,160	33,360
1 June 2011 – 1 September 2014	–	55,050
18 July 2011 – 18 July 2082 ¹	22,590	38,850
18 July 2012 – 18 July 2082 ¹	47,460	54,510
18 July 2012 – 18 September 2015	64,710	79,920
17 July 2013 – 18 July 2082 ¹	59,490	69,060
17 July 2013 – 17 October 2016	83,880	107,700
31 July 2014 – 18 July 2082 ¹	72,720	–
31 July 2014 – 31 October 2017	108,600	–
Total	501,040	458,410

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

The Burberry Co-Investment Plan

Executive directors and certain senior management are able to defer receipt of all or part of their annual bonus and invest it in ordinary shares in the Company with up to a 2:1 match based on individual and Group performance during the year. The matching share awards do not vest for three years and are forfeited if the executive leaves within that period. The exercise price of these share awards is £nil. The awards are also subject to secondary performance conditions.

Awards granted in 2012, 2013 and 2014 vest in full only if the Group achieves at least 10% per annum adjusted PBT growth over the three year vesting period. A proportion of the award (25%) vests if growth in adjusted PBT achieves 5% per annum. Vesting occurs on a straight-line basis between the threshold and the maximum. None of the award vests if adjusted PBT growth is below 5% per annum.

On 12 June 2014, 849,617 ordinary shares were awarded under this scheme (2014: 934,419). This was the final award granted under the Burberry Co-Investment Plan, which will be replaced by the Executive Share Plan (ESP) from 1 April 2015. The fair value of the awards granted on 12 June 2014 is £14.62, determined by applying the Black-Scholes option pricing model. The key factors used in determining the fair value were as follows:

	12 June 2014
Share price at grant date	£14.62
Exercise price	£nil
Life of award	Equivalent to vesting period
Expected volatility	36.3%
Risk-free interest rate	1.28%

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

	Year to 31 March 2015	Year to 31 March 2014
Outstanding at 1 April	3,348,510	5,179,615
Granted during the year	849,617	934,419
Lapsed and forfeited during the year	(92,441)	(709,422)
Withdrawn during the year	–	(4,276)
Exercised during the year	(1,328,561)	(2,051,826)
Outstanding at 31 March	2,777,125	3,348,510
Exercisable at 31 March	34,119	–

The weighted average share price at the respective exercise dates in the year was £14.85 (2014: £14.09).

26. Employee costs (continued)

The Burberry Co-Investment Plan (continued)

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

Term of the award	Number of awards as at 31 March 2015	Number of awards as at 31 March 2014
7 June 2011 – 6 June 2016	34,119	1,351,474
14 June 2011 – 13 June 2016	–	11,206
18 July 2012 – 17 July 2017	1,203,247	1,225,803
14 June 2013 – 13 June 2018	724,250	760,027
12 June 2014 – 11 June 2019	815,509	–
Total	2,777,125	3,348,510

December 2010 One-off Grant

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

The options are due to vest on 1 April 2015. The vesting of all remaining options is dependent on continued employment for the vesting period. The exercise price of these share options is £nil.

Any vested but unexercised options will automatically lapse on 31 March 2016.

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

	Year to 31 March 2015	Year to 31 March 2014
Outstanding at 1 April	350,000	850,000
Forfeited during the year	–	(500,000)
Outstanding at 31 March	350,000	350,000
Exercisable at 31 March	–	–

June 2013 One-off Grant

On 14 June 2013, options in respect of 1,000,000 ordinary shares were granted as a one-off award, with a £nil exercise price.

The options are due to vest in three stages: 20% are exercisable on 15 July 2016; 40% are exercisable on 15 July 2017; and the remaining 40% are exercisable on 15 July 2018. The vesting of these options is dependent upon continued employment over the vesting period.

Any vested but unexercised options will automatically lapse on 15 July 2019.

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

	Year to 31 March 2015	Year to 31 March 2014
Outstanding at 1 April	1,000,000	–
Granted during the year	–	1,000,000
Outstanding at 31 March	1,000,000	1,000,000
Exercisable at 31 March	–	–

26. Employee costs (continued)*June 2014 One-off Grant*

On 12 June 2014, options in respect of 500,000 ordinary shares were granted as a one-off award, with a £nil exercise price.

The options are due to vest in three stages: 25% are exercisable on 31 July 2017; 25% are exercisable on 31 July 2018; and the remaining 50% are exercisable on 31 July 2019. Key strategic performance objectives linked to the long-term growth of the Group must be met in order for the options to vest. These performance conditions will be assessed at each of the relevant vesting dates, and each tranche will only vest to the extent that performance targets have been achieved at that date.

Any vested but unexercised options will automatically lapse on 31 July 2020.

