



BY APPOINTMENT TO
HM QUEEN ELIZABETH II
WEATHERPROOFERS
BURBERRY LIMITED LONDON



BY APPOINTMENT TO
HRH THE PRINCE OF WALES
OUTFITTERS
BURBERRY LIMITED LONDON

BURBERRY

London, England

**ANNUAL REPORT
2015/16**



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FINANCIAL HIGHLIGHTS

Revenue (Year to 31 March)

£2,515M

2016	2,515
2015	2,523
2014	2,330
2013	1,999
2012	1,857

Adjusted profit before tax (Year to 31 March)

£421M

2016	421
2015	456
2014	461
2013	428
2012	376

Adjusted profit before tax is stated before adjusting items.
Reported profit before tax £416m (2015: £445m)

Adjusted diluted EPS (Year to 31 March)

69.9p

2016	69.9
2015	76.9
2014	75.4
2013	70.0
2012	61.6

Net cash (As at 31 March)

£660M

2016	660
2015	552
2014	403
2013	297
2012	338

Adjusted diluted EPS is stated before adjusting items.
Reported diluted EPS 69.4p (2015: 75.1p)

Dividend per share (Year to 31 March)

37.0p

2016	37.0
2015	35.2
2014	32.0
2013	29.0
2012	25.0

Capital expenditure (Year to 31 March)

£138M

2016	138
2015	156
2014	154
2013	176
2012	153

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

STRATEGIC REPORT

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Strategic Report

INTRODUCTION

This is Burberry's Strategic Report for the financial year ending 31 March 2016. 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

The Burberry brand remains strong.



Sir John Peace
Chairman

2015/16 has been a watershed year for the luxury sector – marked by a challenging global environment with the slowdown of the Chinese economy, increased geopolitical concerns in the Middle East and Russia, uncertainty in the Eurozone, currency volatility and a significant fall in commodity prices. All of these combined together to have a negative impact on the performance of the luxury sector as a whole, as demand slowed sharply in many of our key markets such as Hong Kong and Macau. These factors have also weighed heavily on investor sentiment and recent share price performance.

The luxury sector will continue to be affected by these factors in the short term, but the Board remains confident of the Group's compelling opportunities in the longer term.

Financial performance

Set against this challenging environment, Burberry has delivered 2015/16 revenues of £2.5bn and adjusted profit before tax of £421m (down 8% and 10% underlying respectively), in part impacted by a £19m decrease in licensing profit due to the planned expiry of our Japanese licences.

The Group ended the year with a strong cash balance of £660m, and consequently the Board has recommended a 5% increase in the full year dividend to 37.0p, resulting

in a 53% pay-out ratio based on adjusted earnings per share, in line with our plan. Having reached our dividend pay-out target, we are now moving to a progressive dividend policy and, as such, plan to hold the 2016/17 dividend per share at least in line with 2015/16. This reflects the Board's confidence in the future growth of the business.

Over the past five years, Burberry has returned around £640m to shareholders. Our capital allocation framework prioritises the investment needs of the business and regular dividend payments and then considers additional returns to shareholders, balancing capital efficiency with financial flexibility in what is a cyclical sector. Balancing these factors, we are commencing a share buyback programme of up to £150m starting in 2016/17. Future returns will be kept under regular review reflecting these factors. This underlines our commitment to increasing shareholder returns over time, which remains a key priority for the Board.

Future strategy

The Burberry brand has never been stronger. We have authentic, distinctive products with enormous future potential. Burberry remains a growth business, but following many years of out performance and investment in the brand and in the business, we are experiencing fundamental change in our industry and our consumer.

To stay ahead of these changes, we have been accelerating our productivity and efficiency agenda, particularly looking at our ways of working. We have also been addressing how to optimise future organic revenue growth opportunities and have identified significant growth opportunities across our existing channels, products and regions. The Board firmly believes that these initiatives will also create future value for our shareholders.

A great deal has been achieved over the past 12 months under Christopher Bailey's leadership in very challenging market conditions. This includes strengthening the senior management team by bringing in people with different experience and backgrounds throughout the year.

This report sets out further detail on the progress made during the year across all our core strategies and the Group's future plans.

People and pay

The successful execution of our strategy over the coming years will rely on the commitment and dedication of our staff, many of whom are highly sought after by our competitors. It is therefore important that we pay competitively while maintaining the discipline of only rewarding performance.

Our overall approach to incentive structures for all staff, including senior management, is based on performance – so when the business does not perform as well, this has an impact on what we pay to our staff. And when the share price falls as it has in the past year, this has a substantial impact on historical share awards.

Therefore:

- no pay rises this year for executive directors or senior management;
- no annual bonus will be paid to executive directors in view of the stretching nature of performance targets set at the beginning of the financial year; and
- previous awards granted under the Co-Investment Plan and Restricted Share Plan awarded in 2013 will not now vest.

Further information is set out in the Directors' Remuneration Report on pages 83 to 105.

Board and Committee changes

The composition of the Board has evolved significantly over the past three years with the appointment of four new non-executive directors and further changes planned over the coming year.

David Tyler stepped down from the Board on 31 December 2015, and I would like to thank David for his immense contribution to Burberry since its IPO in 2002.

The Board also keeps under review the composition of its Committees and tenure of the Committee Chairs. Following a review during the year, the Board has appointed Jeremy Darroch as Chair of the Audit Committee and Fabiola Arredondo as Chair of the Remuneration Committee, with effect from 1 August 2016. I would like to thank Philip Bowman and Ian Carter for their commitment as previous Chairs of these important Committees over a number of years.

Evolving away from the past practice of all non-executive directors sitting on all Committees, membership in the future will be changed to comprise different non-executives on each Committee.

Governance and diversity

As Chairman, I am committed to Burberry seeking to operate to the highest standards of corporate governance. The work of the Board and its Committees during the year along with the assessment of its performance is set out in the Corporate Governance Report on pages 68 to 82. This work included considering, with management, Burberry's plans for the future, which will be an important area of continuing focus for the Board in the coming year as we execute on our strategic and operational initiatives.

Burberry continues to support diversity in all its forms across the organisation including the Board. While all Board appointments are made on merit, the Board continues to believe in the importance of a diverse Board and has always had strong gender diversity amongst its membership, including at executive level. The Board will continue to monitor diversity and take such steps as it considers appropriate to maintain its position as a meritocratic and diverse business.

Looking ahead

Looking ahead to 2016/17, we are planning on the basis that the challenging macro-economic environment will continue to impact the luxury sector.

Against this background, we are accelerating our productivity and efficiency initiatives to mitigate the impact of these challenges and will focus even more intensely on optimising our future revenue growth opportunities.

Finally, I would like to thank all of our people and the Board for their hard work and commitment to Burberry, and to thank you, our shareholders, for your support over the past 12 months.

CHIEF CREATIVE AND CHIEF EXECUTIVE OFFICER'S LETTER

2015/16 was a challenging year for the luxury industry.



Christopher Bailey
Chief Creative and Chief Executive Officer

With growth of 1-2%, from 7% just two years ago, sector performance was impacted by a number of factors, from slowing Chinese consumption and a sluggish Eurozone, to geopolitical tensions and volatile financial markets. And we saw some significant changes in the geographic dynamics of luxury consumption, not least the shifts in Chinese tourist flows that so dramatically impacted Hong Kong – one of the most profitable luxury markets in the world.

Given the shape of Burberry's global footprint, these negative trends had a disproportionate impact on our business during the year, and this was reflected in our overall financial performance. However, our global teams worked hard to mitigate declines in traffic across our major markets, as we focused on what we could control in a very difficult environment. And, near-term dynamics aside, we continued to make good operational and strategic progress from sound foundations.

Performance summary

Revenue for the year was £2.5bn, down 1% underlying, and adjusted profit before tax was down 10% underlying to £421m, in part impacted by a £19m decrease in licensing profit relating to the planned expiry of our Japanese licences. Net cash increased by £108m to £660m, and we increased the full year dividend by 5% to 37p, a 53% payout. Having met our payout target of 50%, we will now move to a progressive dividend policy going forward,

holding the FY 2017 dividend at least in line with FY 2016. In addition, we plan to commence a share buyback programme of up to £150m starting in FY 2017. Both these actions reflect our confidence in the growth prospects for the business, and our commitment to balancing financial efficiency and flexibility.

Our headline financial performance masks some more positive aspects that give confidence for the future. Within retail, while comparable sales decreased by 1% overall they were up 3% when excluding the significantly impacted markets of Hong Kong and Macau. Improved conversion globally reflected an intense focus on driving retail disciplines in the face of deteriorating store traffic. And we were pleased that digital again grew in all regions, reflecting our sustained focus on, and investment in, this channel.

More broadly, continued progress within our four key themes of Brand First, Famous for Product, Customer Centric and Productive & Responsible demonstrates the underlying health of our business – even in difficult times.

Brand first

At the heart of this is our emphasis on – and investment in – our brand, which continued to resonate strongly with customers around the world.

A key highlight in the year was our announcement in November that we will move to one Burberry label during 2016, phasing out our Prorsum, London and Brit lines while retaining our breadth of price points and attitudes – from casual to high fashion. Together with our ongoing streamlining of assortments, this is an important step in ensuring an ever-more coherent brand expression globally, while making the shopping experience simpler and more intuitive for our customer, better reflecting the way they shop and think about the brand today.

Another key milestone in our pursuit of greater brand consistency was the full launch of the global collection in Japan, marking the end of a 35-year licence and the last major step in the structural integration of our global business over the past decade. With excellent early momentum and significant headroom for growth, we see real potential over the coming years in this, the second-largest luxury market in the world.

Building on last year's intense focus on Burberry's unique British heritage, we continued to celebrate and develop our distinctive brand story, both on and offline. This included the introduction of new customer events that highlight the craftsmanship behind our iconic products with live in-store demonstrations; the extension of our 'Art of the Trench' initiative to the creative communities of the Middle East and Seoul; and our 'London in Los Angeles' event which marked the opening of our new Rodeo Drive flagship with a runway show featuring the Queen's Grenadier Guards, as we continue to elevate our brand positioning in the US market.

In all brand activity we maintained our focus on digital engagement, developing richer and more personalised experiences for our customers, and we saw record engagement with our content online. Partnerships with creative innovation leaders globally played an important role here, and we collaborated with companies including Apple, Google, DreamWorks, Snapchat, LINE, Kakao and WeChat during the year. Finally, we regained our leading position in the prestigious annual L2 Digital IQ: Fashion index in a year that saw our social media following increase by almost a third, to over 40 million people globally.

Famous for product

Alongside this commitment to the concept of Brand First, our enhanced emphasis on being Famous for Product gained momentum through a twin focus on our iconic UK-made products and fashion innovation.

Following the re-launch of our heritage trench offer last year, our cashmere scarf moved to the fore with the launch of the Scarf Bar in stores and online. Offering our classic check scarf in over 30 colours and with extended monogramming services, this drove strong results over the year. We also saw outperformance from ponchos as we continued to grow this emerging business following 2014's runway success, as well as a continued focus on heritage trenches, supported by new colours, fabrications and the introduction of monogramming.

Further underpinning our commitment to the British provenance of key iconic products, we announced in November a £50m initial investment in a new trench coat weaving and manufacturing facility, to be located in Leeds, Yorkshire. The new facility will bring increased capacity and greater efficiency, securing the future production of the trench and offering scope to develop and produce other products in the future.

Elsewhere in product, our accessories business recorded some notable successes in bags during the year, reflecting a more focused approach to core replenishment and

fashion styles, and supported by dedicated marketing and service strategies worldwide. Standout performers were our Banner bag, now our most successful style following its introduction just last year, and the monogrammable runway rucksack, which enjoyed an exceptional editorial and customer response following the September runway show. Both styles contributed to outperformance from accessories over the year.

Meanwhile, our Beauty business continued to build, always with a strong link back to fashion. Following its launch in September 2014, we cemented My Burberry as the core pillar in our women's fragrance business through the introduction of further products and a continued marketing focus, while making preparations for the April 2016 launch of Mr. Burberry, our most significant men's fragrance to date. Mirroring My Burberry's alignment with our broader heritage relaunch, Mr. Burberry will provide a platform to focus attention on our menswear business overall. With the announcement of several major partnerships in the year, including Shiseido and Sephora, and numerous industry awards for our key products, we remain excited about the brand's potential in the beauty category.

Customer centric

Within our third theme, Customer Centric, we made further progress in developing and enhancing our retail practices to meet the needs of a fast-evolving customer in an increasingly digital world.

In an environment of reduced store traffic globally, we maintained our focus on driving loyalty and conversion through great service, underpinned by our ongoing investment in data and insight. We also enlarged our Burberry Private Client teams and expanded the coverage of our Customer Value Management tool to provide a more personalised service to more of our customers globally. Both drove strong results in the year.

Consistent with our broader focus on merging the physical and digital, we made further investments to ensure our customers have a seamless experience of the brand, wherever and however they shop. This included the expansion of our single pool of inventory to increase available options to customers in all of our 44 online markets, following its introduction in China last year; the continued enhancement of our relaunched mobile platform, which drove a threefold increase in mobile penetration year-on-year; the introduction of new payment options including China Union Pay and Apple pay; and preparations for the launch in April 2016 of our new China website, which will dramatically improve site performance in one of the world's most significant online markets.

Finally, in February we announced our plans to reshape our runway show calendar with twice-yearly presentations, bringing womenswear and menswear together and making the full collection available for purchase in-store and online immediately following the show. Beginning in September 2016, this new approach reframes long-established industry norms through a customer lens, allowing those who purchase our products to have them when they want them – not when the traditional fashion calendar dictates they can.

Productive and responsible

Under our fourth theme of Productive and Responsible, we again sharpened our focus on productivity during the year – not least given the testing external context.

While realising our true potential here is a multi-year programme of work, we saw progress across its key dimensions: in retail, where an intense focus on conversion drove continued improvement globally; in product, where we drove a further reduction in assortments and where embedding lean disciplines in our internal supply chain resulted in a lead time reduction of 75% and a productivity improvement of more than 15%; and in processes, where we completed the first phase of our core IT system upgrade and began to see immediate improvements in the responsiveness of decision making across the business.

Alongside this focus on productivity, we redoubled efforts to drive efficiency throughout the organisation. In the near-term, this included realising significant savings on discretionary spending to mitigate trading challenges, but we are also planning to embed longer-term improvements through a significant evolution of our ways of working, the implementation of which will begin in 2016/17.

We also enhanced our commitment to greater sustainability across our global operations. Linked to our broader emphasis on culture, a key dimension of this was human – with notable achievements in the year including becoming a Principal Partner to the UK Living Wage Foundation and the launch of our Burberry Apprentices scheme, with participants joining our retail, internal manufacturing and distribution teams in the UK ahead of a rollout to the wider business over the coming years. In addition, we were proud to support OUTstanding and Open For Business, two organisations dedicated to highlighting the positive business case for equality of opportunity and the promotion of LGBT communities within the workforce. In the environmental space, we made further advances in ensuring sustainable practices in our supply chain and extended our Ethical Trading Programme to cover key raw material, beauty and leather suppliers. In recognition of the

progress we have made in the field of sustainability, we were proud to be named to the Dow Jones Sustainability Indices for the first time.

Looking ahead

While the scale and duration of current trading challenges is unclear, the outlook for the luxury sector as a whole is subdued. In this context, we will continue to respond dynamically to near-term realities as they unfold. However, as a growth business, we will always keep near-term responsiveness in balance with the longer-term horizon. And we see many opportunities ahead. We are on the path to becoming a more productive business, but we have further to go and more benefits to realise, not least in retail. We have authentic, distinctive products, with significant future potential to unlock through greater focus and clarity in our assortments and marketing. We have tremendous brand momentum and positioning globally, but still with scope for greater consistency – including in some of our key markets. And we have a real competitive advantage in our digital mindset as we enter an increasingly omnichannel world.

This is an important moment in Burberry's evolution. Following many years of outperformance and a multi-year programme of investment in the brand and the business, we are experiencing fundamental change in the industry and our consumer. And just as we have done in the past, we want to stay ahead of this change and unlock its potential.

So we begin 2016/17 with an intense focus on how we position ourselves for success in the coming years.

As set out in the coming pages, we have considered in detail what we need to amplify and evolve – strategically and operationally – to secure the next phase of our growth, and to be the company we want to be in a changing world. Through a programme of new initiatives to enhance productivity and efficiency across product, retail and processes, we are confident that Burberry will again outperform the sector in this new context over the coming years. And we will become a more effective organisation in the process, because we will have to think differently and work differently to capture the significant revenue and cost opportunities we have identified. This will bring change and challenge, but it will also energise our whole organisation anew around the extraordinary global potential of a 160-year-old British company uniquely placed for the future.

We are excited for this next phase.



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BURBERRY

London, England

THE KENSINGTON

Made in England



Senior Leadership Team pictured left to right:

Back row:

Stephen Gilbert Senior Vice President, Architecture
Simona Cattaneo Senior Vice President, Beauty
Fabrizio Fabbro Senior Vice President, Creative Operations
Matt McEvoy Chief of Strategy and New Business Development
Fumbi Chima Chief Information Officer
Roberto Canevari Chief Supply Chain Officer
Steve Sacks Chief Customer Officer
Paul Price Chief Merchandising Officer
Sarah Manley Chief Marketing Officer
Pascal Perrier Chief Executive Officer, Asia Pacific
Luc Goidadin Chief Design Officer

Front row:

Andrew Maag Chief Executive Officer, EMEA and Americas
John Smith Chief Operating Officer
Carol Fairweather Chief Financial Officer
Christopher Bailey Chief Creative and Chief Executive Officer
Greg Stogdon Senior Vice President, Creative Media
Donald Kohler President, Americas
Leanne Wood Chief People and Corporate Affairs Officer



Strategic Report

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, develops, makes 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 online at [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. 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).

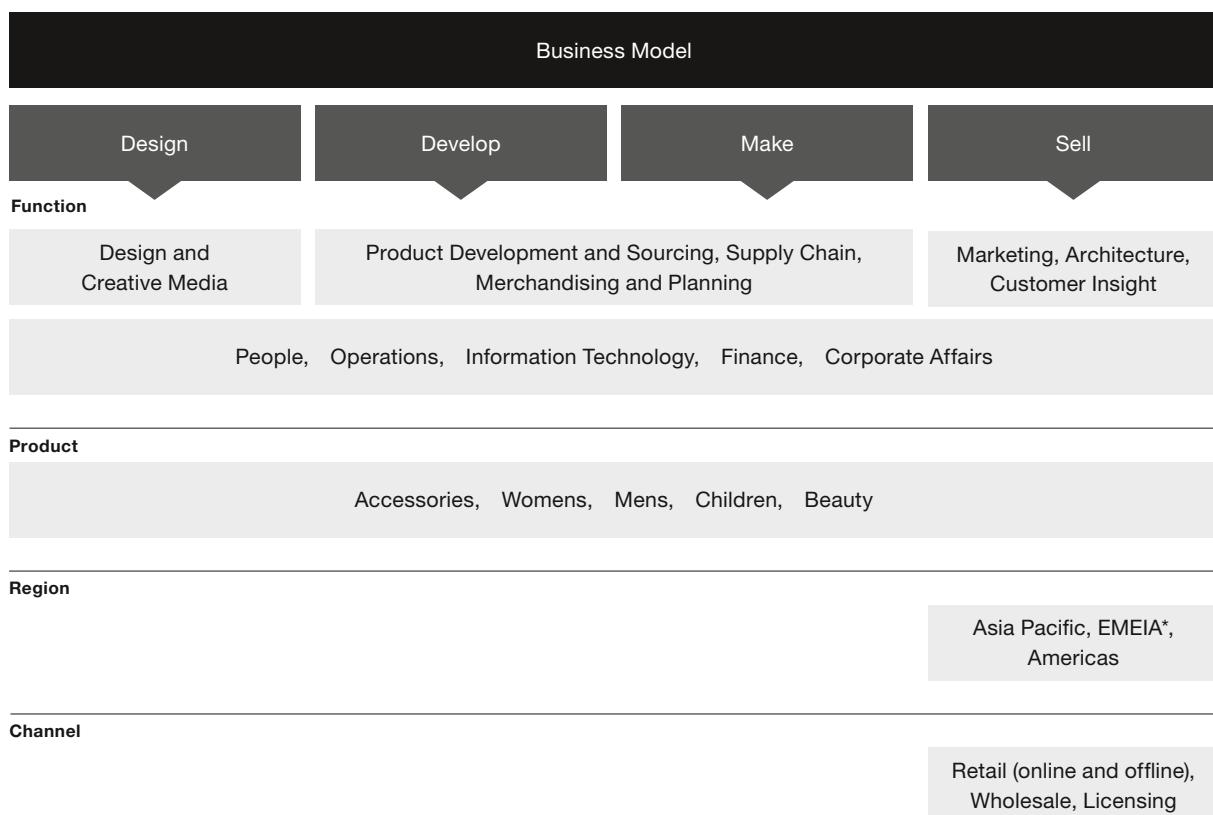
Productive and responsible

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.



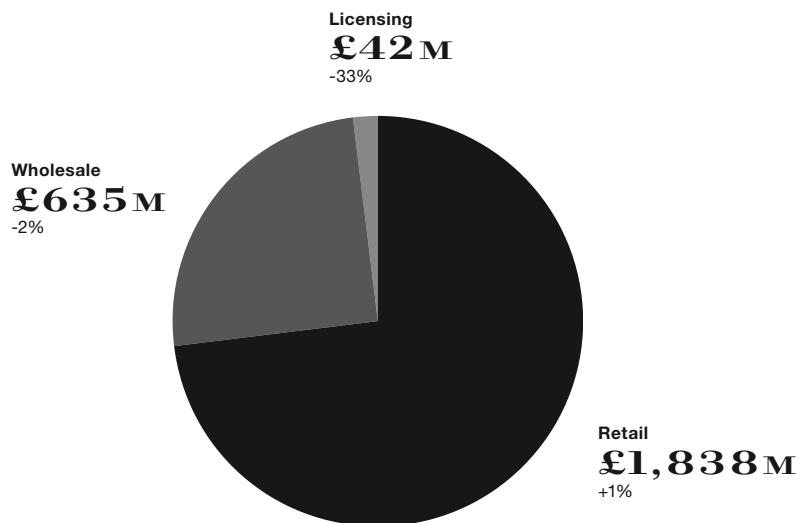
* Europe, Middle East, India and Africa.

CHANNEL MIX

Burberry sells its products through retail (online and offline) and wholesale channels. For 2015/16, retail accounted for 73% of revenue and wholesale for 25%. 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 215 mainline stores, 214 concessions within department stores, digital commerce and 58 outlets

- 1% underlying growth
- Comparable sales down 1% but up 3% excluding Hong Kong and Macau
- 18 mainline store openings, including in flagship cities such as Tokyo, Seoul and New York

Wholesale

Includes sales to department stores, multi-brand specialty accounts, travel retail and franchisees who operate 62 Burberry stores, and Beauty to around 80 distributors globally

- Revenue down 2% underlying. Excluding Beauty, down 6% underlying
- Beauty wholesale revenue of £191m, up 8% underlying

Licensing

Includes income from Burberry's licensees, approximately 60% from Japan with the balance from global product licences (eyewear and watches) and the European wholesale childrens licence

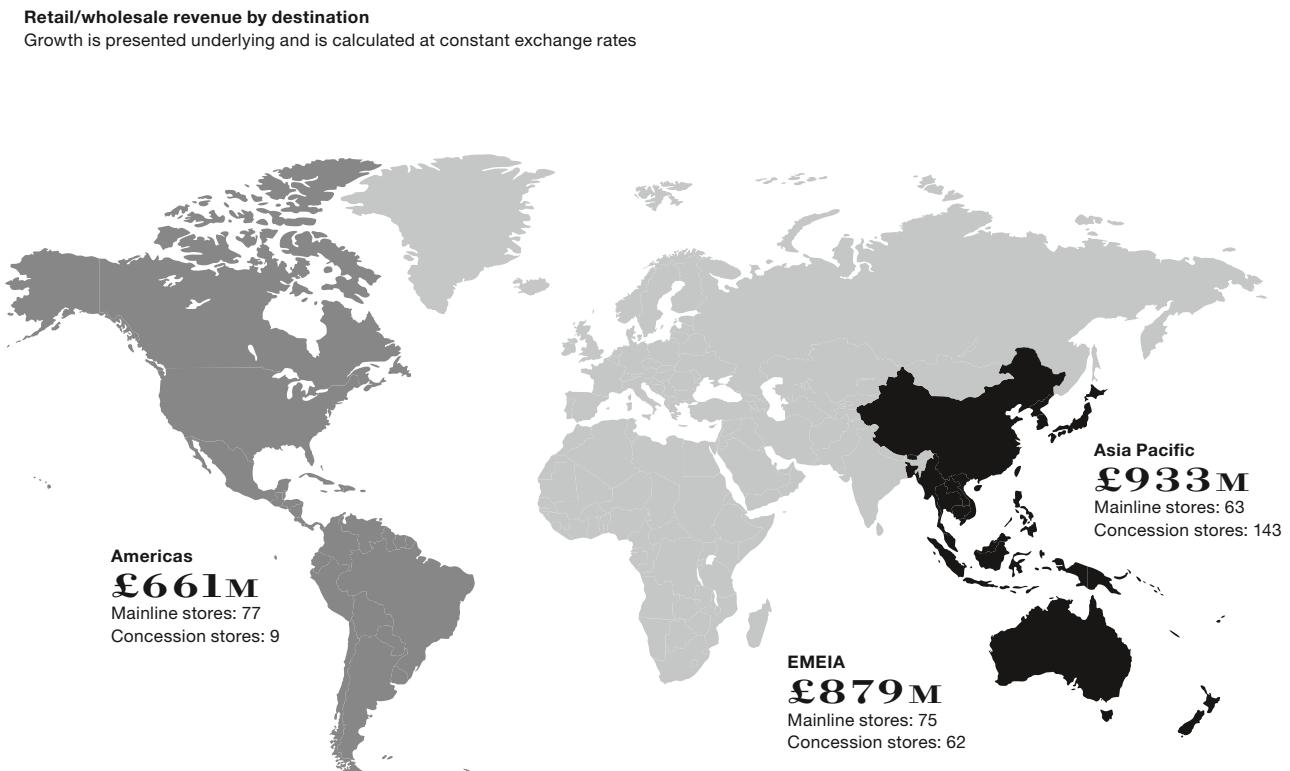
- Underlying revenue was down 33%
- £24m of royalty income from Japan
- Global product licences (watches* and eyewear) delivered double-digit percentage increase

The Japan licences expired during the year. For information on plans for Burberry in Japan see 'Unlock Market Opportunity' on page 40.