The fair value of the award is £14.68, determined by applying the Black-Scholes option pricing model. The key factors used in determining the fair value were as follows:

	12 June 2014
Share price at grant date	£14.68
Exercise price	£nil
Life of award	Equivalent to vesting period
Expected volatility	36.3%
Risk-free interest rate	1.28%

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

	Year to 31 March 2015
Outstanding at 1 April	–
Granted during the year	500,000
Outstanding at 31 March	500,000
Exercisable at 31 March	–

27. 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 2015 £m	Year to 31 March 2014 £m
Salaries and short-term benefits	17.6	15.0
Post-employment benefits	0.1	0.2
Share based compensation	9.5	3.0
Total	27.2	18.2

There were no other material related party transactions in the period.

28. Principal subsidiaries

Company	Note	Country of incorporation	Nature of business
EMEIA			
Burberry Limited		UK	Luxury goods retailer, wholesaler and licensor
Burberry Italy Retail Limited		UK	Luxury goods retailer
The Scotch House Limited ¹		UK	Luxury goods brand and licensor
Burberry France SASU		France	Luxury goods retailer and wholesaler
Burberry (Suisse) SA ¹		Switzerland	Luxury goods retailer
Burberry (Spain) Retail SL		Spain	Luxury goods retailer
Burberry Italy SRL ¹		Italy	Luxury goods wholesaler
Burberry (Deutschland) GmbH		Germany	Luxury goods retailer and wholesaler
Burberry (Austria) GmbH		Austria	Luxury goods retailer
Burberry Antwerp N.V.		Belgium	Luxury goods retailer
Burberry Czech Rep s.r.o.		Czech Republic	Luxury goods retailer
Burberry Hungary kft.		Hungary	Luxury goods retailer
Burberry Ireland Limited		Ireland	Luxury goods retailer
Burberry Netherlands BV		Netherlands	Luxury goods retailer
Burberry Middle East LLC (49%)		United Arab Emirates	Luxury goods retailer and wholesaler
Burberry India Private Limited (51%)		India	Luxury goods retailer and wholesaler
Burberry Saudi Company Limited (75%)	29	Kingdom of Saudi Arabia	Luxury goods retailer
Americas			
Burberry Limited		USA	Luxury goods retailer
Burberry (Wholesale) Limited		USA	Luxury goods wholesaler
Burberry Canada Inc		Canada	Luxury goods retailer
Burberry Brasil Comércio de Artigos de Vestuário e Acessórios Ltda		Brazil	Luxury goods retailer
Horseferry Mexico SA de CV		Mexico	Luxury goods retailer
Asia Pacific			
Burberry (Shanghai) Trading Co., Ltd		People's Republic of China	Luxury goods retailer
Burberry Asia Limited		Hong Kong	Luxury goods retailer and wholesaler
Burberry (Singapore) Distribution Company Pte Ltd		Singapore	Luxury goods retailer and wholesaler
Burberry Pacific Pty Ltd		Australia	Luxury goods retailer and wholesaler
Burberry Korea Limited		Republic of Korea	Luxury goods retailer and wholesaler
Burberry (Taiwan) Co Ltd		Taiwan	Luxury goods retailer
Burberry (Malaysia) Sdn. Bhd		Malaysia	Luxury goods retailer
Burberry Japan K.K. (formerly Burberry International K.K)	29	Japan	Luxury goods retailer, wholesaler and licensor
Burberry (Thailand) Limited		Thailand	Luxury goods retailer

¹ Held directly by Burberry Group plc.

In accordance with Section 410(2)(a) of the Companies Act 2006, the above information is provided solely in relation to principal subsidiaries.

As at 31 March 2015, all principal subsidiary undertakings are wholly owned, except where indicated differently above, and operate in the country in which they are incorporated with the exception of Burberry Italy Retail Limited, which operates principally in Italy. All shares held in subsidiary undertakings are ordinary shares, with the exception of Burberry Limited. The Group holds 100% of Burberry Limited's ordinary and preference shares. All the subsidiary undertakings have been consolidated as at 31 March 2015. The Group has a 59% share in profits of Burberry Middle East LLC and has the power to appoint both the Chairperson and the majority of directors on the Board, thus establishing control. Non-operating intermediate holding and financing companies are excluded from the list above. Sparkle Roll Holdings Limited, a non-Group company, holds a 15% economic interest in Burberry (Shanghai) Trading Co., Ltd.

Details of all Burberry subsidiaries will be annexed to the next Annual Return of Burberry Group plc to be filed at Companies House.

29. Changes in non-controlling interests

On 30 May 2014, the Group exercised its option over the 29% equity stake in Burberry International K.K. previously held by Sanyo Shokai Limited, increasing its equity holding to 100%. This option was acquired on 29 March 2013, and was exercisable at a nominal fixed price, hence the non-controlling interest in Burberry International K.K. had been previously derecognised on acquiring the option. On 3 August 2014, Burberry International K.K. merged with Burberry Japan K.K.

On 24 November 2014, the Group paid £3.4m to acquire an additional 15% equity interest in Burberry Saudi Company Limited, increasing its equity holding in Burberry Saudi Company Limited to 75%.

30. Contingent Liabilities

In a number of jurisdictions the Group is subject to tax audits and claims against it covering, inter alia, valued added taxes, sales taxes, customs duties, corporate taxes and payroll taxes. Included in these claims is a dispute with the Spanish tax authorities regarding the tax treatment of interest paid during the year ended 31 March 2005 arising in respect of debt that was put in place after the Group had taken specialist external advice. The Group is looking to resolve this dispute by all reasonable means. Where appropriate, the estimated cost of known obligations have been provided in these financial statements in accordance with the Group's accounting policies but these matters are inherently difficult to quantify. 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 currently expect the outcome of these contingent liabilities to have a material effect on the Group's financial condition.

Five Year Summary

Continuing operations					
Year to 31 March	2011	2012	2013	2014	2015
Revenue by channel	£m	£m	£m	£m	£m
Retail	962.3	1,270.3	1,416.6	1,622.6	1,807.4
Wholesale	440.6	478.3	472.7	628.0	648.1
Retail/Wholesale	1,402.9	1,748.6	1,889.3	2,250.6	2,455.5
Licensing	98.4	108.6	109.4	79.2	67.7
Total revenue	1,501.3	1,857.2	1,998.7	2,329.8	2,523.2
Profit by channel	£m	£m	£m	£m	£m
Retail/Wholesale	219.5	286.9	335.6	393.5	399.2
Licensing	81.6	90.0	92.5	66.8	56.0
Adjusted operating profit¹	301.1	376.9	428.1	460.3	455.2
Segmental analysis	%	%	%	%	%
Retail/Wholesale gross margin	64.9	68.1	70.6	70.2	69.2
Retail/Wholesale adjusted operating expenses as a percentage of sales ¹	49.3	51.7	52.8	52.7	52.9
Retail/Wholesale adjusted operating margin ¹	15.6	16.4	17.8	17.5	16.3
Licensing operating margin	82.9	82.9	84.6	84.3	82.7
Summary profit analysis	£m	£m	£m	£m	£m
Adjusted operating profit¹	301.1	376.9	428.1	460.3	455.2
Net finance (charge)/income ¹	(3.2)	(0.7)	(0.3)	0.7	0.6
Adjusted profit before taxation¹	297.9	376.2	427.8	461.0	455.8
Adjusting items	(2.2)	(10.2)	(77.1)	(16.6)	(11.2)
Profit before taxation	295.7	366.0	350.7	444.4	444.6
Taxation	(83.2)	(100.6)	(91.5)	(112.1)	(103.5)
Discontinued operations	(6.2)	(0.3)	–	–	–
Non-controlling interest	2.1	(1.8)	(4.9)	(9.8)	(4.8)
Attributable profit	208.4	263.3	254.3	322.5	336.3
Retail/Wholesale revenue by product division	£m	£m	£m	£m	£m
Accessories ²	563.3	689.4	729.1	816.1	892.5
Womens	456.6	582.5	618.2	684.0	743.0
Mens	325.9	410.5	464.2	520.8	557.5
Childrens/Other	57.1	66.2	72.6	78.4	77.7
Beauty	–	–	5.2	151.3	184.8
Retail/Wholesale revenue by destination	£m	£m	£m	£m	£m
Asia Pacific	457.1	652.5	745.3	870.3	938.1
EMEIA ³	559.3	661.6	680.7	811.5	869.0
Americas	386.5	434.5	463.3	568.8	648.4
Financial KPIs					
Total revenue growth ⁴	+24%	+23%	+8%	+17%	+11%
Adjusted PBT growth ¹	+36%	+24%	+13%	+8%	+7%
Adjusted retail/wholesale return on invested capital (ROIC) ¹	19.2%	20.0%	19.0%	19.6%	17.8%
Comparable store sales growth	11%	14%	5%	12%	9%
Adjusted retail/wholesale operating margin ¹	15.6%	16.4%	17.8%	17.5%	16.3%
Adjusted diluted EPS growth ¹	+39%	+26%	+14%	+8%	+2%
Year to 31 March	2011	2012	2013	2014	2015
Earnings and dividends	pence	pence	pence	pence	pence
	per share	per share	per share	per share	per share
Adjusted earnings per share – diluted ¹	48.9	61.6	70.0	75.4	76.9
Earnings per share – diluted	46.9	59.3	57.0	72.1	75.1
Diluted weighted average number of ordinary shares (millions)	444.0	444.3	446.5	447.3	447.8
Dividend per share (on a paid basis)	15.5	22.0	26.0	29.8	32.9

1 Excludes the impact of adjusting items.

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

3 EMEIA comprises Europe, Middle East, India and Africa. As a result of an internal reorganisation, the Europe and Rest of World divisions were integrated to form EMEIA, effective from 1 April 2013. The results for the years ended 31 March 2011 to 31 March 2013 have been re-presented to reflect this organisational change.