* The Watches licence will not be renewed in December 2017.

REGIONAL MIX

Burberry operates in three regions. For 2015/16, Asia Pacific represented 38% of retail/wholesale revenue, Europe, Middle East, India and Africa ('EMEIA') 35% and Americas 27%.



Americas

- Revenue down 2% underlying
- Retail accounted for nearly 70% of revenue
- Comparable sales unchanged year-on-year
- Digital as a percentage of retail sales in the Americas was more than twice the global average and showed good growth

EMEIA

- Revenue up 5% underlying
- Retail accounted for two-thirds of revenue
- Comparable sales increased by a mid single-digit percentage
- About half of mainline retail sales were made to travelling luxury customers

Asia Pacific

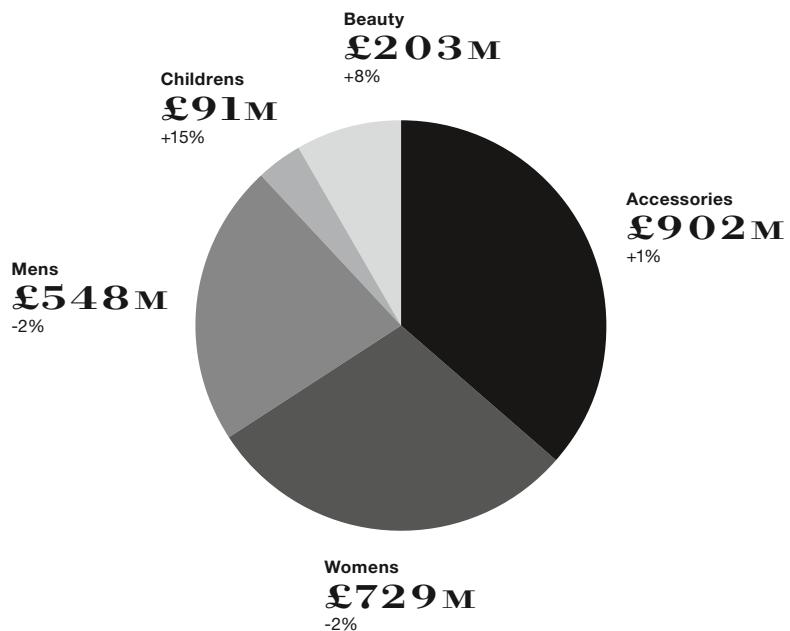
- Revenue down 2% underlying
- Retail accounted for over 85% of revenue
- Comparable sales declined by a mid single-digit percentage
- Hong Kong was impacted by a significantly lower footfall

PRODUCT MIX

Burberry has a diversified product offering across apparel, accessories and beauty. For 2015/16, accessories represented 36% of retail/wholesale revenue, womens 30%, mens 22%, childrens 4% and Beauty 8%.

Retail/wholesale revenue by product

Growth is presented underlying and is calculated at constant exchange rates



Accessories

- 1% underlying revenue growth
- Launched the Scarf Bar (both online and in-store) in September 2015
- Scarves in mainline retail outperformed other accessories
- The new season runway rucksack saw good growth

Womens

- Revenue declined by 2% underlying
- Outerwear hit by unseasonably warm weather. Lightweight cashmere trench coats outperformed
- New fashion category, dresses, saw good growth

Childrens

- 15% underlying revenue growth
- Helped by the transition of European childrenswear to direct operation, following the licence expiry
- Taken direct control of ten childrenswear stores in Japan

Mens

- Revenue down 2% underlying
- Outerwear is about 40% of menswear

Beauty

- 8% underlying revenue growth
- Building pillar fragrance of My Burberry with brand extensions
- Successful launch of new male fragrance pillar, Mr. Burberry, in April 2016

MARKET OVERVIEW

Macro environment

Economic

In the 2015 calendar year, the global economy grew by 3.1%, a slight deceleration versus 2014. Notable factors over the year were the slowdown of the Chinese economy, increased geopolitical concerns in the Middle East and Russia, and uncertainty in the Eurozone. In addition, commodity prices fell significantly during the year, notably oil, leading to low inflation in EMEA and the US.

Across the major economies, the US grew by 2.4%, with robust domestic consumer spending buoyed by high employment rates, partially offset by lower exports due to the strength of the dollar. In Asia, China's economy grew by 6.9%, a continued deceleration from 7.3% in 2014 and the slowest growth in 25 years, driven by weaker investment and manufacturing activity and turbulence in the Chinese stock market. Hong Kong was more stable with GDP growth of 2.4% in line with 2014, with resilient domestic demand but declining exports. The Japanese economy returned to growth at 0.5% for the year, however, trends were uneven with growth moderating after a strong start to the year. Korea GDP growth was lower in 2015 at 2.6% compared with 3.3% in 2014 impacted by the MERS epidemic. The Eurozone improved to 1.6% with rising growth rates in Spain, Italy and France but a slight slowdown in Germany. In the UK GDP growth fell to 2.2% in 2015 from 2.9% in 2014. Across key developing markets, growth continued to be weak most notably in Russia and Brazil. The Middle East economy also slowed due to depressed oil prices.

Socioeconomic and environmental

The year was marked by a number of socioeconomic and environmental events including the migrant crisis in the Eurozone, geopolitical concerns in the Middle East, the terrorist attacks in Paris and Brussels, MERS epidemic in Korea and the El Niño weather phenomenon which made 2015 one of the warmest years on record.

Luxury sector*

Markets

This challenging global backdrop had a significant impact on the performance of the luxury sector. At constant exchange rates, sector sales grew 1 to 2%, a slowdown versus the 3% growth experienced in 2014. The key drivers of sector growth were Japan and Europe, which grew at 9% and 5% at constant exchange rates respectively. The performance of these markets offset decelerating growth in Mainland China** and the rest of Asia, and flat growth in the Americas. In Japan, the weak Yen fuelled inbound tourism mainly from China, with visitors favouring Japan over Hong Kong. It was a similar story in Europe where strong Chinese tourist flows, attracted by the weak Euro, drove luxury consumption in Germany, France and Italy, alongside recovering local demand in these markets. The UK was robust but negatively impacted by a strong GBP. Eastern Europe was weak, notably in Russia due to the volatile macro environment.

Mainland China experienced a second year of declines, driven mainly by unfavourable price differentials compared with other global markets and decreasing local consumer confidence impacted by the turbulent Chinese stock market. Despite the slowdown in Mainland China, the Chinese travelling consumer continued to drive luxury growth globally. Hong Kong, one of the most profitable luxury markets in the world, was down 25%, a significant deceleration from 2014, due to its decreasing popularity as a travelling destination for Chinese tourists. South Korea grew by 4% at constant exchange rates with a strong first half of the year driven by Chinese tourism partially offset by MERS in the third-quarter. Finally, the US market underperformed, driven by soft local demand and the strengthening US dollar, which impacted tourist flows.

In addition, the behaviours and preferences of luxury customers continued to evolve as they seek more experiences, newness, and story telling, as well as increased service-driven personalised contact in a time-efficient way.

Channels

Globally, the retail channel continued to outperform wholesale, and now accounts for 34% of luxury consumption. This channel grew by low single-digit percentage driven by like-for-like store sales as space growth decelerated with a slowdown in store openings for the second consecutive year. Digital commerce remained the fastest growing channel, up 22% at constant exchange rates, moderating slightly from the 30% growth experienced in the prior year. Key drivers of this digital commerce growth included the emergence of direct shopping on social platforms and the continued momentum of mobile commerce. Travel retail continued to outperform the sector and grew by 18%, driven by increasing passenger flows and infrastructure improvements expanding and enhancing the retail space available. Wholesale continued to decline, driven by the ongoing rationalisation across the channel.

Products

For the sector, accessories was the fastest growing product category, at 3% growth, with strong momentum from shoes and leather goods. The apparel category grew by 2%, with similar trends across both mens and womens. Within mens, the outerwear and cashmere categories outperformed, however, outerwear in Q4 was significantly impacted by the unseasonably warm weather. Within womens, denim and outerwear were the key growth drivers. Beauty grew by 1% driven by increasing Chinese and Middle Eastern demand.

Outlook

Industry analysts forecast that the luxury sector will grow by low single-digit percentage in the medium term at constant exchange rates, driven by the continued growth of the Chinese consumer. Japan is expected to remain strong with both tourists and locals driving luxury consumption. The outlook in Hong Kong continues to be uncertain. Long term, the luxury market should benefit from evolving global demographics, continued urbanisation, increased centralisation of wealth in global destination key cities, improving macro and socio-economic trends, strong luxury consumer travel flows and the continued increasing penetration of digital commerce.

Note:

References are to calendar years, unless otherwise stated.

* Bain & Company and Fondazione Altagamma 2015

Luxury Goods Worldwide Market Report (October 2015).

** Mainland China excludes Hong Kong, Taiwan and Macau.

Strategic Report

CORE STRATEGIES

Against a challenging macro-environment, Burberry has focused on delivering against its strategies during the year and has identified significant growth opportunities for the future across its existing channels, products and regions. Burberry's future plans and strategic progress are set out on the following pages.

DRIVING FUTURE GROWTH AND PRODUCTIVITY

Burberry has identified significant growth opportunities across its existing channels, products and regions.

The external environment for the luxury sector has remained challenging and underlying cost inflation pressures persist (see Market Overview on page 26). In this context, Burberry has been accelerating its productivity and efficiency agenda, especially looking at its ways of working. Burberry has also been addressing how to optimise future organic revenue growth opportunities and the resulting investment plans.

The Burberry brand is strong, driven by a blend of heritage and innovation, expressed through its iconic products and fashion newness. Looking ahead, there is opportunity to enhance this existing brand strength through greater consistency and clarity across customer groups and markets.

Burberry has identified significant growth opportunities across its existing channels, products and regions. Central to this are plans to enhance growth and to improve productivity in the following areas:

- Product;
- Retail, including targeting omni-channel excellence; and
- Process, including changing the Group's ways of working.

The key output from this work is summarised below.

Product: clear opportunity in product

Great product is the foundation of Burberry's growth and productivity goals. Burberry has a broad product offer, with strength in both heritage and fashion, across genders and age groups. However, the assortment is generally wider than its peers and there is an opportunity to simplify this to give greater visibility to fashion and newness, while tailoring it more effectively for local needs. To address this, Burberry is introducing end-to-end category management for key products. Following the successful re-launch of Burberry's heritage trench coat and cashmere scarves, the next area of focus is bags, where Burberry is under-penetrated compared to its peers. In 2016/17, the collection will be re-invented around a new pillar and shape strategy, with marketing targeted around the Patchwork and Banner bags and the Rucksack, ahead of major new product launches in 2017/18. Burberry will employ a phased approach to other core product categories.

Retail: driving retail productivity online and offline

Burberry's business model has evolved from licensing, to wholesale to retail, which now accounts for 73% of Group revenue. There is a significant opportunity to improve Burberry's end-to-end retail disciplines as part of a broader push towards omni-channel excellence as the next stage of its evolution. This includes a greater focus on local customers with the aim of driving loyalty by leveraging Burberry's customer insight capabilities, with investment prioritised in selected cities. Improving sales densities, conversion and customer retention will be among the key measures of success.

Priority retail initiatives will include the following.

- **Retail excellence** – The implementation of a major retail excellence programme centred on all aspects of service and training, customer cultivation and retention, in-store operations and targeted product offering. In 2016/17, this will include increased investment in training, the development of an improved digital selling tool for sales associates and the aim to increase by 20% the number of private client sales associates.
- **Extending digital prowess into e-commerce leadership** – While Burberry is recognised as a digital leader in the luxury sector, it plans to ensure that digital remains the clear point of differentiation for Burberry with scope to be even more ambitious commercially. The focus will be on continuing to grow Burberry.com through increasing conversion, particularly mobile, driving penetration of e-commerce, particularly in Asia, while integrating and improving customer experiences across online and offline. Burberry will also actively grow with third-party digital players. In 2016/17, this will include the re-launch of Burberry.com (improving content and functionality), the introduction of a customer app and further investment in localisation of sites in Asia.

Process: improving efficiency through changes in ways of working

To capitalise on the opportunities set out above Burberry plans to change its ways of working, its processes and cost base. Burberry has undertaken an in-depth review of its operating model, including benchmarking, to ensure that the organisation is fit to deliver its ambitious plans and can fund growth. In this regard Burberry will do the following.

- Reduce complexity and inefficiency by simplifying processes.
- Improve both global consistency and local insight, by removing duplication across Group functions and between the regions and corporate centre.
- Prioritise investment behind the biggest growth opportunities.

Financial ambition to FY 2019

Looking forward, Burberry believes that these initiatives will enable Burberry to again outperform sector growth in the £200bn global luxury market, creating further shareholder value.

It is expected that these product and retail initiatives will deliver strong organic growth, with outperformance accelerating over time including the following.

- Improvements in mainline retail productivity which are expected to drive about half the revenue growth over the three-year period.
- E-commerce initiatives which are expected to account for about another third of revenue growth.
- The continued improvement of the quality of Burberry's business, further rationalising traditional wholesale distribution while growing with key partners and reducing the weight of outlet stores.
- To drive this outperformance, Burberry will invest about £10m in FY 2017 and then about £20m – £25m per annum for the next two years in retail, digital and enhancing critical capabilities.

Burberry has also identified a programme of actions to deliver at least £100m of annualised cost savings by FY 2019. This is equivalent to about 10% of the Group's operating expenses excluding fixed rent and depreciation.

- Broadly half of the cost savings are expected to come from significant changes in the Group's ways of working, by reducing complexity, simplifying processes and eliminating duplication.
- The plan is to deliver around £20m of cost savings in FY 2017.
- The associated one-off costs, which are largely cash, are expected to total about £60m across the first two years.

Assuming these ambitious targets for growth are met, Burberry will also start to rebuild the charge for new performance-related pay, at a cost of about £20m, in addition to the existing charge of about £20m in FY 2017.

Strategic progress during 2015/16

Progress on the Group's core strategies during 2015/16 is set out in the following pages.

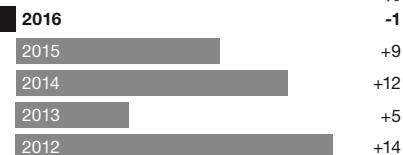
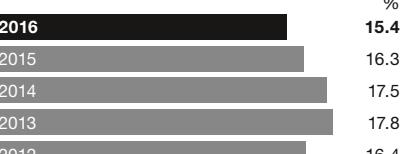
KEY PERFORMANCE INDICATORS

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.

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: revenue growth, adjusted PBT growth and adjusted retail/wholesale return on invested capital, which are linked to core strategies as shown. For details of the Group's remuneration policy, see pages 83 to 105.

KPI	Performance	Measure															
Revenue growth* This measures the appeal of the Burberry brand to customers, however its products are sold. For more detail on the Company's revenue performance see pages 50 to 55.	Revenue in FY 2016 declined by 1% at constant exchange rates, with retail revenue up 1%. Wholesale declined by 2% underlying while Licensing declined by 33% underlying, both in line with guidance.	<p style="text-align: right;">£m Underlying growth</p> <table> <tr> <td>2016</td> <td>2,515</td> <td>-1%</td> </tr> <tr> <td>2015</td> <td>2,523</td> <td>+11%</td> </tr> <tr> <td>2014</td> <td>2,330</td> <td>+17%</td> </tr> <tr> <td>2013</td> <td>1,999</td> <td>+8%</td> </tr> <tr> <td>2012</td> <td>1,857</td> <td>+23%</td> </tr> </table> <p style="text-align: center;">█ Retail █ Wholesale █ Licensing</p>	2016	2,515	-1%	2015	2,523	+11%	2014	2,330	+17%	2013	1,999	+8%	2012	1,857	+23%
2016	2,515	-1%															
2015	2,523	+11%															
2014	2,330	+17%															
2013	1,999	+8%															
2012	1,857	+23%															
Adjusted PBT growth**# Adjusted PBT growth is a key measure used by investors to assess the underlying performance of the Company. <u>Strategic link</u> All core strategies	Adjusted PBT in FY 2016 reached £421m, down 10% at constant exchange rates. Retail/wholesale operating profit at constant exchange rates was down 8% and licensing down 29% underlying.	<p style="text-align: right;">£m Underlying growth</p> <table> <tr> <td>2016</td> <td>421</td> <td>-10%</td> </tr> <tr> <td>2015</td> <td>456</td> <td>+7%*</td> </tr> <tr> <td>2014</td> <td>461</td> <td>+8%*</td> </tr> <tr> <td>2013</td> <td>428</td> <td>+13%*</td> </tr> <tr> <td>2012</td> <td>376</td> <td>+24%*</td> </tr> </table>	2016	421	-10%	2015	456	+7%*	2014	461	+8%*	2013	428	+13%*	2012	376	+24%*
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2014	461	+8%*															
2013	428	+13%*															
2012	376	+24%*															
Adjusted retail/wholesale return on invested capital ('ROIC') Adjusted retail/wholesale ROIC measures the efficient use of capital to deliver attractive returns on incremental investment, which is important given the Group's investment in new projects. It is calculated as the post-tax adjusted operating profit divided by average operating assets over the period for the retail/wholesale segment. <u>Strategic link</u> All core strategies	Adjusted retail/wholesale ROIC in FY 2016 was 14.8% impacted by decline in operating profit and ongoing investment in the business including the evolution of the retail store portfolio.	<p style="text-align: right;">%</p> <table> <tr> <td>2016</td> <td>+14.8</td> </tr> <tr> <td>2015</td> <td>+17.9</td> </tr> <tr> <td>2014</td> <td>+19.6</td> </tr> <tr> <td>2013</td> <td>+19.0</td> </tr> <tr> <td>2012</td> <td>+20.0</td> </tr> </table>	2016	+14.8	2015	+17.9	2014	+19.6	2013	+19.0	2012	+20.0					
2016	+14.8																
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2013	+19.0																
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KPI	Performance	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.	Comparable sales in FY 2016 were down 1%, with a mid single-digit percentage increase from EMEA, unchanged in Americas and mid single-digit percentage decline in Asia Pacific.	 <table> <thead> <tr> <th>Measure</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>2016</td> <td>-1</td> </tr> <tr> <td>2015</td> <td>+9</td> </tr> <tr> <td>2014</td> <td>+12</td> </tr> <tr> <td>2013</td> <td>+5</td> </tr> <tr> <td>2012</td> <td>+14</td> </tr> </tbody> </table>	Measure	%	2016	-1	2015	+9	2014	+12	2013	+5	2012	+14						
Measure	%																			
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<u>Strategic link</u> Optimise Channels, Pursue Operational Excellence																				
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.	Operating margin in FY 2016 was 15.4%, reflecting a modest benefit from gross margin expansion, offset by a mid single-digit percentage underlying increase in operating expenses.	 <table> <thead> <tr> <th>Measure</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>2016</td> <td>15.4</td> </tr> <tr> <td>2015</td> <td>16.3</td> </tr> <tr> <td>2014</td> <td>17.5</td> </tr> <tr> <td>2013</td> <td>17.8</td> </tr> <tr> <td>2012</td> <td>16.4</td> </tr> </tbody> </table>	Measure	%	2016	15.4	2015	16.3	2014	17.5	2013	17.8	2012	16.4						
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<u>Strategic link</u> Optimise Channels, Pursue Operational Excellence																				
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.	Adjusted diluted EPS in FY 2016 was 69.9p, down 9%, reflecting a reduction in Group profit and a higher tax rate.	<table> <thead> <tr> <th></th> <th>Pence</th> <th>Reported growth</th> </tr> </thead> <tbody> <tr> <td>2016</td> <td>69.9</td> <td>-9%</td> </tr> <tr> <td>2015</td> <td>76.9</td> <td>+2%</td> </tr> <tr> <td>2014</td> <td>75.4</td> <td>+8%</td> </tr> <tr> <td>2013</td> <td>70.0</td> <td>+14%</td> </tr> <tr> <td>2012</td> <td>61.6</td> <td>+26%</td> </tr> </tbody> </table>		Pence	Reported growth	2016	69.9	-9%	2015	76.9	+2%	2014	75.4	+8%	2013	70.0	+14%	2012	61.6	+26%
	Pence	Reported growth																		
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<u>Strategic link</u> All core strategies																				
Non-financial measures																				
Non-financial measures have a useful role alongside financial measures to inform decision making and to evaluate Group performance. Burberry is evolving the way it evaluates performance in areas such as people, corporate responsibility and customers, and will aim to disclose non-financial measures in the future. For detail on Burberry's efforts to drive positive social and environmental impact globally see pages 44 to 46, and for progress against 2017 environmental targets, see page 108.																				

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 the Five Year Summary.

† For details of Adjusted retail/wholesale operating margin see page 53.

‡ For details of Adjusted diluted EPS growth see page 50.

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 embraced innovation and responded to new technologies and opportunities while staying true to its 160 year old heritage. 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. In the year, Burberry continued to focus on the brand, which further resonated strongly with customers around the world, placing Burberry among the top five luxury brands globally for unaided awareness.

Key focus areas during 2015/16:

Unified Burberry label

To provide customers with a more consistent brand experience and to reinforce its distinct British identity, Burberry announced plans to unify its Prorsum, London and Brit collections under a new single ‘Burberry’ label. The transition is being phased in during 2016/17. The move to a single Burberry label reflects the way luxury customers shop, blending formal and informal styles and designs into one wardrobe.

Runway Shows

Burberry runway shows continued to inspire with critically acclaimed collections, innovative digital partnerships and live musical performances. The global reach of the shows was further extended with live-streaming on new digital channels. Over the year, show content received over 700 million views across ten global platforms.

- In September, Burberry followers on Snapchat were able to see a preview of the womenswear collection the day before the official runway show. Looks from the collection were shared live as finishing touches were being made in Burberry’s headquarters in London, generating 200 million views on Snapchat.
- Burberry also launched on the Korean social media platform Kakao for the September womenswear show and offered Korean audiences the chance to purchase runway inspired beauty sets immediately after the show.

- Music remained central to the expression of the brand, with live performances at Burberry shows featuring emerging British talent. In September, Burberry became the first global luxury brand to launch a dedicated channel on Apple Music.
- In January, Burberry became the first luxury brand to stream its fashion show live on Apple TV by giving the platform access to its menswear show.
- In February, Burberry announced changes to its runway calendar. From September 2016, we will move from four runway shows a year to two. These shows will be in September and February in London, will combine both the womenswear and menswear collections, and be seasonless, designed with a global audience in mind, as about a third of Burberry’s stores are now in warm/hot climates. The runway collections which are about 5% of Burberry’s retail revenue, will be available to purchase in-store and online directly following the show, responding to customers’ desire for newness and immediacy.

Celebrating Heritage

Over the year, Burberry celebrated its heritage of craftsmanship and innovation in key flagship markets with city-wide events and extensive marketing and social media campaigns.

- In October, Burberry launched a new format for the openings of the new Shinjuku and Seoul stores with live demonstrations of the craft skills involved in the making of the brand’s most iconic products.
- Through its digital platform Art of the Trench, Burberry celebrated the creative communities in a number of key flagship markets. During the year, Burberry launched Art of the Trench Middle East and Art of the Trench Seoul. Since its launch in 2010, the Art of the Trench platform has been viewed over 28 million times globally.
- The brand’s global flagship store, 121 Regent Street, was extended to feature an exclusive area dedicated to gifting and Thomas’s, a British café. Personalisation is a key focus in the new gifting space with in-store monogramming services offered.

Marketing Innovation

Burberry's digital mindset is a fundamental and integral part of the brand and way of thinking across the organisation. Burberry again finished the year as one of the most followed luxury platforms on social media, with a 30% increase in followers for the year reaching over 40 million across all the brand's social platforms.

Festive

- Burberry launched its global festive campaign with the 'Burberry Festive Film', paying tribute to the BAFTA-winning British film, *Billy Elliot*, and featuring a cast of actors, musician and models. The Festive film was viewed over 37 million times across YouTube, Facebook, LINE and Youku.
- The distribution of the Burberry Book of Gifts was also expanded with the introduction of two physical formats, an online version, increased store distribution and partner outreach, leading to a threefold increase in circulation year-on-year.

Campaigns

- Burberry became the first brand to shoot and publish its advertising campaign live through Snapchat. The campaign was shot in October by Mario Testino, providing viewers with unprecedented access to the creative process behind a campaign.
- In February, Burberry was the first brand to shoot its advertising campaign live on Instagram. The latest campaign for the Brit fragrance collection was photographed and published live by Brooklyn Beckham throughout the day as part of his takeover of Burberry's Instagram account. The content was also shared across Burberry's Twitter, Sina Weibo, Facebook, Google+, LINE, WeChat and Kakao accounts.