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

Five Year Summary

Year to 31 March	2011	2012	2013	2014	2015
Net Cash Flow	£m	£m	£m	£m	£m
Adjusted operating profit ¹	301.1	376.9	428.1	460.3	455.2
Discontinued operations	(2.1)	2.5	–	–	–
Restructuring spend	(20.3)	(8.6)	(1.0)	(0.7)	–
Depreciation and amortisation	62.6	87.6	111.2	123.7	123.7
Employee share scheme costs	28.3	31.8	24.9	25.4	21.0
Proceeds/(payment) on equity swap contracts	–	–	–	15.7	(0.2)
Increase in inventories	(58.0)	(61.8)	(39.2)	(68.2)	(15.1)
Increase in receivables	(8.1)	(17.4)	(32.0)	(73.8)	(43.8)
Increase in payables	68.0	70.1	17.6	42.3	19.7
Other non-cash items	(5.1)	1.4	13.4	10.8	7.6
Cash flow from operations	366.4	482.5	523.0	535.5	568.1
Capital expenditure	(108.4)	(153.1)	(175.9)	(154.0)	(155.7)
Payment to terminate licence relationship	–	–	(144.1)	–	–
Proceeds from sale of assets held for sale	–	–	0.1	–	–
Capital contributions from JV partners	7.0	4.9	0.4	0.7	0.4
Acquisitions	(51.9)	(23.5)	(1.0)	(2.6)	(3.4)
Net interest	(3.2)	(0.6)	0.9	0.8	1.2
Tax paid	(98.1)	(108.2)	(99.0)	(111.1)	(114.4)
Free cash flow	111.8	202.0	104.4	269.3	296.2
Dividends	(68.7)	(99.2)	(113.5)	(130.7)	(145.3)
ESOP trust purchases/other	(5.6)	(60.0)	(45.4)	(18.8)	(15.1)
Exchange difference	(1.6)	(2.4)	12.8	(13.9)	13.9
Total movement in net cash	35.9	40.4	(41.7)	105.9	149.7
Net cash	297.9	338.3	296.6	402.5	552.2

As at 31 March	2011	2012	2013	2014	2015
Balance Sheet	£m	£m	£m	£m	£m
Intangible assets	114.7	133.1	210.2	195.4	193.5
Property, plant and equipment	281.8	328.8	409.1	398.4	436.5
Inventories	247.9	311.1	351.0	419.8	436.6
Trade and other receivables	147.7	167.5	199.5	273.7	320.8
Trade and other payables	(367.8)	(429.3)	(447.8)	(507.2)	(523.1)
Taxation (including deferred taxation)	16.9	39.1	45.3	47.4	68.6
Net cash	297.9	338.3	296.6	402.5	552.2
Other net assets	(5.4)	2.8	(11.1)	(22.0)	(33.6)
Net assets	733.7	891.4	1,052.8	1,208.0	1,451.5

Reconciliation of Adjusted Retail/Wholesale ROIC	2011	2012	2013	2014	2015
	£m	£m	£m	£m	£m
Retail/Wholesale adjusted operating profit¹	219.5	286.9	335.6	393.5	399.2
Adjusted effective tax rate ¹	27.9%	26.7%	25.8%	24.7%	23.4%
Retail/Wholesale adjusted operating profit after tax¹	158.3	210.3	249.0	296.3	305.8
Net assets excluding licensing segment assets	725.7	884.4	1,048.6	1,202.2	1,448.9
Net cash	(297.9)	(338.3)	(296.6)	(402.5)	(552.2)
Assumed lease assets ²	442.5	560.0	713.0	782.5	954.5
Exclude adjusting items:					
Licence intangible asset	–	–	(70.9)	(56.0)	(41.1)
Put option liability	47.3	57.8	55.0	51.3	54.4
Restructuring provisions	13.6	3.5	1.9	1.5	0.8
Adjusted operating assets	931.2	1,167.4	1,451.0	1,579.0	1,865.3
Average operating assets	824.2	1,049.3	1,309.2	1,515.0	1,722.2
Adjusted Retail/Wholesale ROIC	19.2%	20.0%	19.0%	19.6%	17.8%

1 Excludes the impact of adjusting items.

2 Assumed leased assets are calculated as a factor of five times lease payments.

Report on the parent Company financial statements

Our opinion

In our opinion, Burberry Group plc's Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 March 2015;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

Burberry Group plc's financial statements comprise:

- the Company Balance Sheet as at 31 March 2015; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Other required reporting

Consistency of other information

Companies Act 2006 opinion

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

ISAs (UK & Ireland) reporting

Under International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)") we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or
- otherwise misleading.