Technology partnerships

- To generate further excitement and connect audiences with the Festive campaign, Burberry partnered with Google, creating an interactive film experience using real-time video technology. 'The Burberry Booth' enabled customers to star in the 'Burberry Festive Film' alongside the cast members in a personalised edit which was shareable on YouTube, via Twitter or by email.
- As the first luxury brand to partner with DreamWorks Animation's newly formed technology company NOVA, Burberry launched an interactive marketing campaign featuring new 3D visualisation technology. Burberry provided audiences with the opportunity to personalise and engage with computer-generated versions of its iconic heritage scarf on the largest digital screen in Piccadilly Circus, London.

External recognition

Burberry was recognised externally for both its creative, digital and commercial leadership in the sector. Key accolades include the following:

- Ranked first in L2's 2015 Digital IQ: Fashion.
- Creative Campaign of the year at the 2015 British Fashion Awards.
- Listed in Interbrand 'Top 100 Global Brands' for the seventh consecutive year, and ranked as the strongest UK luxury brand globally.

REALISE PRODUCT POTENTIAL

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

Burberry celebrates its British heritage of craftsmanship and innovation in everything it does, from the British-made heritage trench coats and cashmere scarves to the runway collections. Burberry's focus on accessories in recent years has contributed to the growth of this product category, which will be an important future growth driver.

During the year, Burberry reinforced its strong position in cashmere with the introduction of the Scarf Bar and lightweight cashmere trench coats. Heritage remained a key focus, and new product launches in the large leather goods category were well received by customers.

Key focus areas during 2015/16:

Outerwear

- Following the successful Heritage relaunch last year, Burberry introduced new colours and lengths to the British-made heritage trench coat range, together with a new monogramming offer. Lightweight cashmere trench coats were also introduced in 14 colours.

Scarf Bar

- Celebrating the British-made icon, the Scarf Bar initiative was launched both online and in-store in September. The service offers over 30 colours across both signature and lightweight cashmere fabrications, all available for monogramming online and in-store via iPads. The launch was supported with new visual merchandising in-store and online, and a dedicated personalised marketing strategy, including online scarf styling tutorials. In mainline retail, scarves outperformed other accessories, posting double-digit percentage sales growth.

Fashion

- Burberry responded to demand for women's fashion product with dresses and ponchos delivering strong growth for the year.
- The launch of the monogrammable runway rucksack, which featured in the September womenswear show, was an immediate success and sold out on Runway Made to Order within 24 hours of the show, generating a waiting list globally.
- The replenishment of best-sellers, such as the Banner bag, further drove growth in the category and Burberry introduced new shapes for large and small leather goods, including the Bucket bag and Barrow bag.

Beauty

Continuously linking Beauty and fashion, Burberry developed increasingly personalised and interactive ways to engage customers globally. Beauty delivered 8% underlying growth in the year.

- Beauty distribution was expanded through global partnerships with Sephora in 13 markets and with Shiseido in Japan. Burberry make-up launched on Sephora.com in August and was subsequently rolled out to an initial 39 Sephora stores and six online platforms. The global launch included online Beauty tutorials viewed over 1.5 million times to date, engaging new audiences on one of the most important global beauty platforms.
- Three Burberry Beauty Box counters were opened in Japan with Shiseido, and a new stand-alone Burberry Beauty store opened in Hong Kong.
- Burberry continued to focus on building fragrance pillars with product extensions such as the My Burberry Eau de Toilette. Momentum in the category was further supported with the April 2016 launch of Mr. Burberry, a new fragrance, with the first advertising campaign by Oscar and Turner Prize winning director Steve McQueen. The marketing campaign also highlights mens tailoring and outerwear.
- During the year, Burberry won a number of prestigious Beauty awards including the following:
 - FiFi D'Or Award for Best Female Fragrance (My Burberry) – France.
 - Marie Claire Prix du Parfum France (My Burberry) – Marie Claire France.



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.

During the year as customer traffic to stores softened, Burberry intensified its focus on driving performance in its retail stores through increasing loyalty and conversion, enhancing the service offering and more effectively leveraging customer data.

Key focus areas during 2015/16:

Driving retail productivity

With the customer at the centre of all activity, Burberry continued to focus on improving service and productivity online and in-store. Comparable sales were down -1%, as the business invested in customer insight to drive product and service initiatives, helping an increase in conversion.

- To better understand and connect with the core luxury customer, the use of data and analytics was further embedded throughout the organisation. The customer database increased by 10% in the year.
- The Customer Value Management ('CVM') programme – a loyalty and retention tool enabling more targeted, relevant and personalised contact with key customers – was extended to just under 400 stores globally, contributing to increased conversion.
- The Burberry Private Client ('BPC') teams grew by 30% to provide an enhanced service to more customers globally, and increased the number of BPC appointments in the year.
- Data and analytics were leveraged to inform marketing decisions and refine merchandising activities, helping to ensure that Burberry provides a compelling product assortment offering.

Investing in digital

Burberry's digital first approach runs throughout the organisation. Focusing on offering a seamless and personalised experience wherever customers encounter the brand, Burberry refined how online and in-store innovations worked together. Digital outperformed during the year, delivering strong growth in all regions.

- Burberry.com was the fastest growing retail channel, servicing over 40 countries in 11 languages.

- To further improve the user experience, Burberry continued to invest in Burberry.com. The improved mobile platform launched last year and delivered strong growth for the year.
- Burberry increased the availability of stock in all 44 online countries by rolling out the single pool of inventory model in EMEA and the US following a successful implementation in China. This provided customers and store associates with full visibility of all stock within the country, and improved product availability online and in-store, and meaningfully reduced delivery times, enhancing the customer shopping experience.
- To complement Burberry.com, Burberry continued to partner with third-party digital leaders, to provide an authentic, consistent brand experience and to enable Burberry products to reach a wider audience. Burberry launched an online presence on over 18 different platforms for both fashion and beauty, with existing wholesale partners as well as pure digital and social commerce players.

Store investment

Burberry focused on strengthening its store network through openings in key locations, as well as the optimisation of the existing portfolio through relocations, renovations and some closures.

- Burberry opened 18 mainline stores and closed 17 during the year. Openings included stores in Dubai, London, Moscow, New York, Seoul and Tokyo.

Wholesale

- Burberry continued to elevate its department store presence, with over 175 dedicated spaces at year end in US department stores.
- Burberry continued to elevate distribution in EMEA, while growing with key accounts.
- The EMEA Childrenswear licence expired in December and Burberry began servicing those wholesale customers directly.



CONNECT
TO PLAY

burberry.com/play



KYNDAI

UNLOCK MARKET OPPORTUNITY

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

Burberry is continually evolving 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 retail strategy and continued elevation of the business in the US.

Key focus areas for 2015/16:

Engaging the Chinese luxury consumer

Burberry continued to focus on engaging and improving the service offering to the Chinese luxury customer both in China and while shopping abroad, helping to drive brand recognition and desirability consistent with core luxury peers. In Mainland China, which accounts for about half of the retail spend of Burberry's Chinese customers, growth for the year was weighted towards the second half. Conversion improved as Burberry invested in sales associate training to improve service in-store.

- Consistent with the luxury sector trend, comparative sales in the Hong Kong market decreased by over 20% in the year as footfall continued to decline. However, all stores in this important market remained profitable as Burberry focused on ongoing initiatives to drive conversion, marketing, product and customer service, while evolving the store portfolio and controlling costs.
- Burberry continued to evolve and elevate its store portfolio in China, to ensure the best representation of the brand. Closing a net five stores in the year, the portfolio currently consists of 63 stores. Looking ahead to 2016/17, Burberry is planning about a net three store openings in China, with square footage remaining broadly flat, with a particular focus on Beijing, Burberry's largest market in China.
- To celebrate Lunar New Year and Golden Week, Burberry launched festive campaigns and bespoke product assortments in China, key tourist destinations and on Burberry.com. The campaigns were supported by social media initiatives, including an exclusive WeChat messaging experience that resulted in the highest level of content engagement on the platform for a Burberry campaign to date.

Transforming Japan

2015/16 was a significant year for Burberry in Japan with the expiry of the Burberry Japanese licences in June. Burberry opened its sixth free-standing store in Shinjuku, Tokyo and a further seven department store concessions, bringing the total to six stores and 30 concessions including ten childrenswear concessions. The business serves a predominantly domestic luxury customer base and doubled its retail revenue in the year off a small base.

- From September, the global collection became the only Burberry branded product available in the mainline channel across Japan, through the directly operated stores, concessions and Burberry.com. This was complemented by Burberry Beauty, distributed by Shiseido.

- Burberry built strong brand awareness and digital engagement in Japan through targeted marketing, PR and digital activity. Burberry continued to develop its partnership with LINE, the country's leading social platform, offering users access to real-time content such as the livestreaming of shows and key brand moments. In September, Burberry was the first luxury brand to launch on LINE Mall, LINE's shopping channel.
- Burberry began its new Beauty distribution partnership with Shiseido in Japan. Burberry Beauty was introduced in September with the opening of the first three Burberry Beauty Box counters in department stores in Tokyo and Osaka. Shiseido will continue to open additional counters in Japan, helping to build the Beauty business and expand the brand momentum in this market.

Elevating Americas presence

Burberry continued to elevate the brand across its distribution channels and leveraged the strong digital opportunities in this market.

- In the US, Burberry invested in elevating its retail footprint in the key New York city market.
- Burberry reinforced its department store presence in the rapidly developing Canadian luxury market, supported by new space in Toronto and Vancouver.

Advancing Travel retail

The travel retail channel remained a key focus for Burberry as global tourist travel continues to grow.

- Burberry continued to expand its footprint in key airports, opening a new retail store in Dubai, and wholesale stores in Paris CDG and Amsterdam.
- Marketing initiatives continued to target travelling luxury customers in key transport hubs and global tourist destinations.

Building young markets

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

- Burberry moved to direct operations in Russia and Bahrain, opening three mainline stores in Moscow and one in Bahrain and closing the franchise stores in these markets. An additional franchise store was opened in South Africa.



PURSUE OPERATIONAL EXCELLENCE

Drive greater efficiency and productivity through the business.

Burberry's productivity agenda is focused on opportunities in product, retail and processes. This continues to be a key priority for the next phase of growth, as Burberry leverages the investments made in recent years.

Key focus areas during 2015/16:

Supply chain

- In November 2015, as part of its commitment to UK manufacturing, Burberry announced plans to relocate its existing manufacturing to a new facility in Leeds in 2019. The proposal represents an initial investment of over £50 million in the heart of Yorkshire. The proposed site will allow Burberry to continue to produce its most iconic product, the heritage trench coat, in Yorkshire where the brand has been manufacturing for over half a century. The new facility will offer increased capacity and more sustainable and efficient ways of manufacturing, and the potential to develop and produce other products at the site.
- Key investments made in product engineering and sustainable manufacturing continued to drive greater end-to-end control of the Burberry supply chain.
- Burberry continued investing in sustainability across the supply chain, evolving its sourcing model to reflect a transparent and collaborative approach, and positioning Burberry as a recognised leader in the industry.
- Burberry has been on a journey to embed LEAN disciplines across the internal supply chain to shorten lead times, and increase the value delivery for customers. Burberry drove LEAN implementation in the UK's internal manufacturing sites, delivering 15% productivity improvements and 75% lead-time reduction.

Planning

- In the year, Burberry fully implemented the global product buying and allocation activities with the roll-out of a store profiling initiative to provide a more customer-centric product range by store. This was incorporated into the 'Brand Buy' to provide greater product consistency across Burberry's retail stores based on key design inspiration, optimising product assortments and core product replenishment whilst also allowing a degree of flexibility to reflect local customer needs.
- Burberry also further evolved its inventory management and commercial analysis processes to optimise retail execution, driving nearly a 10% reduction in assortments.

Leveraging technology

- The first phase of the upgrade to Burberry's core IT systems was completed. The real-time, faster in-database processing will enable enhanced and more responsive decision-making throughout the business.

Organisational efficiency

- Decisive action during the year resulted in around £25 million of savings against planned spend, from areas including travel, hiring and other expenses. In addition to these tactical measures, Burberry continued to strategically assess all dimensions of its cost base for the future.
- The unification of Burberry's Prorsum, London and Brit collections under a new single Burberry label was a significant move to reduce complexity for customers and internally. The single collection will be introduced into Burberry's own stores and those of Burberry's wholesale customers worldwide by the end of the calendar year 2016. This move will offer customers a more consistent and intuitive experience across existing product assortments, while reducing internal complexity across product and processes.

A M E

BUILD OUR CULTURE

Build and nurture a culture that strengthens our brand through its purpose and values, globally.

As the Burberry business continues to evolve in an ever-changing environment, building and nurturing its authentic culture is ever more important. Guided by its core values – Protect, Explore, Inspire – Burberry is dedicated to fostering a distinct culture with a global team mindset and a pioneering spirit, underpinned by a commitment to responsibility.

Alongside a continued focus on engaging and cultivating our talent, this year saw enhanced emphasis on sustainability and the pursuit of positive social and environmental change. Burberry will be establishing Key Performance Indicators for the Build our Culture strategy in the future.

Key focus areas for 2015/16 included:

Nurturing and rewarding talent

Burberry believes that its people are fundamental to the success of its business. The Company continued to focus on nurturing and rewarding teams, fostering a culture of recognition to support high performance and retention of talent.

- With a focus on cultivating high potential talent, the Burberry Leadership Council contributed to the growth and strength of the Company's globally connected network of leaders through dedicated training, mentoring and networking opportunities. Since 2012, the Council has supported the development of about 250 employees.
- To support the development of talent in merchandising and planning, Burberry recruited graduates from key universities to participate in an 18-month trainee programme.

- Exceptional employee performance across retail, offices, manufacturing and distribution was recognised through the annual Burberry Icon Awards. Live streamed on the Company's internal communications platform for the first time, the events brought employees together globally in celebration of contributions to the brand, business and culture.
- Burberry was listed by LinkedIn as the 12th most sought-after employer in the United Kingdom and 29th in Europe, Middle East and Africa.

Connecting and engaging teams globally

Burberry enhanced communications and ways of working, building stronger connections amongst global teams, and increasing engagement.

- Burberry explored new digital ways to connect teams and share information in real-time, hosting its first digital annual strategic offsite. Replacing previously held regional conferences, the Company leveraged technology to connect different areas of the business more effectively and engage employees globally.
- 'Chat Live' video broadcasts featuring Christopher Bailey and members of the Senior Leadership Team took place each month. With over 50,000 views globally, the interactive question and answer broadcasts increased employee connectivity and engagement around the brand.
- Burberry continued to enhance communications with retail teams, implementing a weekly global Retail Update to streamline and consolidate key information.
- Enhancing connectivity with internal manufacturing teams, the Company implemented interactive engagement methods with employees, to regularly gather and incorporate feedback on development plans for its new trench coat manufacturing and weaving facility.

Promoting fair and responsible employment practices

Burberry is committed to supporting diversity and equal opportunities within the Company, as well as improving employment practices and working conditions at manufacturing sites.

- Burberry employees span 34 countries, representing over 112 different nationalities and with an age range of 16 to 74 years. As at 31 March 2016, of a global employee population of 10,613, approximately 67% (7,164) were female and 33% (3,449) male, with women occupying 40% of senior management roles.
- Supporting the importance of diversity in business and society, Burberry proudly became a corporate member of OUTstanding, a not-for-profit professional network for lesbian, gay, bisexual and transgender executives in the UK.
- The Company's trading activities are guided by its Responsible Business Principles, which are underpinned by the United Nations Universal Declaration of Human Rights, the Fundamental Conventions of the International Labour Organization and the Ethical Trading Initiative Base Code. Targets to promote and build fair and responsible employment practices have been set and integrated into the performance objectives of the Company's sourcing teams as well as at an individual level.
- Burberry became a Principal Partner of The Living Wage Foundation, increasing its support for the initiative as it grows and develops.
- In order to reach and benefit more workers, the Company's Ethical Trading Programme – comprising of announced and unannounced audits, monitoring and improvement programmes – was extended to cover key raw material, Beauty, fragrance, make-up and leather suppliers.
- Results of the 2015/16 audit programme showed an overall positive shift in ethical trading performance by the Company's apparel and non-apparel vendors. For more information, please see www.burberryplc.com.
- Improvement programmes have been implemented across the supply chain to support factories in building stronger human resource management systems, increase individual productivity, reduce working hours and sustain and enhance unique knowledge, skills and expertise. Where access to grievance mechanisms was a particular challenge, confidential non-governmental organisation run hotlines were introduced, providing almost 20,000 workers across 33 factories with confidential support.

Investing in our communities

Burberry remains committed to supporting the communities where its employees live and work by giving financial support, employee time and in-kind donations, with a particular focus on helping young people achieve their potential.

- Burberry continued to donate 1% of Group Adjusted Profit Before Tax* (£4.2 million in 2015/16) to charitable causes, for example supporting innovative youth charities through the Burberry Foundation (UK registered charity number 1154468) and nurturing emerging creative talent through the Burberry Design Scholarship at the Royal College of Art and an apprenticeship programme at the British Fashion Council.
- The Company launched 'Burberry Apprentices' with a vision to support the development of young people globally through apprenticeships and work-based training opportunities. The first phase saw participants join retail, internal manufacturing and distribution teams in the UK.
- The Company encouraged employees to take part in impactful community projects during working hours, believing that volunteering strengthens teams, enhances workplace skills and contributes to motivation and fulfilment. Activities included career inspiration events, employability workshops, long-term mentoring programmes and community revitalisation projects. In total, 2,300 employees in 74 cities dedicated nearly 12,000 hours.
- In-kind donations ranged from one-off gifts of non-trademark fabric and materials to assist young people enrolled in creative courses, to donations of business clothing supporting over 1,000 people enrolled in employability programmes.

* For definition of Adjusted Profit Before Tax see note 2 of the Financial Statements.

Driving environmental sustainability

Burberry is strongly committed to reducing its environmental impact globally through its supply chain and internal operations. Following an independent baseline assessment of the Company in 2012, key targets were developed to reduce environmental impacts arising from materials, energy, water, chemicals and waste. For further detail of these targets and progress made to date, see pages 108 and 109.

- Cotton, leather and cashmere are three of the Company's key raw materials, representing around 30% of its greenhouse gas ('GHG') emissions. Burberry focused on improving the traceability and sourcing of these materials, partnering closely with supply chain and industry stakeholders. Key steps included joining the Better Cotton Initiative to promote sustainable cotton farming beyond Burberry's farmer engagement programme in Peru, spearheading an initiative to engage key industry stakeholders in sustainable grassland management in cashmere farming communities in Mongolia, and actively promoting environmental best practice and innovation at leather tanneries.
- To drive further environmental improvements in its supply chain, Burberry increased efforts to engage over 100 of its manufacturing partners and benchmark their environmental performance. In addition, 20 key partners were supported to identify and manage their resource consumption. The Company also continued to work with its partners to eliminate the release of chemicals that may have an adverse environmental impact by improving chemical management practices in the supply chain and supporting extensive research into new technology.
- Recognising that waste plays a key role in resource depletion and climate change, Burberry is prioritising the reduction and repurposing of waste. Examples include recycling pre-consumer textile waste into new yarns in Italy, repurposing damaged garment waste into insulation and using textile waste for home furnishings in the UK. Additionally, over 85% of construction waste from major projects globally was recycled.

- Committed to improving its operational efficiencies, Burberry has taken a holistic approach to energy management. For example, all new builds and modern concept refurbishments are fitted with LED lighting. 37% of electricity is generated on site or sourced through green tariffs. Burberry distribution centres achieved an absolute energy reduction of 17% from 2014/15 levels and energy reductions have been realised at over 75 retail locations.

External recognition

Burberry was recognised externally for its sustainability performance and desirability as an employer.

Key accolades included the following:

- Included in the 2015 Dow Jones Sustainability Indices ('DJSI') for the first time, Burberry was listed as one of the top performing companies in the world for sustainability in the 'Consumer Durables & Apparel' sector.
- Recognised in RobecoSAM's 2016 Sustainability Yearbook as 'Industry Mover, Bronze Class' in the Textiles, Apparel and Luxury Goods category, for having achieved the largest proportional improvement in its sustainability performance.



Strategic Report

PERFORMANCE

The following pages set out the highlights of the Group financial performance during the year to 31 March 2016 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

Total revenue (2015: £2,523m)	Capital expenditure (2015: £156m)	Adjusted profit before tax (2015: £456m)
£2,515M	£138M	£421M
Year-end net cash (2015: £552m)	Adjusted diluted EPS (2015: 76.9p)	Full year dividend per share (2015: 35.2p)
£660M	69.9P	37.0P

£ million	Year to 31 March		% change	
	2016	2015	reported FX	underlying
Revenue	2,514.7	2,523.2	–	(1)
Cost of sales	(752.0)	(757.7)	1	
Gross margin	1,762.7	1,765.5	–	
Operating expenses [#]	(1,344.9)	(1,310.3)	(3)	
Adjusted operating profit	417.8	455.2	(8)	(11)
Net finance credit [#]	2.8	0.6	–	
Adjusted profit before taxation	420.6	455.8	(8)	(10)
Adjusting items	(5.0)	(11.2)		
Profit before taxation	415.6	444.6	(7)	
Taxation	(101.0)	(103.5)		
Non-controlling interest	(5.1)	(4.8)		
Attributable profit	309.5	336.3		
Adjusted EPS (pence)[~]	69.9	76.9	(9)	
EPS (pence) [~]	69.4	75.1	(8)	
Weighted average number of ordinary shares (millions) [~]	446.1	447.8		

Underlying performance is presented 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 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 (2015: £14.9m).
- Put option liability finance income of £9.9m in reported net finance income relating to the third party 15% economic interest in the Chinese business (2015: income of £3.7m).

~ EPS is presented on a diluted basis.

Revenue analysis

Revenue by channel

£ million	Year to 31 March		% change	
	2016	2015	reported FX	underlying
Retail	1,837.7	1,807.4	2	1
Wholesale	634.6	648.1	(2)	(2)
Licensing	42.4	67.7	(37)	(33)
Revenue	2,514.7	2,523.2	–	(1)

Retail

73% of revenue (2015: 71%); with 215 mainline stores, 214 concessions within department stores, digital commerce and 58 outlets.

- Retail sales up 1% underlying.
- Comparable sales down 1% (H1: up 1%; H2: down 2%) but up 3% excluding Hong Kong and Macau.
- New space contributed the balance of growth at 2%.
- Digital grew in all regions.

Following a strong first quarter of the year (with comparable sales growth of 6%), the luxury sector became more challenging during the balance of the year, although with different regional trends as explained below. In mainline globally, footfall in store continued to decline, only partly offset by improved conversion and modest growth in average selling price.

Digital outperformed during the year, with growth in all three regions. Following investment in Burberry's mobile platform in late 2014, mobile accounted for half of digital traffic in the year. Conversion increased in both mobile and desktop facilitated by the roll out of the single pool of inventory model, payment and checkout improvements and ongoing website optimisation projects.

Accessories outperformed apparel in mainline during the year. This was underpinned by a strong performance from the Scarf Bar initiative and associated marketing. New fashion categories such as ponchos, dresses and the runway rucksack also saw good growth.

Asia Pacific

With retail accounting for over 85% of revenue in the region, Asia Pacific saw a mid single-digit percentage decline in comparable sales during the year.

Hong Kong, which accounted for 9% of our global retail/wholesale revenue, remained a challenging market throughout the period affected by significantly lower footfall. An intense focus on the local customer coupled with cost reduction initiatives ensured that all stores in Hong Kong remained profitable. Excluding Hong Kong and Macau, Asia Pacific delivered a low to mid single-digit percentage increase in comparable sales.

Mainland China and Korea both showed positive comparable growth during the year, improving in the second half. Japan performed strongly off a small base and is now over 2% of group retail/wholesale revenue.

During the year, Burberry opened seven mainline stores and closed seven, while opening 20 concessions and closing 20. Flagship stores were opened in Seoul, Korea and Shinjuku, Tokyo, an additional 17 concessions were opened in Japan, while the store portfolio was further upgraded in mainland China and Korea.

Europe, Middle East, India and Africa (EMEIA)

Retail accounted for two-thirds of EMEIA revenue. Comparable sales for the year increased by a mid single-digit percentage, although slowing progressively throughout the year. The United Kingdom and the Middle East, which together accounted for over 40% of EMEIA's total retail revenue, were difficult across the period for both domestic and travelling luxury customers. Continental Europe delivered double-digit percentage comparable growth in the first three quarters of the year but declined in the fourth quarter, as tourist spend, especially by Chinese travellers reduced. This was partly offset by continued growth from domestic customers.

During the year, Burberry opened 13 mainline stores and concessions and closed 11, led by investment in the Middle East and Russia, both markets with long-term growth opportunities. In April 2016, Burberry took full economic control of its business in the Middle East, with a payment in FY 2017 of approximately £16m, plus some deferred payment through to 2023.

Americas

Comparable sales in the Americas were unchanged year-on-year, with retail accounting for nearly 70% of regional revenue. Together, Canada, Brazil and Mexico, which contributed over 15% of Americas total retail revenue, delivered double-digit percentage comparable growth during the year, as customers shopped in their home markets. In the US, domestic demand was uneven throughout the period and tourist spend was weak. Digital as a percentage of sales in the Americas was more than twice the global average and showed good growth.

The store portfolio in the Americas was relatively stable during the year, with two mainline openings and three closures and our first concession opening in Mexico bringing the total number of stores in that country to five.

Wholesale

25% of revenue (2015: 26%); generated from sales of apparel and accessories to department stores, multi-brand specialty accounts, franchise stores and travel retail; as well as Beauty to over 80 distributors worldwide.

- Wholesale revenue down 2% underlying.
 - Excluding Beauty, down 6% underlying.
 - Beauty up 8% underlying.
- 62 franchise stores globally at 31 March 2016, a net decrease of five during the year.

The regional comments below exclude Beauty.

Asia Pacific

Asia Pacific is the Group's smallest wholesale region – accounting for about 20% of the Group total. Underlying revenue was down by a double-digit percentage in both the first and second halves, reflecting cautious ordering from travel retail customers.

Europe, Middle East, India and Africa

EMEIA accounts for about 45% of Group wholesale revenue, selling to over 500 customers throughout the region. Revenue for the year was broadly unchanged reflecting continued account rationalisation, offset by growth from existing strategic accounts, higher in-season orders and the benefit from the transition of childrenswear in Europe to direct operation, following the licence expiry in December 2015.

Americas

Wholesale in the Americas accounts for about 35% of Group wholesale revenue (equivalent to about 7% of Group retail/wholesale revenue). Revenue was down by a mid single-digit percentage in the year, largely reflecting a more difficult consumer environment for department store customers in the United States, leading to cautious ordering.

Beauty

Beauty wholesale revenue of £191m grew by 8% underlying, driven in part by the sell-in of Mr. Burberry, our new male fragrance pillar, which launched in April 2016. Make-up doubled year-on-year off a small base, boosted by our partnership with Sephora globally, both in-store and online.

Licensing

2% of revenue (2015: 3%); of which nearly 60% is from Japan, with the balance mainly from global product licences (eyewear and watches).

- Licensing revenue down 33% underlying, slightly better than guidance.
- Decline due to planned expiry of Japanese Burberry licences.

Licensing revenue from Japan declined, as planned, from £53m in FY 2015 to £24m in FY 2016. This included income from the original licences, which expired in June 2015 and the first income from the new Crestbridge label licence, partly offset by a £3m adverse foreign exchange impact.

Revenue from the Group's global product licences increased by a double-digit percentage during the year, including some phasing benefits. As part of our focus on core categories, and as already announced in January, our watch licence will not be renewed in December 2017.

Operating profit analysis

Adjusted operating profit

£ million	Year to 31 March		% change	
	2016	2015	reported FX	underlying
Retail/wholesale	380.9	399.2	(5)	(8)
Licensing	36.9	56.0	(34)	(29)
Adjusted operating profit	417.8	455.2	(8)	(11)
Adjusted operating margin	16.6%	18.0%		

Adjusted retail/wholesale operating profit decreased by 8% underlying. With the Japanese Burberry licences expiring as planned, total adjusted operating profit declined by 11% underlying.

Adjusted retail/wholesale operating profit

£ million	Year to 31 March		% change	
	2016	2015	reported FX	
Revenue	2,472.3	2,455.5		1
Cost of sales	(752.0)	(757.7)		1
Gross margin	1,720.3	1,697.8		1
Gross margin	69.6%	69.2%		
Operating expenses	(1,339.4)	(1,298.6)		(3)
Adjusted operating profit	380.9	399.2	(5)	
Operating expenses as % of revenue	54.2%	52.9%		
Adjusted operating margin	15.4%	16.3%		

Adjusted retail/wholesale operating profit was £381m in FY 2016, down 8% underlying and down 5% at reported FX, which included a £14m positive impact from exchange rate movements. Operating margin was 15.4% or 14.9% at constant exchange rates.

Gross margin was 69.6% up 40 basis points. This reflects a 70 basis point benefit from exchange rates, partly offset by a 30 basis point underlying decline.

Compared to FY 2015 operating expenses of £1,299m, there was a mid single-digit percentage underlying increase in FY 2016.

- With over half of the increase from net new space.
- And the balance from inflation and some investment in marketing and IT.
- It also includes savings of over £25m compared to plan as management took swift action during the year to tightly manage discretionary costs, including headcount and travel and expenses.

In addition:

- The performance-related pay charge was about £65m lower year-on-year as the business did not achieve its targets.
- There was a £35m increase in the charge relating to store impairments and onerous leases to £45m, reflecting more challenging conditions in certain markets.

Licensing operating profit

£ million	Year to 31 March		% change	
	2016	2015	reported FX	
Revenue	42.4	67.7	(37)	
Cost of sales	–	–	–	–
Gross margin	42.4	67.7	(37)	
Gross margin	100%	100%		
Operating expenses	(5.5)	(11.7)		53
Operating profit	36.9	56.0	(34)	
Operating margin	87.0%	82.7%		

Licensing revenue decreased by 33% underlying, down 37% at reported FX, primarily reflecting the expiry of the Japanese Burberry licences. With lower allocated operating expenses, licensing profit was £36.9m, down 29% underlying (down 34% at reported FX including an adverse exchange rate impact of £3m).

Adjusting items

£ million	Year to 31 March	
	2016	2015
Amortisation of fragrance and beauty licence intangible	(14.9)	(14.9)
China put option liability finance income	9.9	3.7
	(5.0)	(11.2)

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

The China put option liability finance income of £9.9m relates 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 2016 was 24.7% (2015: 23.4%), higher than guided due to a change in the transfer pricing approach by an overseas tax authority.

After taking into account tax on adjusting items, the tax charge of £101m (2015: £104m) resulted in an effective tax rate on reported profit of 24.3% (2015: 23.3%).

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 2016, the total taxes borne and collected by the Group in the UK and overseas amounted to £385.3m. In the UK, where the Group is headquartered and has significant operations, Burberry paid business taxes of £84.4m and collected a further £27.8m of taxes on behalf of the UK Exchequer. For further information see www.burberryplc.com.

Net cash

Cash generated from operating activities in FY 2016 was £503m (2015: £568m). Reflecting lower than expected revenue growth in the second half, inventory was £487m, up 10% at constant exchange rates, with most of the increase being current season. Capital expenditure was below guidance at £138m (2015: £156m), reflecting some phasing and tight control over project spend. Other major outflows were dividends of £158m and tax of £95m.

Net cash at 31 March 2016 was £660m, an increase of £108m year-on-year. Lease-adjusted net debt was £416m at 31 March 2016, an increase of £46m year-on-year.

This is defined as five times minimum lease payments less net cash, with minimum lease payments now excluding expenses relating to onerous lease provisions.

Outlook

Retail In FY 2017, net new space is expected to contribute low single-digit percentage growth to total retail revenue. Around 15 mainline store openings are planned, with a similar number of closures.

Wholesale Burberry expects total wholesale revenue at constant exchange rates in the six months to 30 September 2016 to be down by around 10% on the same period last year (H1 2015: £305m). This reflects significantly tighter inventory control by US wholesale customers, continued cautious ordering in other regions and the elevation of Beauty distribution in key markets.

FX impact on retail/wholesale adjusted profit In FY 2017, if exchange rates remain at current levels, we expect FY 2017 reported adjusted retail/wholesale profit to benefit by about £50m compared to FY 2016 rates. This compares to an expected benefit of about £60m at the time of the Second Half Trading Update based on 31 March 2016 effective rates.

Licensing Total licensing revenue for FY 2017 is planned to be down by about £20m at constant exchange rates (FY 2016: £42m), primarily reflecting the expiry of the Japanese Burberry licences.

FY 2017 adjusted PBT Since the Second Half Trading Update in April 2016.

- The external environment has remained challenging and underlying cost inflation pressures persist.
- The benefit from exchange rates is about £10m lower.
- Burberry expects to deliver around £20m of cost savings and invest about £10m.
- Burberry is planning on a new performance-related pay charge of about £20m in addition to the existing charge of about £20m.

In addition, to deliver the savings, about £20-30m of one-off costs in FY 2017 are expected, which will be excluded from adjusted profit.

Tax rate The tax rate on adjusted profit for FY 2017 is currently expected to be about 24%.

Capital expenditure Spend of about £150m is planned in FY 2017.

Store portfolio

	Directly-operated stores				Franchise stores
	Stores	Concessions	Outlets	Total	
At 31 March 2015	214	213	57	484	67
Additions	18	25	1	44	6
Closures	(17)	(24)	–	(41)	(11)
At 31 March 2016	215	214	58	487	62

Store portfolio by region

	Directly-operated stores				Franchise stores
	Stores	Concessions	Outlets	Total	
At 31 March 2016					
Asia Pacific	63	143	14	220	8
EMEA	75	62	24	161	47
Americas	77	9	20	106	7
Total	215	214	58	487	62

Capital structure In FY 2017 and beyond, Burberry now intends to move to a progressive dividend policy and, as such, plans to hold the FY 2017 dividend per share at least in line with FY 2016.

Beyond this, Burberry has reviewed its:

- Future cash generation, reflecting its growth, productivity and investment plans, taking into consideration the current challenging external environment.
- Relevant financial parameters, both historical and projected, including net cash, lease-adjusted net debt and measures covering balance sheet strength and fixed charge cover.

Balancing these factors, Burberry is commencing a share buyback programme of up to £150m starting in FY 2017. Additional capital returns to shareholders will be kept under regular review reflecting the factors discussed above.

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 is responsible for the Group's risk management and internal controls system and reviewing its effectiveness. The system is designed to identify and manage, rather than eliminate, the risk of failure to achieve the Group's strategic objectives and to provide reasonable but not absolute assurance against material misstatement or loss. More information on the Group's internal control and risk management systems can be found in the Corporate Governance Report on pages 74 to 76.

The Board has overall responsibility for determining the nature and extent of the principal 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.

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, budget and viability statement (see page 57);

- information provided for the purposes of deciding whether to approve those significant matters which have been reserved for the Board;
- Group risk assessments facilitated by the Group's Risk Function and the reports of the internal and external auditors; and
- Risk appetite guidelines relating to the Group's principal risks.

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 29 to 46.

Within the table is a summary of how each risk is defined, its context, potential impact and mitigating activities and the Group's assessment of the change in risk during 2015/16. This assessment is based on the external environment in which the Group operates, its business operations and the impact of the Group's internal controls on the severity of the risk in the period. The Group's risk exposure is continually reviewed by senior management and is therefore subject to change as a result of internal and external factors, future events or otherwise. 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. 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 Group may face.

The key changes in the principal risks during the year include the following:

- The outlook for the luxury sector remains uncertain.
- The risk of a successful cyber security breach is reflected as a separate risk.
- The implementation of the Group's productivity and efficiency agenda.
- As the Japan licence has expired during the year and the Group is directly operating in Japan, the previous risk relating to the termination of the Japan licence has been removed.

Longer-term viability statement

During the year, the Directors have carried out a robust assessment of the principal risks of the Group (set out in the table below). The Directors have also identified those risks which they consider could potentially impact the viability of the Group.

The Directors have assessed the potential impact of these risks materialising and the impact on the ability of the Group to continue in operation and to meet its obligations. This assessment consisted of an analysis of the potential impact of the net risks on the Group's viability and, where appropriate, stress testing.

The Group's annual corporate planning process consists of the preparation of a three-year strategic plan, reforecasting of the current year business performance during the year and preparation of a more detailed budget for the following year. The Directors have reviewed the plans, forecasts and budget including assumptions regarding the Group's products and markets, expenditure commitments and expected cash flows.

The stress testing consisted of estimating the impact of revenue sensitivities on the profitability and cash generation in the Group's strategic plan, together with reverse stress testing to identify the theoretical revenue sensitivity that the Group could absorb, without impacting its viability. The sensitivities took account of the likely mitigating actions available to the Directors through adjustments to the operating plan in the normal course of business, together with resulting impacts on returns to shareholders.

The period considered for the assessment was three years to March 2019. This period was considered appropriate by the Directors on the basis of the following:

- It is the period for which the Group's strategic plan was prepared.
- It is sufficient to encompass the completion of the almost all currently approved capital expenditure projects.
- As the Group has no contracted income, and as most current projects will be completed in the three-year period, any projections beyond March 2019 will only vary as a result of estimates of sales growth and cost growth assumptions.

In assessing the viability of the Group, the Directors have also taken into account the Group's current liquidity and available facilities (set out in note 21 of the financial statements) and financial risk management objectives and hedging activities (set out in note 25).

On the basis of this assessment, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to March 2019.

In making this statement, the Directors have made the key assumption that there is no material long-term impairment to the Burberry brand.

Risk	Business impact	Mitigation
A major breach in cyber, systems or information security could adversely impact the Group's business operations and/or result in a major data loss adversely impacting the Group's reputation.	<p>The Group's customer and employee data, Burberry.com business, digital strategy and operations mean that it is critical that the Group's technology is robust, its systems are secure and data protected. Sensitive data faces the threat of misappropriation and a breach of cyber security on key business systems could also affect business operations.</p>	<p>Information systems and cyber security received substantial Audit Committee focus during the year to ensure that the Group's response to this developing risk is appropriate.</p> <p>Investment in the ongoing cyber security programme including the recruitment of a Group Information Security Officer and strengthening of the IT security team.</p> <p>Ongoing activities to detect and investigate threats and incidents including with the support of key technology partners and suppliers.</p> <p>Increased focus on employee awareness and training in relation to sensitive data and digital information.</p> <p>Evaluation and testing of cyber security using specialist third parties and of the crisis management and wider business continuity plans.</p>
<u>Change in level of risk</u> New separate risk	<u>Strategic link</u> All core strategies	
The outlook for the luxury sector remains uncertain.	<p>Changes and events in the external market or environment could impact the Group's performance and the delivery of its strategies. These changes or events could include:</p> <ul style="list-style-type: none"> (i) a sustained economic slowdown which adversely impacts the Group's customers, suppliers and operations; (ii) a change in consumer behaviour or other events which adversely impact consumer demand particularly in relation to key consumer groups who make a significant contribution to Group revenues; and (iii) increasing global economic uncertainty including matters such as Brexit (the potential withdrawal of Britain from the European Union) which could have an impact on economic growth and adversely impact the Group or give rise to additional costs relating to movements of inventory within the supply chain. 	<p>With the outlook for demand in the luxury sector remaining uncertain and underlying cost pressures persisting for the sector, the Group is accelerating its work on its productivity and efficiency agenda particularly its ways of working, and how to optimise future organic revenue growth opportunities.</p> <p>The global reach of the Group helps to mitigate local economic and geopolitical risks.</p> <p>The Group focuses on inspiring consumers through the Brand and realising its opportunities among key consumer groups and geographic markets.</p> <p>The Group's financial reporting and review processes are designed to highlight any change in ongoing sales performance to enable action planning to address underperformance.</p> <p>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> <p>The Group would seek to mitigate any adverse cost impacts, arising as a result of Brexit, through optimisation of operations within the supply chain.</p>
<u>Change in level of risk</u> Increased risk	<u>Strategic link</u> Optimise Channels, Unlock Market Opportunity	
Inability of the organisation to successfully deliver the productivity and efficiency agenda without compromising business as usual.	<p>The productivity and efficiency agenda is being implemented to optimise future organic revenue growth opportunities and to deliver productivity and efficiencies particularly through ways of working.</p> <p>The failure to effectively manage this programme could adversely impact the delivery of the Group's strategies, the anticipated productivity and efficiency improvements, its operations and return on investments. The Group's systems of internal control will need to be maintained.</p>	<p>Experienced management leaders are accountable for the conduct of this agenda and the delivery of the outcomes in accordance with the plan approved by the Board.</p> <p>Dedicated resources will be put in place to manage change.</p> <p>Regular Senior Leadership Team review of the programme implementation to allow for open discussion of emerging risks and control requirements.</p> <p>Progress of the delivery of the programme will be subject to regular review by the Board. The Board also approves the Group's strategies, its three-year plan and annual budget.</p>
<u>Change in level of risk</u> Increased risk	<u>Strategic link</u> All core strategies	

Risk	Business impact	Mitigation
Failure to realign the organisational resource capability to deliver the productivity and efficiency agenda.	<p>The implementation of the productivity and efficiency agenda means that attracting and retaining the right skills to meet evolving priorities is critical. Insufficient capability and capacity in senior management and insufficient employees with the right skills will limit the Group's ability to execute the Group's strategies and other changes as planned.</p> <p>The period of change may result in a loss of key individuals or the inability to recruit and retain individuals with the relevant talent and experience could disrupt the operation of the business and adversely impact the Group's ability to deliver its strategies.</p>	<p>There will be a particular focus on people throughout the programme, recognising the need for appropriate capability to be built across the organisation.</p> <p>Clearly defined people strategy, based on organisational capability requirements, culture and engagement, equality and wellbeing, talent development, training and reward and recognition.</p> <p>The Nomination Committee and the Senior Leadership Team regularly review key talent and resource risks.</p> <p>Clear and open engagement with employees to promote an environment of trust and honesty.</p> <p>Competitive incentive arrangements currently exist, with specific initiatives in place designed to retain key individuals. Recruitment is ongoing and talent review and succession planning programmes are in place and are regularly reviewed and updated.</p>
<u>Change in level of risk</u> Increased risk	<u>Strategic link</u> All Core Strategies	
Sustained breaches of the Group's intellectual property rights and unauthorised sale of Burberry products.	<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 unauthorised sale of Burberry products and distribution of counterfeit products, damages the Burberry brand image and profits.</p>	<p>The Group's global Brand Protection team is responsible for the Group's brand protection efforts globally, 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.</p>
<u>Change in level of risk</u> No material change	<u>Strategic link</u> Inspire with the Brand, Realise Product Potential, Optimise Channels, Unlock Market Opportunity	
Chinese consumer spending patterns significantly change adversely impacting the Group's revenues.	<p>A significant proportion of the Group's sales are to Chinese consumers globally. Consequently, any change to Chinese consumer tastes or the economic, regulatory, social and/or political environment in China could adversely impact this consumer's disposable income, confidence and travel, which could impact the Group's revenue and profits.</p>	<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. The Group has commenced its transition of its global business in Japan.</p>
<u>Change in level of risk</u> No material change	<u>Strategic link</u> Inspire with the Brand, Optimise Channels, Unlock Market Opportunity, Pursue Operational Excellence	
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, changes in exchange rates can impact the Group's revenues, margins, profits and cash flows.</p>	<p>The Group seeks to hedge anticipated foreign currency transactional cash flows using financial instruments. These are mainly in the Group's centralised supply chain and wholesale and Beauty businesses. The Group does not hedge intra-group foreign currency transactions at present. 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 material transactions for this purpose in the current or previous year.</p>
<u>Change in level of risk</u> Increased risk	<u>Strategic link</u> All Core Strategies	

Risk	Business impact	Mitigation
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>	<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.</p>
<u>Change in level of risk</u> No material change	<u>Strategic link</u> All Core Strategies	<p>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>
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>	<p>The Group monitors and seeks to continuously 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.</p> <p>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.</p> <p>Assurance processes are in place to monitor compliance in a number of key risk areas, with results being reported to the management Risk Committee and Board Audit Committee.</p>
<u>Change in level of risk</u> No material change	<u>Strategic link</u> All Core Strategies	
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>	<p>A number of initiatives are in place, led by the Corporate Responsibility function. These include the continuing activities set out in the Build our Culture section on pages 44 to 46.</p>
<u>Change in level of risk</u> No material change	<u>Strategic link</u> Inspire with the Brand	
Over-reliance on key vendors.	<p>The Group relies on a number of vendors in key product categories. Failure of these businesses to deliver products or services would have a significant impact on business operations.</p>	<p>The Group continues to evolve its supply chain organisational design to develop its manufacturing base to reduce dependence on key vendors.</p>
<u>Change in level of risk</u> No material change	<u>Strategic link</u> Inspire with the Brand, Realise Product Potential	

Risk	Business impact	Mitigation
<p>The Group's IT systems and operational infrastructure are critical to its operation and the delivery of products and services to its consumers. Increasingly, technology is evolving to stream major events and to communicate through social media.</p>	<p>A failure in these systems or a denial of service could have a significant impact on the Group's operations and reputation. The Group also relies on a small number of vendors of specialist digital and IT services.</p>	<p>The Group's IT systems and infrastructure received substantial Audit Committee focus during the year. 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. The Group has continued to strengthen its internal digital and IT teams and continues to facilitate knowledge transfer to internal resources.</p>
<p><u>Change in level of risk</u> No material change</p>	<p><u>Strategic link</u> All Core Strategies</p>	
<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>	<p>Seizure of assets or staff. Business associate 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 operating or regulatory environment.</p>	<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. Where appropriate, the Group seeks to work with franchisees or partners who compensate for its relative lack of experience in a number of these markets.</p>
<p><u>Change in level of risk</u> No material change</p>	<p><u>Strategic link</u> Inspire with the Brand, Optimise Channels, Unlock Market Opportunity, Pursue Operational Excellence</p>	

BOARD AND GOVERNANCE

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BOARD OF DIRECTORS

Chairman

Sir John Peace (67)[†]

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 (45)

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 (55)

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 (58)

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 (49)*†‡

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 Rodale Inc., NPR Inc. (National Public Radio), 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 Experian plc, Saks Incorporated, Intelsat Inc., BOC Group plc, and Bankinter S.A.

Philip Bowman (63)*†‡

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 was Chief Executive of Smiths Group plc from 2007 to 2015, and 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 (54)*†‡

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 (53)*†‡

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 (59)*†‡

Non-executive director

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

Matthew Key (53)*†‡

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. Matthew is also a member of the European Advisory Board of Samsung Electronics. 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.

Dame Carolyn McCall (54)*†‡

Non-executive director

Dame Carolyn McCall was appointed as a non-executive director in September 2014. Dame Carolyn is Chief Executive of easyJet plc, a position she has held since July 2010. Prior to easyJet, she 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. Dame Carolyn was awarded the OBE for services to women in business in June 2008 and a Damehood for services to the aviation industry in January 2016. In January 2014, Prime Minister David Cameron appointed her a UK Business Ambassador.

Key to membership of committees

- * Audit Committee
- † Nomination Committee
- ‡ Remuneration Committee



Back row:

Ian Carter, Carol Fairweather, Matthew Key, John Smith, Philip Bowman, Dame Carolyn McCall

Front row:

Jeremy Darroch, Stephanie George, Sir John Peace, Christopher Bailey, Fabiola Arredondo



CORPORATE GOVERNANCE REPORT

Dear Shareholder,

This has been a watershed year for the luxury sector, marked by a challenging global environment and the expectation that these challenges will continue. In this context, Burberry has been accelerating its productivity and efficiency agenda, especially looking at its ways of working, and has identified significant growth opportunities across its existing channels, products and regions as described earlier in this report.

As a Board we have spent a significant amount of time during the year considering all aspects of this productivity and efficiency agenda with management, and this will continue to be an important area of focus for the Board in the coming year. The Board remains confident of the Group's compelling opportunities in the longer term and that these initiatives will create future value for our shareholders.

Board and Committee composition has continued to be a particular focus of the Board during the year as the Board continues to execute against its succession plan. The composition of the Board has evolved significantly over the past three years with the appointment of four new non-executive directors and further changes are planned over the coming year.

David Tyler stepped down from the Board on 31 December 2015, and on behalf of the Board I would like to thank David for his immense contribution to Burberry since its IPO in 2002.

The Board also keeps under review the composition of its Committees and the tenure of Committee Chairs. Following a review during the year, the Board has appointed Jeremy Darroch as Chair of the Audit Committee and Fabiola Arredondo as Chair of the Remuneration Committee, each with effect from 1 August 2016. I would like to thank Philip Bowman and Ian Carter for their commitment as previous Chairs of these important Committees over a number of years.

The Board has also determined that the composition of the Committees should evolve over time away from the past practice of all non-executive directors sitting on all Committees. A variation in Committee membership will enable a fresh perspective and reflects the increased time commitment and focus required from Committee members due to the expansion of the Group over the past few years and the increasing complexity of the remit of the Committees.

Burberry continues to support diversity in all its forms across the organisation including the Board. While all Board appointments are made on merit, the Board continues to

believe in the importance of a diverse Board and has always had strong gender diversity amongst its membership, including at executive level. The Board will continue to monitor diversity and take such steps as it considers appropriate to maintain its position as a meritocratic and diverse business.

It is also important to have an open and ongoing dialogue with our shareholders and other stakeholders. During the year a combination of myself, individual non-executive and executive directors and other members of senior management participated in around 280 meetings with investors, including with the Group's 25 largest investors.

With the expectation that the year ahead will continue to be impacted by a challenging external environment, the Board will continue to work with management as we execute on our strategic and operational initiatives. The work of the Board and its Committees during the year along with the assessment of its performance, is set out in this report.

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 2015/16 and, together with the Directors' Remuneration Report on pages 83 to 105, 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.

Our Board

The Board currently consists of 11 members – the Chairman, the Chief Creative and Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer and seven independent non-executive directors. A list of directors and their biographies is set out on pages 64 and 65.

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 overall effectiveness and governance. He also ensures the effective communication between the Board, management and with shareholders and the Group's wider stakeholders.

The Chairman works collaboratively with the Chief Creative and Chief Executive Officer, Christopher Bailey, in setting the Board agenda and ensuring that 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 64.

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, an independent perspective and constructive challenge and monitor the performance and delivery of the strategy within the risk parameters set by the Board.

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 16.

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

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.