We have no exceptions to report arising from this responsibility.

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Directors' remuneration report – Companies Act 2006 opinion

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Other Companies Act 2006 reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 110, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Other matter

We have reported separately on the Group financial statements of Burberry Group plc for the year ended 31 March 2015.

Andrew Kemp

Senior Statutory Auditor,
for and on behalf of PricewaterhouseCoopers LLP,
Chartered Accountants and Statutory Auditors,
London, 19 May 2015

Company Balance Sheet

	Note	As at 31 March 2015 £m	As at 31 March 2014 £m
Fixed assets			
Investments	C	2,237.3	2,219.3
		2,237.3	2,219.3
Current assets			
Debtors – amounts falling due within one year	D	163.3	0.4
Debtors – amounts falling due after more than one year	D	303.6	395.5
Derivative assets maturing within one year		1.3	–
Derivative assets maturing after more than one year		1.5	0.5
Cash at bank and in hand		0.8	1.2
		470.5	397.6
Creditors – amounts falling due within one year	E	(58.8)	(198.5)
Derivative liabilities maturing within one year		–	(0.4)
Net current assets		411.7	198.7
Total assets less current liabilities		2,649.0	2,418.0
Creditors – amounts falling due after more than one year	E	(1,536.0)	(1,424.6)
Derivative liabilities maturing after more than one year		–	(0.9)
Provisions for liabilities		(1.4)	(1.4)
Net assets		1,111.6	991.1
Capital and reserves			
Called up share capital	F	0.2	0.2
Share premium account	F	207.6	204.8
Capital reserve	F	0.9	0.9
Hedging reserve	F	4.1	4.1
Profit and loss account	F	898.8	781.1
Total shareholders' funds	F	1,111.6	991.1

The financial statements on pages 165 to 170 were approved by the Board on 19 May 2015 and signed on its behalf by:

Sir John Peace
Chairman

Carol Fairweather
Chief Financial Officer

A. Basis of preparation

Burberry Group plc (the Company) is the parent Company of the Burberry Group. Burberry Group plc is listed on the London Stock Exchange and its principal business is investment. The Company is the sponsoring entity of The Burberry Group plc ESOP Trust and The Burberry Group plc SIP Trust (collectively known as the ESOP trusts). These financial statements have been prepared by consolidating the ESOP trusts with the financial statements of the Company. The purpose of the ESOP trusts is to purchase shares of the Company in order to satisfy Group share based payment arrangements.

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

These financial statements have been prepared on a going concern basis under the historical cost convention, with the exception of those financial instruments which are included in the financial statements at fair value, and in accordance with applicable accounting standards in the United Kingdom and the Companies Act 2006.

Adoption of Financial Reporting Standard (FRS) 101 'Reduced Disclosure Framework'

The accounting framework for the Company financial statements is required to be changed following the publication of FRS 100 'Application of Financial Reporting Requirements' for the financial year commencing 1 April 2015, from the current preparation which is in accordance with applicable accounting standards in the United Kingdom and the Companies Act 2006. It is considered that it is in the best interests of the Group for Burberry Group plc to adopt FRS 101. On adoption of FRS 101 no disclosures in the current financial statements would be omitted. Shareholder approval for the adoption of FRS 101 will be sought at the Group's next Annual General Meeting in July 2015.

B. Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Share schemes

The Group operates a number of equity-settled share based compensation schemes, under which services are received from employees (including executive directors) as consideration for equity instruments of the Company. The cost of the share based incentives is measured with reference to the fair value of the equity instruments awarded at the date of grant. Appropriate option pricing models, including Black-Scholes and Monte Carlo, are used to determine the fair value of the awards made. The fair value takes into account the impact of any market performance conditions, but the impact of non-market performance conditions is not considered in determining the fair value on the date of grant. Vesting conditions which relate to non-market conditions are allowed for in the assumptions used for the number of options expected to vest. The estimate of the number of options expected to vest is revised at each balance sheet date.

In some circumstances, employees may provide services in advance of the grant date. The grant date fair value is estimated for the purposes of recognising the expense during the period between the service commencement period and the grant date.

The grant by the Company of options over its equity instruments to employees of subsidiary undertakings in the Group is treated as a capital contribution. In the Company's accounts, the cost of the share based incentives is recognised over the vesting period of the awards as an increase in investment in subsidiary undertakings, with a corresponding increase in equity. Where amounts are received from Group companies in relation to equity instruments granted to the employees of the subsidiary undertaking, the amount is derecognised from investments in Group companies, to the extent that it was initially treated as a capital contribution, with any remaining amounts recognised as an increase in equity.

When options and awards are exercised, they are settled either via issue of new shares in the Company, or through shares held in the ESOP trusts, depending on the terms and conditions of the relevant scheme. The proceeds received from the exercises, net of any directly attributable transaction costs, are credited to share capital and share premium.

Dividend distribution

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

B. Accounting policies (continued)

Investments in Group companies

Investments in Group companies are stated at cost, less any provisions to reflect impairment in value.

Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's net realisable value and value-in-use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (income-generating units).

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

Derivative financial instruments

Financial instruments are reported and measured in accordance with FRS 25 and FRS 26 respectively. The Company used the exemption not to present FRS 29 disclosures in the notes to the entity financial statements as full equivalent disclosures are presented within the consolidated financial statements.

Equity swap contracts are marked to market with gains and losses arising on these contracts recognised in the profit and loss account.

Foreign currency transactions

Transactions denominated in foreign currencies are translated into Sterling at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies, which are held at the year end, are translated into Sterling at the exchange rate ruling at the balance sheet date. Exchange differences on monetary items are recognised in the profit and loss account in the period in which they arise.

Related party transactions

FRS 8 'Related Party Disclosures' requires the disclosure of the details of material transactions and balances between the reporting entity and related parties. The Company has taken advantage of the exemption under the terms of FRS 8 not to disclose details of transactions with entities that are wholly owned subsidiaries.

C. Investments in Group companies

Cost	£m
As at 1 April 2014	2,219.3
Additions	18.0
As at 31 March 2015	2,237.3

The directors believe that the carrying value of the investments is supported by their underlying net assets. The principal subsidiaries of the Burberry Group are listed in note 28 of the Group financial statements.

D. Debtors

	As at 31 March 2015 £m	As at 31 March 2014 £m
Amounts owed by Group companies	163.1	–
Prepayments	0.2	0.4
Debtors – amounts falling due within one year	163.3	0.4
Amounts owed by Group companies	302.7	395.0
Prepayments	0.9	0.5
Debtors – amounts falling due after more than one year	303.6	395.5
Total debtors	466.9	395.9

Included in amounts owed by Group companies are loans of £414.8m (2014: £344.0m) which are interest bearing.

The interest rate earned is based on relevant national LIBOR equivalents plus 0.9% to 1.77%. These loans are unsecured and repayable between 4 June 2015 and 17 June 2019. The remaining receivable of £51.0m (2014: £51.0m) is unsecured, interest free and repayable on demand.

E. Creditors

	As at 31 March 2015 £m	As at 31 March 2014 £m
Amounts owed to Group companies	58.6	198.0
Accruals	0.2	0.5
Creditors – amounts falling due within one year	58.8	198.5
Amounts owed to Group companies	1,536.0	1,424.6
Creditors – amounts falling due after more than one year	1,536.0	1,424.6
Total creditors	1,594.8	1,623.1

Amounts owed to Group companies falling due after more than one year are interest bearing. The interest rate earned is based on LIBOR plus 0.9%. These loans are unsecured and repayable on 17 June 2019.

All amounts owed to Group companies falling due within one year are unsecured, interest free and repayable on demand.

F. Capital and reserves

Allotted, called up and fully paid share capital	Number	£m
Ordinary shares of 0.05p (2014: 0.05p) each		
As at 1 April 2014	443,642,290	0.2
Allotted on exercise of options during the year	1,101,777	–
As at 31 March 2015	444,744,067	0.2

F. Capital and reserves (continued)**Reconciliation of movement in Company shareholders' funds**

	Called up share capital £m	Share premium account £m	Capital reserve £m	Hedging reserve £m	Profit and loss account £m	Total shareholders' funds £m
As at 31 March 2013	0.2	203.6	0.9	4.1	615.7	824.5
Profit for the financial year	–	–	–	–	293.7	293.7
Dividends paid	–	–	–	–	(130.7)	(130.7)
Total recognised profit for the year	–	–	–	–	163.0	163.0
Employee share option scheme						
Value of share options granted	–	–	–	–	25.4	25.4
Exercise of share options	–	1.2	–	–	–	1.2
Sale of own shares by ESOP trusts	–	–	–	–	1.7	1.7
Purchase of own shares by ESOP trusts	–	–	–	–	(24.7)	(24.7)
As at 31 March 2014	0.2	204.8	0.9	4.1	781.1	991.1
Profit for the financial year	–	–	–	–	260.8	260.8
Dividends paid	–	–	–	–	(144.9)	(144.9)
Total recognised profit for the year	–	–	–	–	115.9	115.9
Employee share option scheme						
Value of share options granted	–	–	–	–	21.0	21.0
Exercise of share options	–	2.8	–	–	–	2.8
Purchase of own shares by ESOP trusts	–	–	–	–	(19.2)	(19.2)
As at 31 March 2015	0.2	207.6	0.9	4.1	898.8	1,111.6

Profit for the year on ordinary activities, but before dividends payable, was £260.8m (2014: £293.7m). As permitted by Section 408 of the Companies Act 2006, the Company has not presented its own profit and loss account.