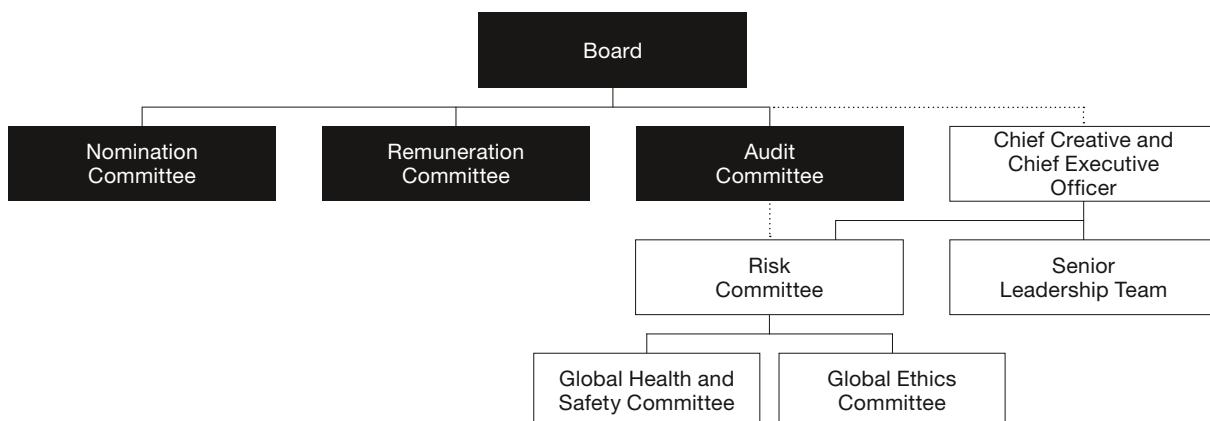
Role of the Board Committees

The Board is supported in its activities by a number of committees including the following principal committees: Audit Committee; Nomination Committee; and Remuneration Committee. 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 Chair of the relevant Committee.

Set out on pages 77 to 81 are reports from the Audit and Nomination Committees. The report of the Remuneration Committee is set out on pages 83 to 105.



Board effectiveness

The culture of the Board is open, transparent and collegiate. The Chairman demonstrates leadership and encourages open and transparent style around the Board table.

Highlights of Board activities during 2015/16

During the financial year the Board held six scheduled meetings, including an in-depth two-day session on strategy. In addition, individual Board members spent time visiting the Group's business in its key regions of Asia Pacific, EMEIA and the Americas and 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 arising during the year. The Group's ongoing financial and strategic performance is reviewed at every meeting and the Chief Creative and Chief Executive Officer, the Chief Operating Officer and the Chief Financial Officer comment on current trading, the market, products, key brand moments and Group culture.

In addition, to allow for opportunities for the Board to engage with senior management to discuss key elements of the business, individual Board members are offered meetings with senior management, and a number of Board dinners were held during the year.

The table below gives the highlights of how the Board and its Committees spent their time during the 2015/16 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 30. The more detailed work of the Committees is set out in this report.

Strategy and Business Focus	CC & CEO's regular updates on current trading, the business and operations. Annual strategy session (two days) and the acceleration of the Group's productivity and efficiency agenda. Received briefings on key areas of the business, the external economic environment and the luxury sector. Consideration of the Group's capital structure, balance sheet strategy and returns to shareholders. Year-end review of the business/sector outlook and consideration of the 2016/17 budget in the context of the three-year plan.
Oversight and Risk	Review of the interim and preliminary results announcements, Annual Report and Accounts. Review of risk assessments, internal control framework, business controls and consideration of risk appetite. Consideration of the Group's viability statement and the viability assessment and stress testing underpinning the statement. Strategic risks and impact on the three-year plan. Review of audit plan for the year, reappointment of auditors and non-audit fees. Review of the Group's ongoing business process transformation programme aimed at simplifying the Group's operating processes including the upgrades of the Group's IT systems. Review of IT general controls and cyber security plans and activities. Consideration of the internal audit of Group Treasury, various treasury matters and amendments to the Treasury Policy. Consideration of Group tax matters including the Group's approach to tax risk.
Governance and Engagement	Consideration of new UK Corporate Governance Code requirements relating to the Group's internal control and risk management arrangements and new requirement to report on the Group's longer-term solvency and viability. Consideration of the UK Corporate Governance Code and other regulatory requirements for the Annual Report. Preparation for, and review of Notice of AGM. Discussed regular updates from Investor Relations on share price, performance metrics, register activity and investor and analyst sentiment. Engaged with investors throughout the year and responded to retail shareholder questions at the AGM. Considered progress against the Board Succession Plan, Committee roles and composition. Assessed the outcome of the Board/Committee effectiveness review. Consideration of director indemnification and Director's and Officer's insurance renewal. Consideration of director conflicts of interest.
People, culture and values	In depth review of ways of working as part of the Group's productivity and efficiency agenda. CC & CEO's regular updates on key brand moments and culture. Consideration of regular updates from the management Ethics Committee. Consideration of the Group's charitable activities, including the Burberry Foundation.

Evaluating our performance in 2015/16

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. As last year's review was conducted externally by Dr Tracy Long of Boardroom Review, this year's review of the Board's and Committees' effectiveness was facilitated internally by the Company Secretary.

The review parameters were informed by the insights and agreed actions arising from the workshop discussion facilitated by Dr Long last year, key themes which had arisen from Board discussions during the year and the impact of the continuing uncertain external environment. Each of the directors was encouraged to express their views on any area of Board and Committee effectiveness and in particular, were asked to consider the following matters.

- Particularly with the changing Board composition, whether there were effective opportunities for engagement with the Group's strategy and knowledge of the business.
- Whether there had been appropriate focus on the identified strategic challenges for the Group and what future areas of priority focus should be.
- What would assist the Board/Committees in working more effectively in the coming year.

Written feedback from the review was obtained from each director and the Chairman subsequently spoke to each director individually to ascertain any further views and to discuss individual roles and performance (see 'Directors' performance' on page 72). A report of the key themes and recommended actions arising from this review was considered.

The overall view from the feedback was that the Board operated in a very collegial way and added real value. The Board appointments over the last few years had strengthened the Board's capability and provided a fresh perspective to Board discussions. There had been a good balance of Board focus on the priority strategy areas as well as a deepening of the non-executive directors' understanding of the operational and strategic aspects of the Group's business. The rapidly changing external environment for the luxury sector was an important factor and so future areas of strategic focus would need to be reflective of this. It was important to continue to progress the Board's succession plan with the aim of continuing to strengthen Board membership to support the Group's future ambitions.

Below is a summary of the key themes and recommendations/actions identified from the 2015/16 review and progress against the actions arising from last year's review.

Key Themes	2015/16 Review		2014/15 Review
	Views	Actions	Progress against prior year actions
Board composition and ongoing NED support	<p>The recent appointments to the Board had strengthened the Board's capability and enabled a fresh perspective. 'Deep dives' into the business and strategy should continue.</p> <p>Continuing the Board succession plan was important. With the rapidly changing external environment for the luxury sector, new Board appointments should be made with a view to supporting the Group's future ambitions.</p>	<p>Specific areas for further 'deep dives' into the business and competitive landscape were identified. These areas would be woven into the Board agendas and other opportunities for visits and discussions during the coming year.</p> <p>The Board succession plan would continue with the aim of appointing additional new non-executive directors in the coming year. The desired characteristics for any new appointments would be factored into the individual search profiles and selection process.</p>	<p><i>Action: Enhance non-executives' engagement with strategy and knowledge of the Company.</i></p> <p>There had been an effective focus on deepening the understanding of the operational and strategic aspects of the business for the NEDs. This had included an in-depth two-day session on strategy and Board agenda items which focused on specific areas of the business and the luxury sector. In addition, individual Board members spent time visiting the Group's business in its key regions of Asia Pacific, EMEA and the Americas and various operating facilities in the UK.</p>
Board/ Committee focus	The Board needed to understand the dynamics for the rapidly changing external environment for the luxury sector and the Board's strategic focus should reflect this. Specific areas of future Board focus were identified.	These specific areas of Board focus would be woven into the Board agendas during the coming year.	<p><i>Action: Future Board focus would continue to be on the strategic challenges of managing growth, the uncertain external environment and shareholder engagement.</i></p> <p>A good balance of Board focus had been achieved in these areas during the year.</p>
Board/ Committee effectiveness	<p>The Board/Committees operated in a very collegial way and added real value. Individual director input was encouraged, listened to and reflected on.</p> <p>Management's style was open and interactive, agendas were good and the meetings were well run. It would be good to structure the timing of meetings so to allow more time for discussion and debate.</p>	The approach to Board meeting agendas, papers and timings would be reviewed to ensure that the directors' time together was maximised.	<p><i>Action: Continue to enhance non-executives' knowledge and involvement.</i></p> <p>See above: Board composition and ongoing NED support actions.</p>

Directors' performance

The Chairman held discussions with each of the directors to discuss their individual performance and to raise any top-of-mind issues they may have including in relation to any matters relating to the Board/Committee effectiveness review. This assessment is used as the basis for recommending the re-election of directors by shareholders.

Chairman's performance

The Senior Independent Director met with the non-executive directors, without the Chairman present, to review the Chairman's performance. The results of this review were then discussed with the Chairman. The feedback was that the Chairman does an excellent job. Particularly, he encourages an open and transparent style around the Board table, is actively engaged in the key strategic issues facing the business and facilitates Board focus on the key issues.

The table below gives details of directors' attendance at Board and Committee meetings during the year ended 31 March 2016.

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

¹ David Tyler stepped down from the Board and its Committees on 31 December 2015.

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 64 and 65.

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 64 and 65.

The Board 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 three 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. During the year David Tyler stepped down from the Board on 31 December 2015. The Board would like to thank David for his immense contribution to Burberry over the years since its IPO in 2002. The Board plans to continue to execute against its succession plan and it is anticipated that there will be further changes to the Board in the coming year.

As part of its succession planning the Board also keeps under review the composition of its Committees and the tenure of the Committee Chairs to ensure that these roles are refreshed from time to time. Following this review and on the recommendation of the Nomination Committee, the Board has appointed Jeremy Darroch as Chair of the Audit Committee and Fabiola Arredondo as Chair of the Remuneration Committee, each with effect from 1 August 2016. The Board would like to thank Philip Bowman and Ian Carter for their commitment as previous Chairs of these important Committees.

The Board has also determined that the composition of its Committees should evolve over time away from the past practice of all non-executive directors sitting on all Committees. A variation in Committee membership will enable a fresh perspective and reflects the increased time

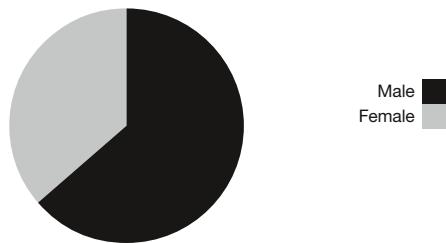
commitment and focus required from Committee members due to the expansion of the Group over the past few years, and the increasing complexity of the remit of the Committees in terms of regulatory and other requirements. To ensure that the appropriate linkage remains, all non-executive directors will continue to receive papers relating to all Committee meetings and will be invited to attend Committee meetings whenever they wish.

All new Board appointments are based on merit, keeping in mind the Board composition principles. 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 81 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 consistently 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, since the publication of his report.

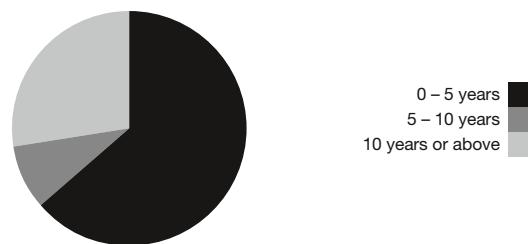
Currently, four out of our eleven Board members are female (including our Chief Financial Officer) comprising 36% of our Board membership. The Board will continue to monitor diversity and take such steps as it considers appropriate to maintain Burberry's position as a meritocratic and diverse business.

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 10,613, approximately 67% (7,164) is female and approximately 40% 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 pages 44 to 46.

Board tenure



The balance of tenure of service of the directors is set out in the Board tenure diagram. At the time of the 2016 Annual General Meeting, Sir John Peace and Philip Bowman will have served on the Board for 14 years, Stephanie George will have been on the Board for ten years and Ian Carter will have served for nine years.

The performance of Philip Bowman, 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 2015/16' on page 70, the Board is kept up to date on legal, regulatory, compliance and governance matters through advice and regular papers from the Company Secretary and other advisers.

The Company Secretary assists the Chairman in designing and facilitating a tailored induction programme for new directors and their ongoing training. Each newly appointed director receives a formal and tailored induction programme to enable them to function effectively as quickly as possible, while building a deep understanding of the business and the Group's markets. Each induction typically consists of meetings with both executive and non-executive directors, briefings from senior managers across the Group on key business areas and operations, the luxury market, strategy, the corporate functions, and the Burberry brand and culture. In addition, non-executive directors are provided with opportunities to visit key stores, markets and facilities. This includes visits to the Group's various operating facilities in the UK. The Chairman considers the training needs of individual 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 2015, all continuing directors offered themselves for re-election. Each director was re-elected and no director received less than 96% in favour of the votes cast. At the Annual General Meeting in 2016, 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 2016 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 Investor Relations team participated in around 480 investor meetings and events during the year. A combination of the Chairman, individual non-executive directors, executive directors and other members of senior management participated in around 280 of these meetings. This engagement included presentations to institutional shareholders and analysts following the release of the Group's interim and full year results (which are available on the Group's website at www.burberryplc.com), as well as meetings with the Group's 25 largest investors. Topics discussed included (but were not limited to) luxury sector growth dynamics, the Group's performance and strategy, productivity and efficiency agenda, performance related pay and the transition of the business to direct operation in Japan.

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 major shareholders and stakeholders from this engagement or direct contacts.

The Group also conducts a regular independent investor audit of its major investors through Makinson Cowell, a capital markets advisory firm, to gauge investor perception. The investor audit findings are discussed with the Board.

Evaluation of internal controls

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 principal risks it is willing to accept in achieving the Group's strategic objectives (the Board's risk appetite); and
- challenging management's implementation of 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 arrangements. Ongoing review of these controls is provided through internal governance processes and the work of the Group functions as overseen by executive management particularly, the work of Group Risk and Internal Audit and the management Risk Committee. Further assurance is provided by the reviews conducted by the external auditor. Regular reports on these activities are provided to the Audit Committee as reflected in the standing items on the Audit Committee agenda, with further objective reporting provided by the external auditors.

The Board, through the Audit Committee, has conducted a robust assessment of the Group's principal risks and the Group's internal control framework and has considered the effectiveness of the system of internal controls in operation across 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 the material controls including financial, operational and compliance controls and risk management arrangements. 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 process followed by the Board, through the Audit Committee, in reviewing regularly the system of internal controls and risk management arrangements accords with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting issued by the Financial Reporting Council ('FRC'). It also accords with the provisions of the UK Corporate Governance Code.

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. The Group also 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 regular review.

The Group operates a 'three lines of defence' model which helps to achieve effective risk management and internal control across the organisation. This comprises the following:

- the first line of defence: management owns and manages risk and is also responsible for implementing corrective actions to address process and control deficiencies;
- the second line of defence: to help ensure the first line is properly designed, established and operating appropriately, management has also established various risk management and compliance functions to help build and/or monitor the first line of defence. These include (but are not limited to) functions such as Group Risk, Financial Governance, Health and Safety, Asset and Profit Protection and Business Continuity; and

- the third line of defence: Internal Audit provides the Audit Committee and management with independent and objective assurance on the effectiveness of governance, risk management and internal controls including the manner in which the first and second lines of defence achieve risk management and control objectives.

Risk management

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. The plan and the assessment of the impact of the principal risks on the plan, forms the basis of the Board's assessment of the viability of the Group as required by the Code. 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.

The Vice President – Group Risk Officer, who reports to the Chief Operating Officer, is responsible for ensuring that the Board's requirements relating to risk management frameworks 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 principal risks facing its operations and to record the relevant controls and any actions in place to further 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 review by the Board.

The management Risk Committee meets at least three times per year and reports any key findings to the Audit Committee. The Risk Committee evaluates risk through reports made to it by Risk, 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

People & Corporate Affairs Officer, the General Counsel, the Company Secretary, the Vice President – Group Risk Officer, the Vice President of Internal Audit and other members of senior management. Key findings of the Risk Committee are reported to the Audit Committee.

Further details on the Group's risk management approach and its management and mitigation of each Principal risk is set out in the Principal Risks section on pages 56 to 61. Following the new requirement of the Code to report on the Group's longer-term solvency and viability, the Group's viability statement is set out on page 57.

Internal audit

All Internal Audit activity is conducted by the Internal Audit team under the leadership of the Vice President of Internal Audit, who reports to the Chief Financial Officer but has an independent reporting line to the Chairman of the Audit Committee. Internal Audit adopts a risk-based approach to developing the annual audit plan which involves undertaking a 'mapping' exercise between the Principal Risks, the potential impact on the achievement of the Group's strategic objectives if those risks were to materialise and the extent to which other sources of assurance exist and can be relied upon to mitigate the Principal Risks. The output of this, together with a number of other factors, helps to identify areas of focus for the annual audit plan. Internal Audit stays abreast of any changes to the Group's risk profile on an ongoing basis and will reflect this through changes to the audit plan as necessary during the year. Any proposed changes to the plan are discussed with the Chief Operating Officer and the Chief Financial Officer and reported to the Audit Committee.

Ongoing visibility of the internal control environment is provided through Internal Audit reports to management and the Audit Committee. These reports are graded to reflect an overall assessment of the control environment under review, the significance of any control weaknesses identified, and also include any remedial actions which have been identified and agreed with management. Reports are also provided on the status of any open actions.

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; 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. These matters are also discussed with the external auditor.

Fair, balanced and understandable

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 position and 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 114. The report of the Auditors on page 115 includes a statement by the auditors concerning their reporting responsibilities.

CMA Order 2014 statement of compliance

The Audit Committee confirms that during 2015/16 the Company has complied with the mandatory audit processes and audit committee responsibilities provisions of the Competition and Markets Authority Statutory Audit Services Order 2014, as outlined in this report which describes the work of the Audit Committee in discharging its 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. In addition to the disclosure requirements relating to audit committees under the UK Corporate Governance Code ('Code'), the Committee's report sets out the areas of significant and particular focus for the Committee over the course of the year.

During the year the Committee continued to focus on the usual review of the Group's financial results and ensuring the ongoing effectiveness of the Group's internal control and risk management systems. The usual work of the Committee is set out in the table on page 78. Some of the more in depth areas of focus for the Committee during the year included the following matters.

- The Committee monitored the Group's ongoing process transformation programme aimed at simplifying the Group's operating processes including significant upgrades of the Group's IT systems. As a result, opportunities for improvement within the IT control framework were identified. Following from this, the Committee considered management's review of the Group's information technology governance and control frameworks, including the progress on areas identified for improvement. This included a review of the IT function and refreshed IT strategy by the newly appointed Chief Information Officer, as well as a number of targeted reviews by Internal Audit. The output of these reviews highlighted the need for enhanced risk awareness within the IT function, improved alignment between IT and business strategies and improved programme management of major transformation and change initiatives. Resources have now been deployed to address these recommendations.
- With the heightened global technology and information security risks becoming an increasingly significant issue for companies, the Committee spent a significant amount of time on the Group's progress in this area. In particular, the Committee reviewed the ongoing progress of the Group's Cyber Security Programme in light of recommendations of an externally commissioned Cyber Security Risk Assessment and follow up independent review conducted during the year, to ensure that the Group continued to appropriately prioritise its focus and resources towards this critical area of risk. A new senior position of Chief Information Security Officer was filled shortly after the financial year-end.

- The new requirements introduced by the Code required additional focus from the Committee during the year to ensure the Group's compliance with these requirements. In this regard the Committee considered the Group's internal control and risk management arrangements and monitoring practices to ensure that these accord with these new enhanced requirements (see pages 74 and 75).
- Another new requirement of the Code is the report on a company's longer-term solvency and viability and as such, the Committee considered the development and recommendation to the Board of a new viability statement for the Group (as set out on page 57). The Committee considered the assurance work conducted by management which underpins the statement and considered that three years was an appropriate timeframe on which to base an assessment of the long-term viability of the Group on the basis that it aligns with the regular business planning period. The Committee also reviewed the outcome of the stress testing performed by management and recommended that the Directors confirm that they have a reasonable expectation that the Group would be able to continue in operation and meet its liabilities as they fall due over the three-year period of assessment.

The Committee also considered the significant matters set out in the table on page 79. 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.

The Committee has a constructive and open relationship with management and the auditors and I thank them on behalf of the Committee for their assistance during the year.

As I will be stepping down as Chair of the Committee from 1 August 2016 this will be my last report. Jeremy Darroch who has been a member of the Committee since February 2014, will succeed me as Chair. Jeremy has extensive executive finance and general management experience and I wish him every success in his new role.

Philip Bowman
Chairman, Audit Committee

Audit Committee membership

The following directors served as members of the Committee during the year ending 31 March 2016:

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
Dame Carolyn McCall	1 September 2014
David Tyler ¹	21 June 2002

¹ David Tyler stepped down from the Committee on 31 December 2015.

The Audit Committee met three times during the year. The attendance record of Committee members is recorded in the table on page 72. In addition to the scheduled meetings the Chairman of the Committee meets separately with representatives of the Auditor, the Chief Financial Officer, the Vice President – Financial Controller, the Vice President – Internal Audit and the 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 Operating Officer, the Chief People and Corporate Affairs Officer, the Company Secretary, the Vice President – Group Risk Officer, the Vice President – Internal Audit, the Senior Vice President – Group Finance, the Vice President – Group Financial Controller, the Senior Vice President – Group Tax, the General Counsel 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 64 and 65.

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.burberryplc.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 2015/16
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 position and performance, business model and strategy. • Assessment of the Group's viability and the appropriateness of the going concern basis for reporting. • 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 and operational control frameworks. • Review of 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 2016/17.
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 2015/16 financial year (see below). • Review and approval of the audit plan for the year presented by the Group's auditors. 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 80).

Significant matters

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

Significant matters for the year ended 31 March 2016	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 disclosure of the potential impact of the call option being exercised ahead of the put option on the liability arising. Further details of the valuation of the put option, which is valued at £45.8m 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.
Impairment assessment of property, plant and equipment and onerous lease provisions.	The Committee considered management's assessment of the recoverability of the carrying value of retail assets held in property, plant and equipment, and, where applicable, the potential need for provisions relating to onerous lease contracts. The Committee considered the approach applied by management to review for potential indicators of impairment and the assumptions applied in this review. Due to the more challenging trading conditions in the luxury sector during the year, the Committee requested that management modify the approach, so that more retail assets were subject to a detail impairment assessment. Where impairments were identified, the Committee considered the reasons for the impairment and management's quantification of the impairment. Due to the magnitude of the impairment charge recorded in the year, the Committee reviewed management's assumptions for impairment assessments in detail and challenged the rationale for all significant elements of the charge. The Committee also challenged the way that any impairment charge is disclosed in the Annual Report, given the increased materiality of the figure.
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. Due to the more challenging trading conditions in the luxury sector during the year, the Committee requested management to review the assumptions applied in estimating the recoverable value of the inventory. The Committee concluded the carrying value of the inventory was appropriate. The Committee also reviewed management's evolution of their provisioning methodology for Beauty inventory, which had been requested by the Committee in the previous year, and concluded that the evolution in methodology was appropriate. 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 29.
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.
Other matters.	At the May and November meetings, the Committee also considered management's papers on the following subjects: <ul style="list-style-type: none"> • assessment of the carrying value of goodwill; • 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 ('PwC'). 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 2015/16 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. As the external auditors are required to rotate the audit engagement partner every five years, a new engagement partner Paul Cragg commenced his appointment from this 2015/16 financial year. As a result of the UK's implementation of the EU's mandatory firm rotation requirements, the Company is required to replace PwC with another firm of auditors no later than for the financial year commencing 1 April 2020.

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. 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 £250,000 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 £412,000 on non-audit services provided by PricewaterhouseCoopers LLP (being 21% 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 the following.

- To review the balance and composition of the Board and its Committees, ensuring that they remain appropriate.
- To be responsible for overseeing the Board's succession planning requirements in light of the Group's strategy and the Group's position on diversity and inclusion. This includes the identification and assessment of potential Board candidates and making recommendations to the Board for its approval.
- To 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.

Highlights of the Committee's activities during the year included the following.

- The ongoing focus on the Board succession plan to continue to evolve the Board's relevant skills and competencies for the future. (See Board succession on page 72 and Diversity and inclusion on page 73).
- The consideration of the composition of the Board Committees and Committee Chair roles.
- The consideration of the findings of the 2016 Board effectiveness review and the recommendations for Board governance and enhancing the composition of the Board.

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 2016:

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
Dame Carolyn McCall	1 September 2014
David Tyler ¹	23 March 2007

1 David Tyler stepped down from the Committee on 31 December 2015.

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.burberryplc.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 72 gives details of directors' attendance at these meetings.

The Committee continued to spend a significant amount of time on the Board succession plan as well as the consideration of the composition of the Board Committees and the tenure of the Committee Chairs, to ensure that these roles are refreshed from time to time. Following this review the Committee recommended to the Board the appointment of Jeremy Darroch as Chair of the Audit Committee and Fabiola Arredondo as Chair of the Remuneration Committee. The Committee is satisfied that these appointees have the requisite background, experience and personal qualities required to act as effective Chairs of these respective Committees.

Other regular attendees at Committee meetings include the Chief Creative and Chief Executive Officer, the Chief People and Corporate Affairs Officer 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 2015 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 2015 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 2016 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 2016 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 2016 Annual General Meeting, all of the directors will again retire and all will offer themselves for re-election or, in the case of any newly appointed directors, for election.

The biographical details of the current directors can be found on pages 64 and 65 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 2016 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 for the purpose of achieving 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 attended by a number of Group officers and employees including the Chief Financial Officer, the Senior Vice President – Group Tax, the Company Secretary, the General Counsel, and the Chief People and Corporate Affairs Officer, 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 page 107.

DIRECTORS’ REMUNERATION REPORT

Dear Shareholder,

The role of the Remuneration Committee continues to be to ensure that remuneration for the executive directors and other senior executives enables them to be completely focused on driving the Company’s performance and delivering our key strategies in a responsible way. It is also our responsibility to ensure that remuneration received by the executive directors is aligned with the levels of performance achieved and the value delivered to you as shareholders.

As reported by the Chairman and the Chief Creative and Chief Executive Officer in their introductory letters to this year’s Annual Report, 2015/16 has been a challenging year for the luxury sector globally, resulting in Group Revenue of £2,514.7m and Group Adjusted Profit Before Tax ('PBT') of £420.6m. As we have announced, with the outlook for demand in luxury uncertain and underlying cost pressures persisting for the sector, we are accelerating our productivity and efficiency agenda, especially looking at our ways of working. We are also addressing how to optimise future organic revenue growth opportunities, the resulting investment plans and our capital structure. Please see page 30 for further information.

Remuneration for 2015/16

Against this backdrop of a challenging external environment, the senior executive team has remained focused on the management of the business and the execution of our key strategies. We continue to drive the business to ensure Burberry is best placed for long-term, sustainable growth and value creation. Our financial outcomes reflect these economic challenges and, given the stretching nature of the performance targets we had set at the beginning of our financial year, the level of remuneration received by the executive directors for the 2015/16 year is lower than in 2014/15. In particular, the points I would draw your attention to are as follows:

- 2015/16 Group Adjusted PBT achieved was below the threshold target set by the Remuneration Committee at the start of the year and so no annual bonus will be paid to the executive directors;
- the relatively subdued growth in Group Adjusted PBT over the three-year period ending in 2015/16 means that awards granted in 2013 based on this performance measure – Co-Investment Plan ('CIP') awards and 50% of Restricted Share Plan ('RSP') awards – will not vest. The remaining 50% of 2013 RSP awards based on Total Shareholder Return ('TSR') relative to our peers will also not vest;
- the Committee has reviewed progress for the year against the performance criteria on Christopher Bailey's 2014 exceptional share award and has determined that achievement for 2015/16 was 50% of maximum. Section 5 of this report includes detailed commentary on progress towards the objectives for this second year of the performance period; and
- Given the uncertain external environment and the reflection of these economic challenges in our financial outcomes, Christopher Bailey has requested that the vesting date of the first tranche of his 2013 exceptional share award be deferred for a further 12 months, from July 2016 to July 2017. Ahead of the new vesting date in July 2017, the Committee and Christopher Bailey will again assess the extent to which vesting would be appropriate.

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 Burberry’s directors’ remuneration policy ('remuneration policy') approved by shareholders at the 2014 Annual General Meeting ('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 for the year ahead. We have chosen to include the full remuneration policy in this report to help you to better interpret the Annual Report on Remuneration.

We will be seeking shareholder approval for a new remuneration policy at the 2017 AGM, when the existing policy reaches the end of its three year-life. The Committee will be reviewing our remuneration arrangements in detail ahead of this, to ensure the new policy will serve Burberry well for a further three-year period. We will look to consult with our largest shareholders regarding the new remuneration policy towards the end of the year.

Remuneration for 2016/17

In terms of how the remuneration policy will be operated during the 2016/17 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 not be receiving any increase to salaries;
- the weightings and definitions for the Executive Share Plan ('ESP') performance measures to be applied to awards to be granted in 2016 will remain unchanged from those used for the 2015 awards; and
- the award levels for the 2016 ESP grant will be reviewed and the performance measure targets to be applied will be carefully re-calibrated to ensure they remain stretching and appropriately motivating and, most importantly, are aligned with our strategy and performance goals.

In the context of work on our productivity and efficiency agenda and its resulting benefits, the Committee is currently reviewing the approach to take for ESP awards to be granted in 2016, and in particular the performance targets that will be applied. The Committee considers it critical that the 2016 ESP performance targets are aligned with the resulting three-year financial goals and are calibrated based on the most relevant internal and external information. We typically grant our share awards each year during July, and the Committee’s normal approach is to determine the quantum and performance targets to be applied to these awards well in advance, at its March meeting. This was not possible this year due to the ongoing productivity and efficiency work described above. As a result, the Committee was not in a position to determine and disclose the 2016 ESP award levels and targets ahead of publication of this report. The Committee has therefore decided to delay the grant of awards for 2016 from the normal date in July to November. The Committee values the views of shareholders and has decided on this timing to allow time to share and discuss the proposed targets with our largest shareholders ahead of any formal disclosure and grant. The Committee will review the quantum of ESP awards in light of any changes to performance targets. The Committee remains committed that remuneration should be strongly linked to performance. Once determined, the final 2016 ESP awards and targets will be disclosed on our website.

The Committee values the views of shareholders and takes feedback received on any aspect of Burberry’s executive remuneration very seriously and I would like to thank shareholders for the ongoing feedback on executive remuneration generally in this and prior years.

Following four years as Chairman of the Remuneration Committee, I have decided to step down from the role. I am delighted to share with you that Fabiola Arredondo will succeed me as Chairman with effect from 1 August 2016 and I am confident that under her chairmanship the Committee will continue to take a responsive and responsible approach to executive remuneration. I would like to thank shareholders once again for the time you have invested and the support you have given the Committee, and to me personally, during my time as Chairman.

This 2016/17 Annual Report on Remuneration and this statement will be put to an advisory vote at the AGM on 14 July 2016. As I hope it is clear from this report, the Committee remains committed to aligning pay with performance and with the experience of long-term shareholders. We look forward to gaining your support on the report when it is put to the vote at the AGM.

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 2015/16 (Annual Report on Remuneration)
3. Outstanding share interests
4. Directors’ remuneration in 2016/17
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. Payments for loss of office
8. Remuneration Committee in 2015/16
9. Seven-year performance graph and Chief Executive Officer remuneration

1. Directors’ remuneration policy

Burberry’s directors’ 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 and has not changed since its introduction, we are not seeking approval for it this year and it is set out in this report for reference only. 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 (‘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.

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.

* 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.

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.	<p>Maximum annual increase (per individual executive director): 15% of salary.</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>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>
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 application of judgement would be disclosed at the time in the relevant remuneration report.</p>

Purpose	Maximum annual opportunity and link to performance	Operation
Burberry Executive Share Plan ('ESP') To focus executives on, and reward them for, sustainable long-term performance and successful execution of the Group's long-term strategy. To help maintain the stability of the top executive team, and align executives' interests with those of shareholders.	<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>
All-employee share plans To encourage employee share ownership at all levels.	Sharesave: maximum savings amount of £6,000 per annum, with which shares can be purchased with a 20% discount. Share Incentive Plan and International Freeshare Plan: awards with a value of up to £500 per annum.	Burberry operates two all-employee share plans: 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. 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. 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.
Pensions To offer market-competitive benefits.	Maximum Company contribution: 30% of salary per annum.	Executive directors participate in defined contribution arrangements. Participants may elect to receive some or all of their entitlement as a cash allowance.

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 64 and 65.

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. Christopher Bailey and Carol Fairweather have service agreements put in place prior to implementation of this policy and each includes a 6-month notice period to 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
Carol Fairweather	11 July 2013	12 June 2006	6 months	12 months
John Smith	6 February 2013	4 March 2013	12 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% 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. The Company will be consulting with its largest shareholders later in the summer of 2016 regarding 2016 ESP awards (in particular the performance measure targets that will be applied) and later in the year regarding the 2017 remuneration policy.

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 2015/16 (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 2015/16 (audited)

The table below sets out the single figure of total remuneration received or receivable by the directors in respect of the 2015/16 year (or the three-year performance period ending on 31 March 2016 in respect of the 2013 Co-Investment Plan and 2013 Restricted Share Plan awards). The single figures of total remuneration are also included for the prior (2014/15) financial year.

	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 2016	1,100	464	0	0	0	0	330	1,894
Year to 31 March 2015	1,008	424	1,782	3,991	–	3,991	303	7,508
Carol Fairweather								
Year to 31 March 2016	500	33	0	0	0	0	150	683
Year to 31 March 2015	488	32	608	410	0	410	146	1,684
John Smith								
Year to 31 March 2016	592	43	0	–	0	0	178	813
Year to 31 March 2015	588	41	719	–	–	–	176	1,524
Former executive directors								
Angela Ahrendts								
Year to 31 March 2015	89	41					27	157
Non-executive directors								
Sir John Peace								
Year to 31 March 2016	400	4						404
Year to 31 March 2015	400	4						404
Fabiola Arredondo								
Year to 31 March 2016	80	86						166
Year to 31 March 2015	7	17						24
Philip Bowman								
Year to 31 March 2016	135	14						149
Year to 31 March 2015	135	2						137
Ian Carter								
Year to 31 March 2016	115	81						196
Year to 31 March 2015	115	134						249
Jeremy Darroch								
Year to 31 March 2016	80	–						80
Year to 31 March 2015	78	–						78
Stephanie George								
Year to 31 March 2016	80	103						183
Year to 31 March 2015	80	74						154
Matthew Key								
Year to 31 March 2016	80	5						85
Year to 31 March 2015	80	3						83
Dame Carolyn McCall								
Year to 31 March 2016	80	3						83
Year to 31 March 2015	47	3						50
David Tyler								
Year to 31 March 2016	60	–						60
Year to 31 March 2015	80	–						80

Notes:

- Fees for David Tyler for the 2015/16 year relate to the period 1 April 2015 to 31 December 2015, when he stepped down from the Board.
- The amounts shown for 2012 CIP awards vesting for Christopher Bailey and Carol Fairweather (for year to 31 March 2015) shown in the 2014/15 report assumed a share price of £17.93, based on the average share price over the three months to 31 March 2015, and payments £208,578 and £21,406 respectively in lieu of dividends (because these awards had yet to vest). These awards vested on the 18 July 2015 at a share price of £16.01 and Christopher Bailey and Carol Fairweather received payments in lieu of dividends of £226,215 and £23,217 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 2015/16 year.
- No shares were awarded under the Burberry SIP or Free Share plans to executive directors in the 2015/16 year.
- No payment has been made to a past director during the 2015/16 year.

The table below details the benefits/allowances received by the directors during the 2015/16 year:

2015/16 benefits/ allowances (£'000)	Cash allowance	Car allowance	Clothing allowance	Private medical insurance	Life assurance	Long-term disability insurance	Expenses	Tax on expenses	Total £'000
Executive directors									
Christopher Bailey	440	–	–	14	5	5			464
Carol Fairweather	–	10	15	4	1	3			33
John Smith	–	17	15	3	5	3			43
Non-executive directors									
Sir John Peace	–				2	2			4
Fabiola Arredondo	12				40	34			86
Philip Bowman	–				8	6			14
Ian Carter	12				38	31			81
Jeremy Darroch	–				–	–			–
Stephanie George	12				50	41			103
Matthew Key	–				3	2			5
Dame Carolyn McCall	–				1	1			2
David Tyler	–				–	–			–

Notes:

- 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%. Note that expenses for Fabiola Arredondo, Ian Carter and Stephanie George include travel expenses from the USA.

2.2. Salary and pension for 2015/16 (audited)

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 last reviewed in July 2014 and increased by 3.0% to £592,000 at that time. Carol Fairweather's salary was also last 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 did not accept any increase to their salaries for the 2015/16 year.

Each executive director is entitled to an annual pension contribution or allowance equal to 30% of base salary. No director has a prospective entitlement to receive a defined benefit pension.

2.3. Annual bonus outcomes 2015/16 (audited)

Annual bonuses for 2015/16 were based entirely on Adjusted PBT. For the year to 31 March 2016, the 2015/16 Adjusted PBT achieved was below the threshold level set by the Committee, which resulted in no bonuses being paid to the executive directors, as set out in the table below.

Annual bonus for 2015/16	Maximum bonus opportunity (% of salary)	2015/16 Adjusted PBT target (£m)	Level of 2015/16 Adjusted PBT achieved* (£m)	2015/16 bonus payment (% of maximum)	2015/16 bonus payment (% of salary)	2015/16 bonus payment (£'000)
Christopher Bailey	200%				0%	£0
Carol Fairweather	150%	Target: 445	409.8	0%	0%	£0
John Smith	150%				0%	£0

* 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 (lower this year) than the reported 2015/16 Adjusted PBT due to the adjustments made by the Committee to reflect constant exchange rates.

2.4. Co-Investment Plan outcomes for 2015/16 (audited)

In June 2013, Christopher Bailey and Carol Fairweather were awarded Co-Investment Plan ('CIP') matching awards of 165,161 and 21,677 shares respectively. Vesting was subject to performance from 1 April 2013 to 31 March 2016, 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 constant exchange rates. Actual Adjusted PBT growth over the three-year period to 31 March 2016 at constant exchange rates was 0.6% p.a., this is below the threshold of 5% p.a. and so none of the awards will vest, as set out in the table below.

CIP outcomes for 2015/16	2013					
	2013 CIP award (no. of matching shares)	CIP Adjusted PBT growth targets over three years (p.a.)	Level of Adjusted PBT growth achieved over three years [#]	2015/16 CIP vesting (% of maximum)	2015/16 CIP vesting (£'000)	
Christopher Bailey	165,161	Threshold: 5%	0.6% p.a.	0%	£0	
Carol Fairweather	21,677	Maximum: 10%		0%	£0	

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).

John Smith became an executive director on 4 March 2013 and so did not receive a CIP award in 2013, as 2013 CIP awards were based on 2012 annual bonus outcome.

2.5. Restricted Share Plan outcomes for 2015/16 (audited)

In June 2013, Christopher Bailey, Carol Fairweather and John Smith were awarded Restricted Share Plan ('RSP') awards as detailed in the table below. Vesting was subject to performance from 1 April 2013 to 31 March 2016, as detailed in the table below. Actual Adjusted PBT growth over the three-year period to 31 March 2016 at constant exchange rates was 0.6% p.a., this is below the threshold of 10% p.a. and so none of the awards will vest, as set out in the table below.

RSP outcomes for 2015/16	2013 RSP award (no. of shares)	Performance measure	Vesting schedule	Level of performance achieved over three years [#]	2015/16 RSP vesting (% of maximum)	2015/16 RSP vesting (£'000)
Christopher Bailey	243,542	Growth in Adjusted PBT over three years (50%)	25% for 10% p.a. 100% for 15% p.a. or above	0.6% p.a.	0%	£0
Carol Fairweather	25,830		Straight-line vesting between TSR vs. sector peers over three years (50%)	25% for median ranking, resulting in vesting of 0% 100% for upper quartile or above	0%	£0
John Smith	63,653		Straight-line vesting between		0%	£0

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 vesting outcome based on TSR is calculated by Willis Towers Watson. The TSR peer group for the 2013 awards comprised: Coach, Compagnie Financière Richemont, Estée Lauder, Fossil, Geox, Hermès International, Hugo Boss, Inditex, Kate Spade (formerly Fifth & Pacific), Kering (formerly PPR), Luxottica Group, LVMH Moët Hennessy Louis Vuitton, Nike, Nordstrom, Polo Ralph Lauren, Swatch, Tiffany & Co, and Tod's. Saks was acquired by Hudson Bay during the period and so has been removed from the comparator group.

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

The table below sets out the year-on-year change (2015/16 vs. 2014/15) in Christopher Bailey’s base salary, benefits and bonus received. 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 2015/16. The year-on-year change (2015/16 vs. 2014/15) of salary, benefits and annual bonus received for a comparator group of UK-based employees is also shown.

		Salary	Benefits	Bonus
Chief Creative and Chief Executive Officer	Year-on-year change (%)	0%	0%	-100%
Employees*	Year-on-year change (%)	2.0%	0%	-100%

* 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 2015/16, the bonus outturn based on Adjusted PBT performance was 0% of maximum, compared to 81% of maximum in 2014/15. 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 2015/16

The table below sets out the total payroll costs for all employees over 2015/16 compared to total dividends payable for the year.

Relative importance of spend on pay	2015/16	2014/15
Dividends paid during the year (total)	£m	157.7
	% change	8.8%
Payroll costs for all employees	£m	396.4
	% change	-15.3%
Average number of full-time equivalent employees		10,181
	% change	-1.2%

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 2015/16 (audited)

The table below summarises the long-term conditional share awards granted to directors during 2015/16.

Summary of conditional share awards granted in 2015/16

Type of award	Performance measure	Vesting schedule	Performance period end	Director	Basis of award	Number of shares awarded	Face value at grant ²
ESP share awards ¹	Growth in Adjusted PBT over three years (50%)	25% for 3% p.a. 100% for 11% p.a. or above Straight-line vesting between	31/3/2018	Christopher Bailey Carol Fairweather John Smith	350% of salary 250% of salary 250% of salary	241,581 78,435 92,867	£3,850,000 £1,250,000 £1,480,000
	Growth in Group revenue over three years (25%)	25% for 3% p.a. 100% for 11% p.a. or above 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						

1 The ESP shares were awarded on 22 July 2015 and will vest 50% after three years and 50% after four years, subject to the performance conditions outlined above. 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.

2 The face value of each award has been calculated using the three-day average price prior to the date of grant (£15.9367). As receipt of these is conditional on performance, the actual value of these awards may be nil. Vesting outcomes will be disclosed in the 2018/19 remuneration report.

3.2. Further information on conditional share awards granted in 2015/16 (audited)

Growth in Adjusted PBT and Group revenue

The vesting outcomes based on each of three-year Adjusted PBT and three-year Group revenue growth are calculated using Adjusted PBT and Group revenue 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.

Adjusted Retail/Wholesale Return on Invested Capital ('ROIC')

Adjusted 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 five-year summary on pages 170 and 171.

Clawback and malus provisions

A clawback provision applies to ESP awards, whereby for a period of three years from date of vesting, 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 outturn has been incorrectly calculated. In addition, there is a malus provision that applies to ESP awards, 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.

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 2016. There have been no changes in the period up to and including 17 May 2016. 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	14-Jun-13	165,161	–	–	–	–
	CIP ²	12-Jun-14	147,491	–	–	–	–
	ESP ³	22-Jul-15	241,581	–	–	–	–
	NCO ⁴	14-Jun-13	–	1,000,000	–	–	–
	NCO ⁴	12-Jun-14	500,000	–	–	–	–
	SAYE/SIP	20-Jun-13	–	1,229	–	–	–
	SAYE/SIP	18-Jul-15	–	1,099	–	–	–
Total			1,372,385	1,002,328	–	561,589	2,936,302
Carol Fairweather ⁶	RSP	14-Jun-13	25,830	–	–	–	–
	RSP ¹	12-Jun-14	50,870	–	–	–	–
	CIP ²	14-Jun-13	21,677	–	–	–	–
	CIP ²	12-Jun-14	30,545	–	–	–	–
	ESP ³	22-Jul-15	78,435	–	–	–	–
	SAYE/SIP	20-Jun-13	–	737	–	–	–
	SAYE/SIP	18-Jul-15	–	659	–	–	–
Total			207,357	1,396	–	67,963	276,716
John Smith	RSP ¹	14-Jun-13	63,653	–	–	–	–
	RSP ¹	12-Jun-14	40,154	–	–	–	–
	CIP ²	12-Jun-14	43,367	–	–	–	–
	ESP ³	22-Jul-15	92,867	–	–	–	–
	SAYE/SIP	20-Jun-13	–	737	–	–	–
	SAYE/SIP	20-Jun-14	–	740	–	–	–
Total			240,041	1,477	–	36,235	277,753
Sir John Peace	–	–	–	–	–	195,738	195,738
Fabiola Arredondo	–	–	–	–	–	7,500	7,500
Philip Bowman	–	–	–	–	–	75,000	75,000
Ian Carter	–	–	–	–	–	35,909	35,909
Jeremy Darroch	–	–	–	–	–	1,000	1,000
Stephanie George	–	–	–	–	–	41,600	41,600
Matthew Key	–	–	–	–	–	2,420	2,420
Dame Carolyn McCall	–	–	–	–	–	1,144	1,144
Former directors							
David Tyler	–	–	–	–	–	30,000	30,000

1 RSP awards are awarded as nil-cost options and are subject to the same performance conditions as outlined on page 96, 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 ESP awards are awarded as nil-cost options and are subject to the same performance conditions as outlined on page 97.

4 'NCO' denotes a Nil-Cost Option award.

5 Christopher Bailey exercised the following awards during the year:

235,151 shares under CIP (granted 18 July 2012). The market value of Burberry shares on the date of exercise (22 July 2015) was 1559p; 350,000 shares under NCO (granted 8 December 2010). The market value of Burberry shares on the date of exercise (22 July 2015) was 1559p.

6 Carol Fairweather exercised the following awards during the year:

24,134 shares under CIP (granted 18 July 2012). The market value of Burberry shares on the date of exercise (22 July 2015) was 1559p; 6,250 shares under RSP (granted 25 June 2008). The market value of Burberry shares on the date of exercise (22 July 2015) was 1559p; 6,525 shares under RSP (granted 10 June 2010). The market value of Burberry shares on the date of exercise (22 July 2015) was 1559p.

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. Only shares that are owned outright count towards the shareholding requirement. The shareholding guidelines are applicable whilst directors and senior executives are employed by the Company.

As at 31 March 2016, Christopher Bailey owned 561,589 shares and has therefore achieved his shareholding guideline. As at 31 March 2016 (at the closing share price of £13.65), the value of shares owned by Carol Fairweather and John Smith was £927,695 and £494,608 respectively (or 186% and 84% of their respective salaries as at that date). Carol Fairweather’s shareholding is just below her shareholding guideline of two-times salary due to the change in share price during the year. John Smith became an executive director during 2013, he is making progress towards his executive shareholding requirement of two-times salary and, as detailed above, is expected to retain 50% of shares acquired on the exercise of options and awards (net of tax). As at 31 March 2016, 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. As at his leaving date, David Tyler had fulfilled his shareholding requirement. This information on the achievement of shareholding guidelines has been audited.

4. Directors’ remuneration in 2016/17

The table below summarises how the remuneration policy will be implemented for executive directors in the year 2016/17. The executive directors will not receive any increase to salary for the 2016/17 year. There will be no changes to the policy for the 2016/17 year as compared to 2015/16.

4.1. Summary of key remuneration aspects in 2016/17 for executive directors

Element	Performance measure(s)	Director	Maximum level
Base salary	–	Christopher Bailey	£1,100,000 (0% increase)
		Carol Fairweather	£500,000 (0% increase)
		John Smith	£592,000 (0% increase)
Annual bonus	Annual Adjusted PBT The Board considers the forward-looking PBT bonus targets to be commercially sensitive as they are linked to the Company’s financial and strategic plans. Targets will therefore be disclosed retrospectively only	Christopher Bailey Carol Fairweather John Smith	200% of salary 150% of salary 150% of salary
ESP share awards	Three-year growth in Adjusted PBT (50%) Targets to be determined	Christopher Bailey Carol Fairweather John Smith	Award levels to be determined in conjunction with targets
	Three-year growth in Group revenue (25%) Targets to be determined	Christopher Bailey Carol Fairweather John Smith	
	Adjusted Retail/Wholesale Return on Invested Capital (25%) Targets to be determined	Christopher Bailey Carol Fairweather John Smith	

4.2. 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 Committee has determined that the weightings and definitions of each performance measure for the 2016 ESP awards will remain unchanged from those used in 2015. These are summarised in the table below.

ESP performance measure	Definition	Weighting (% of award)
Group Adjusted Profit Before Tax ('PBT')	3-year growth, calculated on a constant currency basis	50%
Group Revenue	3-year growth, calculated on a constant currency basis	25%
Adjusted Return on Invested Capital ('ROIC') in Retail/Wholesale	3-year average	25%

The proposed targets for all three performance measures will be carefully calibrated in light of a number of factors, including, most importantly, our strategy and performance goals, latest three-year projections and broker earnings estimates for Burberry and its competitors. The Committee will ensure the targets are stretching and incentivise management to continue to deliver superior returns to shareholders. As detailed in the introductory letter, the Committee is reviewing both the quantum of awards and the performance targets ahead of granting the 2016 ESP awards. Due to the timing of work on the productivity and efficiency agenda, the Committee was not in a position to determine and disclose the 2016 ESP award levels and targets ahead of publication of this report. The Committee therefore decided to delay the grant of awards from the normal date in July to November 2016 to allow time to engage with larger shareholders on the proposed awards and targets. Once determined, the final awards and targets will be disclosed on our website.

ESP awards will vest 50% after 3 years and 50% after 4 years (from the date of grant). The Committee also applies an additional holding period on 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.

4.3. Summary of Chairman and Non-Executive Director fees for 2016/17

The table below sets out the fee structure for the Chairman and non-executive directors for 2016/17.

Summary of Chairman and NED fees for 2016/17	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 reimbursed 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 vesting of 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 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 five years from the date of grant and only subject to the extent that the performance criteria outlined above have 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 three, four or five year performance period, having regard to the level of performance achieved in each relevant financial year. By way of a reminder, the Committee determined that overall there was an 85% performance achievement in the 2014/15 year. At the end of 2015/16 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 2015/16 Burberry saw significant progress across the four key strategic themes:

Brand First

- Continued to drive digital innovation through partnerships with leading media brands (including DreamWorks, Snapchat and LINE), leveraging Burberry’s new mobile platform, and continuing to blur the physical and digital consumer touch points, including the online/offline inventory merge in the US and UK
- Initiated and substantially progressed complex process to move to single Burberry label for SS17
- Awarded genius status and top fashion brand by digital consultant L2

Famous for Product

- Continued to renew Burberry’s Heritage proposition with launch of Scarf Bar and colour and style option additions to the trench offering
- Accessories outperformed in year boosted by Banner bag and hit runway rucksack
- Achieved major milestone in make-up development with the global Sephora launch on Sephora.com, and subsequent roll out to select stores including Paris flagship

Customer Centric

- In retail, continued to invest in customer relationships (loyalty and conversion) through the extension of the Customer Value Management tool to over 380 stores globally, and expansion of the Burberry Private Client team
- Revolutionised runway show format with announcement of ‘see now/wear now’ September show
- Achieved the final stage of the global brand integration with the Japan licence exit in 2015, including launch of heritage marketing campaign in-market to educate local consumer, opening Shinjuku flagship store, and doubling retail sales year-over-year

Productive and Responsible

- Realised £25 million discretionary spend savings in response to sudden change in operating environment
- Continued to reinforce Burberry’s distinctive culture by becoming a principal partner of The Living Wage Foundation and accredited as a UK Living Wage employer, as well as gaining inclusion into the Dow Jones Sustainability Index, which recognises Burberry as among world’s top performing apparel companies for sustainability
- Professional social network LinkedIn named Burberry as the UK’s 12th most sought after employer

- Financial performance

Underlying Group Adjusted PBT annual change of -10% in a challenging global environment.