The Company has a general authority from shareholders, renewed at each Annual General Meeting, to repurchase a maximum of 10% of its issued share capital. During the year to 31 March 2015, no ordinary shares were repurchased by the Company under this authority (2014: nil).

The cost of own shares held by the Group has been offset against the profit and loss account, as the amounts paid reduce the profits available for distribution by the Company. As at 31 March 2015 the amounts offset against this reserve are £57.0m (2014: £69.7m). As at 31 March 2015, the ESOP trusts held 4.1m shares (2014: 5.2m) in the Company, with a market value of £71.9m (2014: £72.5m). In the year to 31 March 2015 the ESOP trusts have waived their entitlement to dividends of £1.2m (2014: £1.3m).

The capital reserve consists of the capital redemption reserve arising on the purchase of own shares.

G. Dividends

	Year to 31 March 2015 £m	Year to 31 March 2014 £m
Prior year final dividend paid 23.20p per share (2014: 21.00p)	102.1	92.1
Interim dividend paid 9.70p per share (2014: 8.80p)	42.8	38.6
Total	144.9	130.7

A final dividend in respect of the year to 31 March 2015 of 25.50p (2014: 23.20p) per share, amounting to £112.4m, has been proposed for approval by the shareholders at the Annual General Meeting subsequent to the balance sheet date. The final dividend has not been recognised as a liability at the year end and will be paid on 31 July 2015 to shareholders on the register at the close of business on 3 July 2015.

H. Financial guarantees

On 25 November 2014, the Group entered into a £300m multi-currency revolving credit facility with a syndicate of third-party banks. This replaced the previous facility which would have matured on 30 June 2016. At 31 March 2015, there were £nil outstanding drawings (2014: £nil). The facility matures in November 2019. The agreement contains two options which allow the Group to extend for an additional one year which are exercisable in 2015 and 2016, at the consent of the syndicate.

The Guarantor Group consists of Burberry Group plc, Burberry Limited, Burberry Asia Limited, Burberry (Wholesale) Limited (US) and Burberry Limited (US).

The fair value of the financial guarantee as at 31 March 2015 is £nil (2014: £nil).

A potential liability may arise in the future if one of the Group members defaults on the loan facility. Each guarantor, including Burberry Group plc, would be liable to cover the amounts outstanding, including principal and interest elements.

I. Audit fees

The Company has incurred audit fees of £0.1m for the current year which are borne by Burberry Limited (2014: £0.1m).

SHAREHOLDER INFORMATION

General shareholder enquiries

Enquiries relating to shareholdings, such as the transfer of shares, change of name or address, lost share certificates or dividend cheques, should be referred to the Company's Registrar, Equiniti, using the details below:

Equiniti
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA

Tel: 0871 384 2839. Calls cost 8p per minute plus network extras. Lines are open 8.30am to 5.30pm, Monday to Friday.

Please dial +44 121 415 7047 if calling from outside the UK or see help.shareview.co.uk for additional information.

American Depositary Receipts

Burberry has a sponsored Level 1 American Depositary Receipt (ADR) programme to enable US investors to purchase ADRs in US Dollars. Each ADR represents one Burberry ordinary share.

For queries relating to ADRs in Burberry, please use the following contact details:

BNY Mellon Shareowner Services
P.O. BOX 30170
College Station, TX 77842-3170

Telephone: Toll free within the US: +1 888 269 2377
Telephone: International: +1 201 680 6825
Email enquiries: shrrelations@cpushareownerservices.com
Website: www.mybnymdr.com

Annual General Meeting

Burberry's Annual General Meeting will be held at the offices of Nomura, 1 Angel Lane, London, EC4R 3AB commencing at 9.30am on Thursday, 16 July 2015.

The Notice of Meeting, together with details of the business to be conducted at the meeting, is available on the Company's website at www.burberryplc.com.

The voting results for the 2015 Annual General Meeting will be accessible on the Company's website at www.burberryplc.com shortly after the meeting.

Dividends

An interim dividend for the financial year ended 31 March 2015 of 9.70p per ordinary share was paid on 23 January 2015. A final dividend of 25.5p per share has been proposed and, subject to approval at the Annual General Meeting on 16 July 2015, will be paid according to the following timetable:

Final dividend record date:	3 July 2015
Deadline for return of DRIP mandate forms:	10 July 2015
Final dividend payment date:	31 July 2015

The ADR local payment date will be approximately five business days after the proposed dividend payment date for ordinary shareholders.

Dividends can be paid by BACS directly into a UK bank account, with the tax voucher being sent to the shareholder's address. This is the easiest way for shareholders to receive dividend payments and avoids the risk of lost or out-of-date cheques. A dividend mandate form is available from Equiniti or at www.shareview.co.uk.