Underlying Group revenue annual change of -1% in a challenging global environment.

- Personal contribution

In the context of a challenging external environment, Christopher ensured the senior executive team remained focused on the management of the business and the execution of our key strategies. He also ensured the senior executives were retained and motivated to continue to drive the business so that it is best placed for long-term, sustainable growth and value creation. Christopher also initiated and led the team’s work on accelerating our productivity and efficiency agenda and addressing how to optimise future organic revenue growth opportunities.

- Shareholder value

Share price has decreased by -8.1% since Christopher’s appointment to the CEO role (from closing price on 30 April 2014 to 31 March 2016) and dividends for 2015/16 are 37.0 pence per share. This is an increase of 5% on 2014/15.

Overall Total Shareholder Return (‘TSR’) of -1.5% for Burberry for the two years to 31 March 2016, which compares to an average TSR of -10.8% for our core luxury peers* and -0.1% for the FTSE 100.

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

After careful review the Committee reached the conclusion that overall there was a 50% performance achievement in the 2015/16 year. This outcome reflects that the annual change in Group Adjusted PBT was -10% and Group revenue was -1% (underlying year-on-year), while 2015/16 shareholder return was lower than in 2014/15. In the context of the slowdown in the luxury sector, the Committee considered that both the strategic development of the business and Christopher’s personal performance during the 2015/16 year continued to be excellent.

The outcomes for each year to date are as follows (as a % of maximum): 2015/16: 50%; 2014/15: 85%.

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

No payment has been made to a former director during the 2015/16 year.

7. Payments for loss of office (audited)

There were no payments made for loss of office during the 2015/16 year.

8. Remuneration Committee in 2015/16

Committee membership

The following directors served as members of the Committee throughout the financial year ending 31 March 2016:

Ian Carter (Chairman)
Fabiola Arredondo
Philip Bowman
Jeremy Darroch
Stephanie George
Matthew Key
Dame Carolyn McCall
David Tyler (until 31 December 2015)

Advisers to the Committee during 2015/16

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), Carol Fairweather (Chief Financial Officer), John Smith (Chief Operating Officer), Leanne Wood (Chief People and Corporate Affairs Officer), Anne-Soline Thorndike (Senior Vice President – Reward and Recognition), Nigel Jones (Vice President – Group Financial Controller), Catherine Sukmonowski (Company Secretary) and Michael Mahony (former Chief Corporate Affairs Officer).

During the 2015/16 financial year, the Committee received external advice from Willis Towers Watson, as detailed in the table below. Willis Towers Watson has been the appointed independent adviser to the Committee since 2011 and was selected at that time following a formal tender process. Willis 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.

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
Willis Towers Watson ('WTW')	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 WTW is that any additional consulting services provided by WTW 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.	£73,516 Fees charged on a time and expense basis
		WTW 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

Remuneration report voting results

The table below shows the results of the remuneration related shareholder vote from the 2015 AGM and the last Directors' Remuneration Policy vote which took place at 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 pleased to receive majority support for the advisory vote on the 2014/15 Directors' Remuneration Report.

As detailed in the introductory letter from the Remuneration Committee, the Company will be consulting with its largest shareholders later in the summer of 2016 regarding 2016 ESP awards (in particular the performance measure targets that will be applied) and later in the year regarding the 2017 remuneration policy.

AGM voting results

Vote	Votes for	Votes against	Votes withheld	Any issues raised and Company response
2015 AGM: To approve the Directors' Remuneration Report for the year ended 31 March 2015 (advisory)	293,615,258 (92.27%)	24,597,147 (7.73%)	18,133,355	Not applicable
2014 AGM: To approve the Directors' Remuneration Policy	271,305,305 (83.92%)	51,981,069 (16.08%)	11,037,131	Not applicable

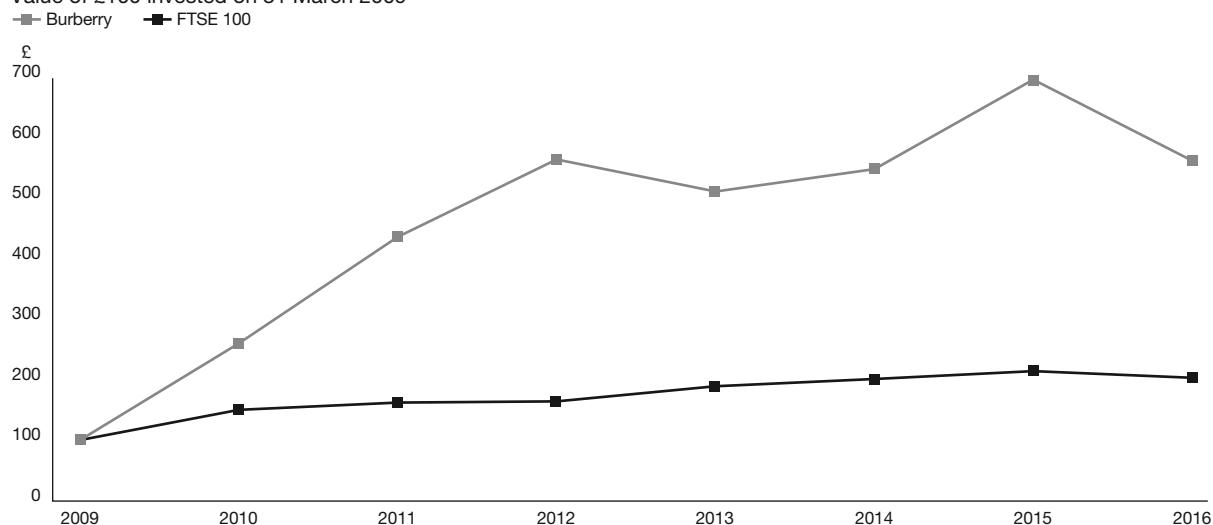
9. Seven-year performance graph and Chief Executive Officer remuneration

The 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 table below shows the total remuneration earned by the incumbent Chief Executive Officer over the same seven-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 93 (Single figure of total remuneration for 2015/16).

Seven-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)	2015/16 (CB)
Total remuneration (£'000)	7,362	16,003	9,574	10,901	8,007	157	7,508	1,894
Bonus (% of maximum)	100%	100%	100%	75%	70%	–	81%	0%
CIP (% of maximum)	100%	100%	–	100%	100%	–	75%	0%
RSP (% of maximum)	42.5%	–	100%	–	–	–	–	0%
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

17 May 2016

DIRECTORS' REPORT

The directors present their Annual Report and the audited consolidated financial statements of the Company for the year to 31 March 2016.

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 2016 and a description of the principal risks and uncertainties faced by the Company. The Strategic Report can be found on pages 7 to 61. The Corporate Governance Report is set out on pages 68 to 82, is incorporated by reference and shall be deemed to form part of this report.

Other Governance Disclosures

Revenue and profit

Revenue from the continuing business during the period amounted to £2,514.7m (2015: £2,523.2m). The profit for the year attributable to equity holders of the Company was £309.5m (2015: £336.3m).

Going concern

The going concern statements for the Group and Company are set out on pages 126 and 176 of the financial statements and are incorporated by reference and shall be deemed to be part of this report.

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.

Political donations

The Company made no political donations during the year in line with its policy (2015: £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.

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.

Annual General Meeting

The Annual General Meeting of the Company will be held at the InterContinental Hotel, One Hamilton Place, Park Lane, London W1J 7QY commencing at 9.30am on Thursday, 14 July 2016. 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.

Directors

The names and biographical details of the directors as at the date of this report are set out on pages 64 and 65 and are incorporated by reference into this report.

At the 2016 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 83 to 105.

Directors’ insurance and indemnities

The Company maintains directors’ and officers’ liability insurance which gives cover for legal actions brought against its directors and officers. 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 2016 and through to the date of this report.

Directors’ share interests

The interests of the directors holding office at 31 March 2016 in the shares of the Company are shown within the Directors’ Remuneration Report on page 98. There were no changes to the beneficial interests of the directors between the period 31 March 2016 and 17 May 2016.

Dividends

The directors recommend that a final dividend of 26.8p per ordinary share (2015: 25.50p) in respect of the year to 31 March 2016 be paid on 5 August 2016 to those persons on the Register of Members as at 8 July 2016.

An interim dividend of 10.20p per ordinary share was paid to shareholders on 22 January 2016 (2015: 9.70p). This will make a total dividend of 37.0p per ordinary share in respect of the financial year to 31 March 2016. The aggregate dividends paid and recommended in respect of the year to 31 March 2016 total £163.7m (2015: £155.2m).

Substantial shareholdings

As at 31 March 2016, 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
BlackRock, Inc.	26,983,661	6.06
The Capital Group Companies, Inc	26,868,502	6.04
Thornburg Investment Management	21,910,655	4.94
FMR LLC	21,867,513	4.98
Schroders plc	21,666,352	4.99
Ameriprise Financial, Inc.	21,664,800	4.97
JP Morgan Chase & Co	21,578,580	4.99
Massachusetts Financial Services Company	20,073,645	4.61

As at 17 May 2016, the Company had not received any further notifications under Rule 5 of the Disclosure and Transparency Rules of major interests in its issued ordinary share capital.

Interests in own shares

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

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 2016, the Company had 445,037,254 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 2015, to repurchase up to just under 10% of its issued share capital. It is the Group’s intention to commence a share buyback programme of up to £150m starting in FY 2017, with future returns to be kept under regular review. Further details are provided in the Notice of this year’s Annual General Meeting. No such purchases have taken place in the year.

At the Annual General Meeting in 2015, shareholders approved resolutions to allot shares up to an aggregate nominal value of £73,380 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 2016 were in aggregate £1.2m (2015: £1.2m).

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.

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 90 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.

Corporate Responsibility Disclosures

Environment

Environmental Targets and Progress Report

Burberry is committed to reducing its environmental impacts of its global supply chain and internal operations. Following a 2012 independent baseline assessment, key targets were set to reduce Burberry's environmental impacts arising from materials, energy, water, chemical inputs and waste measured in CO₂ equivalent. 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.	<p><u>Raw materials</u></p> <p>Improve the environmental and social impacts of how we source:</p> <ul style="list-style-type: none"> • Cotton • Cashmere <p>Reduce the environmental impact of:</p> <ul style="list-style-type: none"> • Leather • PVC 	On plan^ On plan^ On plan^ Behind plan
	<u>Chemical use in manufacturing</u>	On plan^
	Eliminate chemicals from use that have a negative impact on the environment, beyond legal limits	On plan^
	<u>Packaging</u>	
	100% of point of sale packaging to be sustainably sourced (where alternatives are available)	On plan
Process		
Burberry is committed to ensuring its future resilience by integrating sustainability decisions across the business and collaborating with suppliers.	<p><u>Internal Manufacturing</u></p> <p>Reduce the energy use from Burberry's two UK manufacturing sites by 25%*</p> <p><u>Suppliers</u></p> <p>Work with key suppliers to assist them in reducing their energy use by up to 20%*</p> <p><u>Mills</u></p> <p>Work with key mills to assist them to reduce their water consumption by up to 20%*</p> <p><u>Transport</u></p> <p>Reduce carbon emissions from the transport of Burberry products by 10%*</p> <p><u>Distribution centres</u></p> <p>Reduce energy use in Burberry's five third-party distribution centres by 10%*</p>	Behind plan^ Behind plan^ Behind plan^ Behind plan^ On plan Achieved^
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.	<p><u>Energy use reduction</u></p> <p>Reduce Burberry controlled store and office energy usage by up to 15%*</p> <p><u>Sustainable consumables</u></p> <p>60% of office consumables to be sustainably sourced (where available)</p> <p><u>Renewable energy</u></p> <p>All Burberry controlled stores and offices to be powered either by on site or green tariff renewable energy (where available)</p> <p><u>Build certifications</u></p> <p>All new builds will be sustainable build certified LEED (silver), BREEAM (very good) or Greenmark (silver)</p> <p><u>Sustainable construction materials</u></p> <p>30% of wood by spend is either recycled materials or sourced from certified supply chains</p> <p><u>Construction waste recycling</u></p> <p>30% of construction waste to be recycled for global major projects</p> <p><u>LED lighting</u></p> <p>75% of lighting is LED or energy efficient in new concept stores</p>	Behind plan Behind plan Behind plan Behind plan On plan Achieved^ Achieved^ Achieved^ Achieved^ Achieved^ Achieved^ Achieved^

* When normalised by a relevant productivity factor.

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

The disclosures required by the Companies Act 2006 (Strategic Report and Directors’ Report) Regulations 2013 are included below.

(Year to 31 March)	Current reporting year FY16	Comparison year FY15	Comparison year FY14
Emissions from:			
Combustion of fuel and operation of facilities (Scope 1) (Kg CO ₂ e)	2,013,350 [*]	2,203,611	1,956,313
Electricity, heat, steam and cooling purchased for own use (Scope 2) (Kg CO ₂ e)	40,274,835 [^]	42,203,278	40,227,239
Total emissions (Scope 1 & 2) (Kg CO ₂ e)	42,288,185 [^]	44,406,889	42,183,532
Intensity measurement (Kg CO ₂ e per £1,000 sales revenue)	17 [^]	18	18
Renewable energy produced on site (KWH)	1,266,062	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 95% of our sq.ft (net selling space). The Company uses the Greenhouse Gas Protocol (using a location based approach to reporting Scope 2 emissions) to estimate emissions and applies 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 has updated greenhouse gas data for 2013/14 and 2014/15 to account for improvements in data availability and estimation methods. A further restatement to 2014/15 Scope 1 emissions has been made to account for natural gas consumption at two locations that were not previously reported. Further detail is available within Burberry’s basis of reporting at www.burberryplc.com.

External assurance of Corporate Responsibility Disclosures

Burberry appointed Ernst & Young LLP to provide limited external assurance over selected statements relating to environmental targets, 2015/16 performance and ethical trading activities. The statements and data that formed part of the review are denoted with a [^] on pages 108 to 109. The full independent assurance statement and Burberry’s basis of reporting are available at www.burberryplc.com.

Ethical Trading

The following indicators illustrate Burberry’s ethical trading activities during the year.

Number of audits and assessments

548[^]



As Burberry’s 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.

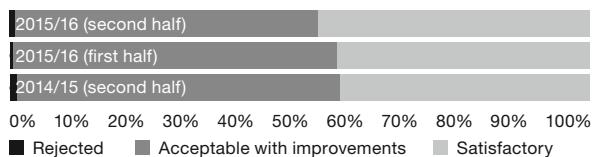
Number of training and engagement activities

217[^]



Burberry continued to drive improvements in its supply chain through a number of engagement activities, including new training programmes and the provision of confidential worker hotlines in local languages.

Ready to Wear, Accessories and Shoe Supply Chain[^]



Results of the 2015/16 audit programme show an overall positive shift in ethical trading performance by Burberry’s apparel and non-apparel partners[^]. Manufacturers who did not meet key requirements as outlined in Burberry’s Ethical Trading Code of Conduct were rejected, others were found to meet key requirements but were asked to implement further improvements.

Human Rights Statement

The Group recognises its responsibility to respect human rights wherever it operates and has conducted a materiality analysis to identify its principal human rights impacts. The Group 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 & 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.

This year Burberry has produced its first Modern Slavery Statement in line with the UK Modern Slavery Act. This can be found at www.burberryplc.com.

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 83 to 105.

The Group again intends to grant free share awards or equivalent cash-based awards to all eligible employees during 2016/17. The Group also intends, where possible, to invite eligible 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 44 to 46.

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.

Further information regarding the Group's employment policies are provided in Build our Culture on pages 44 to 46.

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 People and Corporate Affairs Officer. Health and safety is also considered at the Group Risk Committee and Audit Committee. Each region has local Committees which assist with the implementation of the health and safety strategy. Strategic direction on health and safety matters is provided by the Director of Health & Safety and is supported by a global team. The global Health & Safety team aims to visit each location worldwide approximately every three years to provide advice, assistance and support. In addition, occupational health and safety compliance is formally audited every five years in stores and annually in our Regent Street flagship, our corporate offices and our internal manufacturing and distribution sites.

**Information relating to Burberry's business interests
in Central and Southern America**

On 5 May 2016, the US Treasury Department's Office of Foreign Assets Control imposed sanctions on Burberry Limited's franchisee and beauty distributor, Grupo Wisa S.A., which operates seven Burberry branded franchise stores in Colombia, Chile, Barbados, Panama, Aruba and distributes Burberry beauty products across Central and Southern America. As a consequence of these sanctions all assets of Grupo Wisa S.A. that are under the jurisdiction of the United States or in the control of US persons are frozen and banks are generally prohibited from or likely to implement prohibitions in respect of accepting, receiving or transferring monies to or from Grupo Wisa S.A. or any associated persons. Grupo Wisa S.A. represents a significant number of international luxury brands in the sale and distribution of products in Central and Southern America. Grupo Wisa S.A. rejects any allegation of wrong doing and states they are cooperating with the authorities.

Burberry is monitoring these developments closely. There is a risk that the distribution of Burberry beauty products and the business of the Burberry branded franchise stores in these markets will be adversely affected and may not continue in their current form. Burberry is considering its options in connection with these events, including potential alternative routes to market. The financial implications, were these arrangements to come to an end, are not considered to be material on the basis that annual sales to Grupo Wisa S.A. over the past three years have been under £10m per annum.

The Strategic Report (from pages 7 to 61) and Directors' Report (from pages 106 to 111) have been approved by the Board on 17 May 2016.

By order of the Board

Catherine Sukmonowski

Company Secretary

17 May 2016

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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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) including Financial Reporting Standard 101 'Reduced Disclosure Framework'. 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, including FRS 101, 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 position and performance, business model and strategy.

Each of the directors, whose names and functions are listed on pages 64 to 65 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 17 May 2016 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 2016 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

The financial statements, included within the Burberry Group plc Annual Report 2015/16 (the Annual Report), comprise:

- the Group Balance Sheet as at 31 March 2016;
- 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 2016; 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 IFRSs as adopted by the European Union.

Our audit approach

Context

Burberry Group plc is a British global luxury goods manufacturer, retailer and wholesaler listed on the London Stock Exchange. The Group operates globally across over 30 countries. The context for our audit has been set against the Group's structure and strategy as well as the more challenging trading conditions. This was particularly relevant for the work performed on inventory provisioning, impairment of property, plant and equipment and onerous lease provisions and the valuation of the China put option liability.

The area of focus where work was primarily performed by component teams was the assessment of inventory provisioning. The judgements in respect of the 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 and onerous lease provisions and presentation of non-GAAP measures are primarily taken at a Group level.

Overview

Materiality	Overall Group materiality: £20 million which represents approximately 5% of profit before tax (2015: £20 million).
Audit Scope	<ul style="list-style-type: none">• Of the Group's 82 reporting units we identified six reporting units which, in our view, require a full scope audit of their financial information, either due to their size or their risk characteristics.• These reporting units are located in the UK, China, Hong Kong and Korea and two are located in the US. We used local teams in these countries to perform those full scope audits relating to the relevant reporting units.• All six reporting units were visited by the Group audit team during the course of the year in order to attend local management meetings and, for financially significant reporting units, review working papers. Throughout the year, the Group audit team held regular meetings with these components to direct and supervise the work of these local teams and to ensure that we had a full and comprehensive understanding of the results of their work – particularly insofar as it related to the identified areas of focus.• The six components where we performed full scope audits represented 76% (2015: 78%) of Group revenue and 89% (2015: 92%) of profit before taxation.
Areas of Focus	<ul style="list-style-type: none">• 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 and onerous lease provisions.• 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
Inventory provisioning 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 (inventory as at 31 March 2016: £486.7m; 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 particularly in light of the current more challenging trading conditions. Such judgements include management's expectations for future sales and inventory liquidation plans.	For both finished goods and raw materials, we critically assessed the basis for the inventory provisions, the consistency of provisioning in line with policy and the rationale for the recording of specific provisions. In doing so we tested the provision calculations and determined that they appropriately took into account the ageing profile of inventory, the process for identifying specific problem inventory and historical loss rates. 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.
Completeness and valuation of provisions for tax exposures 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, 14 and 29 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. We focused on this area due to the inherent complexity and judgement in estimating the amount of provision required, which is increased by the number of jurisdictions in which the Group operates. As noted in note 29 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.	Through discussions with management, we understood the Group's process for identifying uncertain tax positions and the related accounting policy for provisioning against tax exposures. Based on this, we assessed the extent to which provisions are supported by underlying circumstances and determined that they are being made on a consistent basis to previous years. 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. 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.

Area of focus	How our audit addressed the area of focus
China put option liability valuation <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 2016 the option is recorded at £45.8m (2015: £54.4m).</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). Changes in fair value of the liability in the current year resulted in a credit to finance income of £9.9m (see note 6). We focused on this area because of the inherent judgement involved in determining these assumptions and the magnitude of the put option liability.</p>	<p>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 over the relevant period.</p> <p>We critically assessed the risk adjusted discount rate for China and determined that 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. Based on the work performed on the aforementioned, no material exceptions or inconsistencies were 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>
Impairment of fragrance and beauty licence intangible asset <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 £26.1m at March 2016 (2015: £41.1m).</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 developing part of the business.</p>	<p>Having assessed recent and forecast Beauty performance, 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 challenged management's assessment of Beauty performance by comparing actual results to forecasts. 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>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>
Impairment of property, plant and equipment and onerous lease provisions <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 determine the amount of any impairment charge 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, which are typically more volatile than developed markets, as well as more established economies such as the US, where the Group is working towards consolidating its position within the market.</p> <p>The same judgements are used in determining whether an onerous lease provision is required and in calculating the appropriate amount of the provision. In addition, judgement is required in assessing whether there are any alternative uses for stores which may affect the amount of onerous lease provision required.</p> <p>Management's assessment resulted in the recognition of a net impairment charge for FY16 of £45.3m (FY15: £10.8m), including £24.2m (2015: £3.9m) for store impairments and £21.1m (2015: £6.7m) for onerous leases and £nil (2015: £0.2m) for intangible assets.</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 and the lease obligations.</p>	<p>We tested management's assessment of indicators both of impairment and of onerous lease provisions taking into consideration the challenging trading conditions in some territories, 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 or potential requirement for an onerous lease provision 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.</p> <p>In particular we focused 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, the market in which it is located and management's specific plans for improving store performance.</p> <p>Given the judgement inherent in the impairment and onerous lease provision calculations, particularly relating to revenue growth assumptions, management has disclosed a sensitivity analysis in the financial statements (see note 13).</p> <p>Having re-performed the sensitivity calculations and considered whether any other sensitivities might be more appropriate, we are satisfied that the financial statements adequately disclose the potential risk of future impairment if the performance of the stores with indicators of impairment do not meet management's expectations.</p>

Area of focus	How our audit addressed the area of focus
Presentation of results and non-GAAP measures 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. 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.	We considered management's recognition 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. 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.

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 segments, being retail/wholesale and licensing. The financial statements are a consolidation of 82 reporting units, comprising the Group's operating businesses and holding companies across the two segments.

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. These reporting units accounted for 76% (2015: 78%) of Group revenue and 89% (2015: 92%) of Group profit before taxation. Of these, three reporting units have been determined to be financially significant based on their contribution to Group revenue or profit before tax. This, together with additional procedures performed at the Group level relating primarily to the consolidation, taxation, litigation, impairment and earnings per share, gave us the evidence we needed for our opinion on the financial statements as a whole.

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, 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 within our Group audit scope.

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 financial statements as a whole. We sent detailed instructions to all in scope component audit teams, which included communication of the areas of focus above and other required communications. Our Group engagement team's involvement also 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 on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole.

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

Overall Group materiality	£20 million (2015: £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.
Component materiality	For each component in our audit scope, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £3.5 million and £17 million. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £1 million (2015: £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 126, in relation to going concern. We have nothing to report having performed our review.

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to the directors' statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements. We have nothing material to add or to draw attention to.

As noted in the directors' statement, the directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. 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 financial statements are prepared is consistent with the 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:

- materially inconsistent with the information in the audited 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.

We have no exceptions to report arising from this responsibility.

The statement given by the directors on page 114, 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 position and 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 79, 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.

The directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to:

The directors' confirmation on page 57 of the Annual Report, in accordance with provision C.2.1 of the Code, that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.

We have nothing material to add or to draw attention to.

The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.

We have nothing material to add or to draw attention to.

The directors' explanation on page 57 of the Annual Report, in accordance with provision C.2.2 of the Code, as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing material to add or to draw attention to.

Under the Listing Rules we are required to review the directors' statement that they have carried out a robust assessment of the principal risks facing the Group and the directors' statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.

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 ten further provisions of the 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 114, 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 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 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 2016 and on the information in the Directors' Remuneration Report that is described as having been audited.