Dividends payable in foreign currencies

Equiniti are able to pay dividends to shareholder bank accounts in over 30 currencies worldwide through the Overseas Payment Service. An administrative fee will be deducted from each dividend payment. Further details can be obtained from Equiniti or online at www.shareview.co.uk.

Dividend Reinvestment Plan

The Company's Dividend Reinvestment Plan (DRIP) enables shareholders to use their dividends to buy further Burberry shares. Full details of the DRIP can be obtained from Equiniti. If shareholders would like their final 2015 and future dividends to qualify for the DRIP, completed application forms must be returned to Equiniti by 10 July 2015.

Duplicate accounts

Shareholders who have more than one account due to inconsistency in account details may avoid duplicate mailings by contacting Equiniti and requesting the amalgamation of their share accounts.

Electronic communication

Shareholders may at any time choose to receive all shareholder documentation in electronic form via the internet, rather than in paper format. Shareholders who decide to register for this option will receive an email each time a shareholder document is published on the internet. Shareholders who wish to receive documentation in electronic form should register online at www.shareview.co.uk.

Equiniti offers a range of shareholder information and services online at www.shareview.co.uk. A textphone facility for those with hearing difficulties is available by calling 0871 384 2255. Calls cost 8p per minute plus network extras. Lines are open 8.30am to 5.30pm, Monday to Friday. Please call +44 121 415 7028 if calling from outside the UK.

Financial calendar

First quarter trading update	15 July 2015
Annual General Meeting	16 July 2015
First half trading update	October 2015
Interim results announcement	November 2015
Third quarter trading update	January 2016
Second half trading update	April 2016
Preliminary results announcement	May 2016

Registered office

Burberry Group plc
Horseferry House
Horseferry Road
London
SW1P 2AW

Registered in England and Wales
Registered Number 03458224
www.burberrypc.com

Share dealing

Burberry Group plc shares can be traded through most banks, building societies or stock brokers. Equiniti offers a telephone and internet dealing service. Terms and conditions and details of the commission charges are available on request.

For telephone dealing please telephone 08456 037 037 between 8.00am and 4.30pm, Monday to Friday, and for internet dealing visit www.shareview.co.uk/dealing. Shareholders will need their reference number which can be found on their share certificate.

ShareGift

Shareholders with a small number of shares, the value of which makes them uneconomic to sell, may wish to consider donating their shares to charity through ShareGift, a donation scheme operated by The Orr Mackintosh Foundation. A ShareGift donation form can be obtained from Equiniti. Further information is available at www.sharegift.org or by telephone on 020 7930 3737.

Share price information

The latest Burberry Group plc share price is available on the Company's website at www.burberrypc.com.

Unauthorised brokers (boiler room scams)

Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports. These are typically from overseas-based 'brokers' who target UK shareholders offering to sell them what often turn out to be worthless or high-risk shares in USA or UK investments. These operations are commonly known as boiler rooms.

If you receive any unsolicited investment advice, get the correct name of the person and organisation and check that they are properly authorised by the FCA before getting involved by visiting www.fca.org.uk/register.

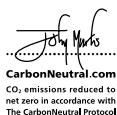
If you deal with an unauthorised firm, you will not be eligible to receive payment under the Financial Services Compensation Scheme if things go wrong.

If you think you have been approached by an unauthorised firm you should contact the FCA consumer helpline on 0800 111 6768.

More detailed information can be found on the FCA website at www.fca.org.uk/consumers/protect-yourself/unauthorised-firms.

Website

This Annual Report and other information about Burberry Group plc, including share price information and details of results announcements, are available at www.burberrypc.com.



The cover and accounts section of this report (pages 109-172) are printed on Colorplan. This product is made from virgin ECF pulp, which is produced from sawmill residues, forest thinnings, and roundwood from managed sustainable forests. The main section (pages 1-108) are printed on Oxygen Offset which is made from 100% de-inked pulp recycled fibre. Printed in the UK by Pureprint using their *alcofree* and *pureprint* technology. Pureprint is a Carbon Neutral Company. Both the manufacturing mills and printer are registered to the Environmental Management System ISO14001 and are Forest Stewardship Council® (FSC) chain-of-custody certified.

Disclaimer

The purpose of this document is to provide information to the members of Burberry Group plc. This document contains certain statements that are forward-looking statements. They appear in a number of places throughout this document and include statements regarding our intentions, beliefs or current expectations and those of our officers, directors and employees concerning, amongst other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the business we operate. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this document and unless otherwise required by applicable law the Company undertakes no obligation to update or revise these forward-looking statements. Nothing in this document should be construed as a profit forecast. The Company and its directors accept no liability to third parties in respect of this document save as would arise under English law. This document 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 USA, or under the USA Securities Act 1933 or any other jurisdiction.