Paul Cragg

Senior Statutory Auditor,
for and on behalf of PricewaterhouseCoopers LLP,
Chartered Accountants and Statutory Auditors,
London, 17 May 2016

Group Income Statement

	Note	Year to 31 March 2016 £m	Year to 31 March 2015 £m
Continuing operations			
Revenue	3	2,514.7	2,523.2
Cost of sales		(752.0)	(757.7)
Gross profit		1,762.7	1,765.5
Net operating expenses	4	(1,359.8)	(1,325.2)
Operating profit		402.9	440.3
Financing			
Finance income		5.1	4.4
Finance expense		(2.3)	(3.8)
Other financing income		9.9	3.7
Net finance income	8	12.7	4.3
Profit before taxation	5	415.6	444.6
Taxation	9	(101.0)	(103.5)
Profit for the year		314.6	341.1
Attributable to:			
Owners of the Company		309.5	336.3
Non-controlling interest		5.1	4.8
Profit for the year		314.6	341.1
Earnings per share			
Basic	10	70.0p	76.4p
Diluted	10	69.4p	75.1p
Reconciliation of adjusted profit before taxation:			
Profit before taxation		415.6	444.6
Adjusting items:			
Amortisation of the fragrance and beauty licence intangible in operating expenses	6	14.9	14.9
Put option liability finance income	6	(9.9)	(3.7)
Adjusted profit before taxation – non-GAAP measure		420.6	455.8
Adjusted earnings per share – non-GAAP measure			
Basic	10	70.5p	78.3p
Diluted	10	69.9p	76.9p
Dividends per share			
Interim	11	10.2p	9.7p
Proposed final (not recognised as a liability at 31 March)	11	26.8p	25.5p

Group Statement of Comprehensive Income

	Note	Year to 31 March 2016 £m	Year to 31 March 2015 £m
Profit for the year		314.6	341.1
Other comprehensive income ¹ :			
Cash flow hedges	22	10.8	(7.4)
Net investment hedges		(0.8)	–
Foreign currency translation differences		20.4	52.0
Tax on other comprehensive income:			
Cash flow hedges		(2.2)	1.5
Net investment hedges		0.6	–
Foreign currency translation differences		(1.9)	(4.4)
Other comprehensive income for the year, net of tax		26.9	41.7
Total comprehensive income for the year		341.5	382.8
Total comprehensive income attributable to:			
Owners of the Company		335.5	372.5
Non-controlling interest		6.0	10.3
		341.5	382.8

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 2016 £m	As at 31 March 2015 £m
ASSETS			
Non-current assets			
Intangible assets	12	189.6	193.5
Property, plant and equipment	13	426.2	436.5
Investment properties		2.4	2.2
Deferred tax assets	14	134.4	145.0
Trade and other receivables	15	66.5	60.5
Derivative financial assets	17	0.3	1.5
		819.4	839.2
Current assets			
Inventories	16	486.7	436.6
Trade and other receivables	15	285.4	260.3
Derivative financial assets	17	8.0	8.4
Income tax receivables		3.0	11.3
Cash and cash equivalents	18	711.8	617.4
		1,494.9	1,334.0
Total assets		2,314.3	2,173.2
LIABILITIES			
Non-current liabilities			
Trade and other payables	19	(114.7)	(117.1)
Deferred tax liabilities	14	(0.6)	(0.9)
Retirement benefit obligations		(0.7)	(0.7)
Provisions for other liabilities and charges	20	(38.4)	(22.2)
		(154.4)	(140.9)
Current liabilities			
Bank overdrafts and borrowings	21	(51.5)	(65.2)
Derivative financial liabilities	17	(2.3)	(12.5)
Trade and other payables	19	(387.2)	(406.0)
Provisions for other liabilities and charges	20	(17.6)	(10.3)
Income tax liabilities		(80.4)	(86.8)
		(539.0)	(580.8)
Total liabilities		(693.4)	(721.7)
Net assets		1,620.9	1,451.5
EQUITY			
Capital and reserves attributable to owners of the Company			
Ordinary share capital	22	0.2	0.2
Share premium account		209.8	207.6
Capital reserve	22	41.1	45.3
Hedging reserve	22	8.1	(0.3)
Foreign currency translation reserve	22	164.9	147.3
Retained earnings		1,140.9	1,000.8
Equity attributable to owners of the Company		1,565.0	1,400.9
Non-controlling interest in equity		55.9	50.6
Total equity		1,620.9	1,451.5

The consolidated financial statements of Burberry Group plc (registered number 03458224) on pages 121 to 169 were approved by the Board on 17 May 2016 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					Non- controlling interest £m	Total equity £m
	Ordinary share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Total £m		
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
Profit for the year	–	–	–	309.5	309.5	5.1	314.6
Other comprehensive income:							
Cash flow hedges	22	–	10.8	–	10.8	–	10.8
Net investment hedge	–	–	(0.8)	–	(0.8)	–	(0.8)
Foreign currency translation differences	–	–	19.5	–	19.5	0.9	20.4
Tax on other comprehensive income	–	–	(3.5)	–	(3.5)	–	(3.5)
Total comprehensive income for the year	–	–	26.0	309.5	335.5	6.0	341.5
Disposal of subsidiaries	–	–	(6.2)	6.2	–	–	–
Transfer between reserves	–	–	2.0	(2.0)	–	–	–
Transactions with owners:							
Employee share incentive schemes							
Value of share options granted	–	–	–	(0.3)	(0.3)	–	(0.3)
Value of share options transferred to liabilities	–	–	–	(0.2)	(0.2)	–	(0.2)
Tax on share options granted	–	–	–	(4.5)	(4.5)	–	(4.5)
Exercise of share options	–	2.2	–	–	2.2	–	2.2
Purchase of own shares by ESOP trusts	–	–	–	(10.9)	(10.9)	–	(10.9)
Dividends paid in the year	–	–	–	(157.7)	(157.7)	(0.7)	(158.4)
Balance as at 31 March 2016	0.2	209.8	214.1	1,140.9	1,565.0	55.9	1,620.9

Group Statement of Cash Flows

	Note	Year to 31 March 2016 £m	Year to 31 March 2015 £m
Cash flows from operating activities			
Operating profit		402.9	440.3
Depreciation		111.9	104.0
Amortisation		35.2	34.6
Net impairment charges		26.5	4.1
Loss on disposal of property, plant and equipment and intangible assets		1.2	2.1
Loss/(gain) on derivative instruments		3.1	(2.0)
(Credit)/charge in respect of employee share incentive schemes		(0.3)	21.0
Payment from settlement of equity swap contracts		(1.6)	(0.2)
Increase in inventories		(49.3)	(15.1)
Increase in receivables		(31.7)	(43.8)
Increase in payables and provisions		5.1	23.1
Cash generated from operating activities		503.0	568.1
Interest received		4.8	3.8
Interest paid		(1.7)	(2.6)
Taxation paid		(94.8)	(114.4)
Net cash generated from operating activities		411.3	454.9
Cash flows from investing activities			
Purchase of property, plant and equipment		(107.3)	(127.8)
Purchase of intangible assets		(30.7)	(27.9)
Proceeds from sale of property, plant and equipment		0.5	–
Proceeds from sale of intangible assets		–	1.3
Net cash outflow from investing activities		(137.5)	(154.4)
Cash flows from financing activities			
Dividends paid in the year	11	(157.7)	(144.9)
Dividends paid to non-controlling interest		(0.7)	(0.4)
Capital contributions by non-controlling interest		–	0.4
Payment to acquire additional interest in subsidiary from non-controlling interest		–	(3.4)
Issue of ordinary share capital		2.2	2.8
Purchase of own shares by ESOP trusts		(10.9)	(19.2)
Net cash outflow from financing activities		(167.1)	(164.7)
Net increase in cash and cash equivalents			
Effect of exchange rate changes		1.4	13.9
Cash and cash equivalents at beginning of year		552.2	402.5
Cash and cash equivalents at end of year		660.3	552.2

Analysis of Net Cash

	Note	As at 31 March 2016 £m	As at 31 March 2015 £m
Cash and cash equivalents as per the Balance Sheet	18	711.8	617.4
Bank overdrafts	21	(51.5)	(65.2)
Net cash		660.3	552.2

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.

Taking into account reasonable possible changes in trading performance, and after making enquiries, the directors consider it appropriate to continue to adopt the going concern basis in preparing the financial statements for the year ended 31 March 2016.

There have been no new standards, amendments or interpretations issued and made effective for the financial period commencing 1 April 2015 that have had a material impact on the financial statements of the Group.

As at 31 March 2016, 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 2018, however it is not currently endorsed by the European Union. Adopting this new standard may result in a delay in the timing of the recognition of a portion of the Group's wholesale revenue however it is not anticipated that this will have a material impact on the overall Group result. There will also be additional disclosure requirements.

IFRS 16 Leases

This standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. It replaces IAS 17 Leases and IFRIC 4 Determining whether an arrangement contains a lease. The most significant changes are in relation to lessee accounting. Under the new standard, the concept of assessing a lease contract as either operating or financing is replaced by a single lessee accounting model. Under this new model, substantially all lease contracts will result in a lessee acquiring a right-to-use asset and obtaining financing. The lessee will be required to recognise a corresponding asset and liability. The asset will be depreciated over the term of the lease and the interest on the financing liability will be charged over the same period. The standard is effective for annual periods beginning on or after 1 January 2019, however it is not currently endorsed by the European Union. Adopting this new standard will result in a fundamental change to the Group's balance sheet, with right-to-use assets and accompanying financing liabilities for the Group's retail stores, warehouses and offices being recognised for the first time. The Income Statement will also be impacted, with rent expense relating to operating leases being replaced by a depreciation charge arising from the right-to-use assets and interest charges arising from lease financing. The full impact of these changes 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.

1. Basis of preparation (continued)

Basis of consolidation (continued)

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.

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. Further details of the Group's accounting policies in relation to these areas are provided in note 2:

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 and onerous lease provisions

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 in the period. Where the recoverable amount of the cash generating unit is negative, the need for an onerous lease provision in relation to the committed future minimum lease payments is considered. Refer to note 13 for further details of property, plant and equipment and impairment reviews carried out in the period. Refer to note 20 for further details of onerous lease provisions.

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. The Group does not currently anticipate a significant risk of material change to the outcomes referred to above over the next financial year. Refer to notes 9, 14 and 29 for further details of income and deferred tax charges and balances and contingent liabilities.

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

As required by IFRS 8 Operating segments, the segmental information presented in the financial statements is 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.

The Group has centralised activities for designing, making and sourcing, which ensure a global product offering is sold through retail and wholesale channels worldwide. Resource allocation and performance is assessed across the whole of the retail/wholesale channel globally. Hence the retail/wholesale channel has been determined to be an operating segment.

Licensed products are manufactured and sold by third party licensees. As a result, this channel is assessed discretely by the Chief Operating Decision Maker and has been determined to be an operating segment.

The Group presents an analysis of its revenue by channel, by product division and by geographical destination.

2. Accounting policies (continued)

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.

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 transferred to the lessee by the lessor are classified as finance leases. Leases which are not finance leases 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. Lease incentives, typically rent free periods and capital contributions, are held on the Balance Sheet in deferred income and non-financial accruals and recognised over the term of the lease.

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 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 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 on a straight line basis over their estimated useful lives, which may be up to seven 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	Up to 5 years
Computer equipment	Fixtures, fittings and equipment	Up to 7 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 intangible assets

Profits and losses on the disposal of property, plant and equipment and intangible assets 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 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 value may not be recoverable. An impairment loss is recognised for the amount by which the carrying value 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 held at fair value and which are classified as held for trading, except where they qualify for hedge accounting. The fair value of the Group's financial assets and liabilities held at amortised cost mostly approximate their carrying amount due to the short maturity of these instruments. Where the fair value of any financial asset or liability held at amortised cost is materially different to the book value, the fair value is disclosed.

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 rate 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 rate 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 forward foreign exchange contracts or 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); (2) hedges of highly probable forecast transactions (cash flow hedges); (3) hedges of net investment of the assets of overseas subsidiaries (net investment hedges); or (4) 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 through 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 derivative instruments or foreign currency borrowings, the gains or losses on the effective portion of the change in fair value of derivatives that are designated and qualify as a hedge of a net investment, or 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 2016	Year to 31 March 2015	As at 31 March 2016	As at 31 March 2015
Euro	1.36	1.28	1.26	1.38
US Dollar	1.50	1.60	1.44	1.48
Chinese Yuan Renminbi	9.57	9.94	9.29	9.21
Hong Kong Dollar	11.67	12.42	11.16	11.51
Korean Won	1,740	1,709	1,640	1,646

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 177.1: £1 in the year to 31 March 2016 (2015: Yen 164.2: £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 to/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 2016 £m	Year to 31 March 2015 £m	Year to 31 March 2016 £m	Year to 31 March 2015 £m	Year to 31 March 2016 £m	Year to 31 March 2015 £m
Retail	1,837.7	1,807.4	–	–	1,837.7	1,807.4
Wholesale	634.6	648.1	–	–	634.6	648.1
Licensing	–	–	44.7	70.1	44.7	70.1
Total segment revenue	2,472.3	2,455.5	44.7	70.1	2,517.0	2,525.6
Inter-segment revenue ¹	–	–	(2.3)	(2.4)	(2.3)	(2.4)
Revenue from external customers	2,472.3	2,455.5	42.4	67.7	2,514.7	2,523.2
Depreciation and amortisation ²	132.2	123.8	–	–	132.2	123.8
Net impairment charges	26.5	4.1	–	–	26.5	4.1
Other non-cash items:						
Share based payments	(0.3)	17.8	–	3.2	(0.3)	21.0
Adjusted operating profit	380.9	399.2	36.9	56.0	417.8	455.2
Adjusting items ³					(5.0)	(11.2)
Finance income					5.1	4.4
Finance expense					(2.3)	(3.8)
Profit before taxation					415.6	444.6

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 Amortisation of £14.9m relating to the fragrance and beauty licence intangible asset is presented as an adjusting item and excluded from the segmental analysis.

3 Refer to note 6 for details of adjusting items.

3. Segmental analysis (continued)

Segmental asset analysis

	Retail/Wholesale		Licensing		Total	
	Year to 31 March 2016 £m	Year to 31 March 2015 £m	Year to 31 March 2016 £m	Year to 31 March 2015 £m	Year to 31 March 2016 £m	Year to 31 March 2015 £m
Additions to non-current assets	146.2	157.1	–	–	146.2	157.1
Total segment assets	1,365.5	1,300.6	3.5	2.6	1,369.0	1,303.2
Goodwill					88.8	88.8
Cash and cash equivalents					711.8	617.4
Taxation					137.4	156.3
Assets relating to discontinued Spanish operations					7.3	7.5
Total assets per Balance Sheet	2,314.3				2,173.2	

Additional revenue analysis

	Year to 31 March 2016 £m	Year to 31 March 2015 £m
Revenue by product division		
Accessories	901.7	892.5
Womens	729.0	743.0
Mens	548.4	557.5
Childrens/Other	90.7	77.7
Beauty	202.5	184.8
Retail/Wholesale	2,472.3	2,455.5
Licensing	42.4	67.7
Total	2,514.7	2,523.2

	Year to 31 March 2016 £m	Year to 31 March 2015 £m
Revenue by destination		
Asia Pacific	932.9	938.1
EMEIA ¹	878.5	869.0
Americas	660.9	648.4
Retail/Wholesale	2,472.3	2,455.5
Licensing	42.4	67.7
Total	2,514.7	2,523.2

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

Entity-wide disclosures

Revenue derived from external customers in the UK totalled £250.2m for the year to 31 March 2016 (2015: £233.3m).

Revenue derived from external customers in foreign countries totalled £2,264.5m for the year to 31 March 2016 (2015: £2,289.9m). This amount includes £562.1m of external revenues derived from customers in the USA (2015: £551.6m) and £350.9m of external revenues derived from customers in China (2015: £346.2m).

The total of non-current assets other than financial instruments and deferred tax assets located in the UK is £194.6m (2015: £197.7m). The remaining £452.6m of non-current assets are located in other countries (2015: £455.4m), with £153.1m located in the USA (2015: £174.9m) and £82.0m located in China (2015: £87.8m).

4. Net operating expenses

	Note	Year to 31 March 2016 £m	Year to 31 March 2015 £m
Selling and distribution costs		816.7	762.9
Administrative expenses		528.2	547.4
Adjusting items			
Amortisation of the fragrance and beauty licence intangible asset	6	14.9	14.9
Total		1,359.8	1,325.2

5. Profit before taxation

	Note	Year to 31 March 2016 £m	Year to 31 March 2015 £m
Adjusted profit before taxation is stated after charging/(crediting):			
Depreciation of property, plant and equipment			
Within cost of sales		1.4	1.0
Within selling and distribution costs		98.7	88.8
Within administrative expenses		11.8	14.2
Amortisation of intangible assets			
Within selling and distribution costs		1.8	1.7
Within administrative expenses		18.5	18.0
Loss on disposal of property, plant and equipment and intangible assets		1.2	2.1
Net impairment charge	13	26.5	4.1
Employee costs		396.4	468.1
Operating lease rentals			
Minimum lease payments ¹		235.3	190.9
Contingent rents		86.1	87.5
Net exchange gain on revaluation of monetary assets and liabilities		(1.6)	(1.4)
Net exchange loss/(gain) on derivatives held for trading for the year		5.8	(1.4)
Trade receivables net impairment charge		3.1	0.1
Adjusting items			
Amortisation of the fragrance and beauty licence intangible asset	6	14.9	14.9
Put option liability finance income	6	(9.9)	(3.7)

1 Included within minimum lease payments are amounts of £20.1m (2015: £6.5m) relating to net charges for onerous lease provisions (refer to note 20).

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 2016 is £14.9m (2015: £14.9m) (refer to note 12). A related tax credit of £2.8m (2015: £3.1m) has also been recognised in the current period.

6. Adjusting items (continued)

Put option liability finance income

The financing income of £9.9m for the year ended 31 March 2016 (2015: £3.7m) 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 the value of the option on exercise 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 2016 £m	Year to 31 March 2015 £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	1.8	1.5
Audit related assurance services	0.1	0.1
Services relating to taxation		
Compliance services	–	0.1
Advisory services	0.2	0.3
Other non-audit related services	0.1	0.2
Total	2.6	2.6

8. Financing

	Year to 31 March 2016 £m	Year to 31 March 2015 £m
Note		
Bank interest income	4.6	3.7
Other finance income	0.5	0.7
Finance income	5.1	4.4
Interest expense on bank loans and overdrafts	(1.5)	(1.8)
Bank charges	(0.7)	(1.8)
Other finance expense	(0.1)	(0.2)
Finance expense	(2.3)	(3.8)
Other financing income – put option liability	6	9.9
Net finance income	12.7	4.3

9. Taxation

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

	Year to 31 March 2016 £m	Year to 31 March 2015 £m
Current tax		
UK corporation tax		
Current tax on income for the year to 31 March 2016 at 20% (2015: 21%)	52.8	58.8
Double taxation relief	(0.8)	(0.7)
Adjustments in respect of prior years	(3.1)	(2.4)
	48.9	55.7
Foreign tax		
Current tax on income for the year	49.1	60.9
Adjustments in respect of prior years	(2.0)	6.9
Total current tax	96.0	123.5
Deferred tax		
UK deferred tax		
Origination and reversal of temporary differences	9.9	2.1
Impact of changes to tax rates	1.3	–
Adjustments in respect of prior years	(0.7)	0.9
	10.5	3.0
Foreign deferred tax		
Origination and reversal of temporary differences	(13.1)	(21.3)
Adjustments in respect of prior years	7.6	(1.7)
Total deferred tax	5.0	(20.0)
Total tax charge on profit	101.0	103.5

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

	Year to 31 March 2016 £m	Year to 31 March 2015 £m
Current tax		
Recognised in other comprehensive income		
Current tax charge on exchange differences on loans (foreign currency translation reserve)	1.9	4.4
Total current tax recognised in other comprehensive income	1.9	4.4
Recognised in equity		
Current tax credit on share options (retained earnings)	(2.0)	(5.6)
Total current tax recognised directly in equity	(2.0)	(5.6)
Deferred tax		
Recognised in other comprehensive income		
Deferred tax charge/(credit) on cash flow hedges deferred in equity (hedging reserve)	1.5	(1.3)
Deferred tax charge/(credit) on cash flow hedges transferred to income (hedging reserve)	0.7	(0.2)
Deferred tax credit on net investment hedges deferred in equity (hedging reserve)	(0.1)	–
Deferred tax credit on net investment hedges transferred to income (hedging reserve)	(0.5)	–
Total deferred tax recognised in other comprehensive income	1.6	(1.5)
Recognised in equity		
Deferred tax charge on share options (retained earnings)	6.5	0.4
Total deferred tax recognised directly in equity	6.5	0.4

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 2016 £m	Year to 31 March 2015 £m
Profit before taxation	415.6	444.6
Tax at 20% (2015: 21%) on profit before taxation	83.1	93.4
Rate adjustments relating to overseas profits	3.4	1.8
Permanent differences	5.5	5.6
Tax on dividends not creditable	1.6	–
Current year tax losses not recognised	4.7	2.4
Prior year tax losses recognised in the year	(0.4)	(3.4)
Adjustments in respect of prior years	1.8	3.7
Adjustments to deferred tax relating to changes in tax rates	1.3	–
Total taxation charge	101.0	103.5

Total taxation recognised in the Group Income Statement arises on:

	Year to 31 March 2016 £m	Year to 31 March 2015 £m
Adjusted profit before taxation	103.8	106.6
Adjusting items	(2.8)	(3.1)
Total taxation charge	101.0	103.5

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 2016 £m	Year to 31 March 2015 £m
Attributable profit for the year before adjusting items ¹	311.7	344.4
Effect of adjusting items ¹ (after taxation)	(2.2)	(8.1)
Attributable profit for the year	309.5	336.3

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 2016 Millions	Year to 31 March 2015 Millions
Weighted average number of ordinary shares in issue during the year	441.9	440.0
Dilutive effect of the employee share incentive schemes	4.2	7.8
Diluted weighted average number of ordinary shares in issue during the year	446.1	447.8

11. Dividends paid to owners of the Company

	Year to 31 March 2016 £m	Year to 31 March 2015 £m
Prior year final dividend paid 25.5p per share (2015: 23.2p)	112.5	102.1
Interim dividend paid 10.2p per share (2015: 9.7p)	45.2	42.8
Total	157.7	144.9

A final dividend in respect of the year to 31 March 2016 of 26.8p (2015: 25.5p) per share, amounting to £118.5m, has been proposed for approval by the shareholders at the Annual General Meeting subsequent to the balance sheet date. The final dividend to Burberry Group plc shareholders has not been recognised as a liability at the year end and will be paid on 5 August 2016 to shareholders on the register at the close of business on 8 July 2016.

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 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
Effect of foreign exchange rate changes	–	0.5	0.2	–	0.7
Additions	–	0.6	9.0	21.6	31.2
Disposals	–	(0.2)	(7.3)	–	(7.5)
Reclassifications from assets in the course of construction	–	–	10.8	(10.8)	–
As at 31 March 2016	88.8	87.9	133.7	23.0	333.4
Accumulated amortisation and impairment					
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
Effect of foreign exchange rate changes	–	0.3	0.3	–	0.6
Charge for the year	–	16.0	19.2	–	35.2
Disposals	–	(0.2)	(7.3)	–	(7.5)
As at 31 March 2016	–	53.2	90.6	–	143.8
Net book value					
As at 31 March 2016	88.8	34.7	43.1	23.0	189.6
As at 31 March 2015	88.8	49.9	42.6	12.2	193.5

12. Intangible assets (continued)

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 2016 is £26.1m (2015: £41.1m). 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 14% in future revenue projections, with no change in operating profit margin, would imply an impairment of £10m as at 31 March 2016.

Impairment testing of goodwill

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

	As at 31 March 2016 £m	As at 31 March 2015 £m
China ¹	45.4	45.8
Korea	25.1	25.1
Other	18.3	17.9
Total	88.8	88.8

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 2019. These plans contain management's best view of the expected performance for the year ending 31 March 2017 and the expected growth rates for the two years ending 31 March 2018 and 31 March 2019. 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 2019 incorporating the assumption that there is no growth beyond 31 March 2019.

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 2017. 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 16.1% and 13.6% respectively (2015: 16.8%; 14.3%).

The other goodwill balance of £18.3m (2015: £17.9m) consists of amounts relating to eight cash generating units, none of which have goodwill balances exceeding £10m as at 31 March 2016.

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 equipment¹ £m	Assets in the course of construction £m	Total £m
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
Effect of foreign exchange rate changes	6.2	11.7	15.3	(0.5)	32.7
Additions	15.3	49.5	41.7	8.5	115.0
Disposals	–	(12.6)	(26.7)	(0.5)	(39.8)
Reclassification from assets in the course of construction	–	8.2	17.7	(25.9)	–
As at 31 March 2016	159.0	418.3	491.5	9.4	1,078.2
Accumulated depreciation and impairment					
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
Effect of foreign exchange rate changes	2.8	4.9	10.7	–	18.4
Charge for the year	3.3	45.9	62.7	–	111.9
Disposals	–	(12.4)	(26.2)	–	(38.6)
Net impairment charge on assets	2.3	13.7	10.5	–	26.5
As at 31 March 2016	56.6	233.4	362.0	–	652.0
Net book value					
As at 31 March 2016	102.4	184.9	129.5	9.4	426.2
As at 31 March 2015	89.3	180.2	139.2	27.8	436.5

1 Included in fixtures, fittings and equipment are finance lease assets with a net book value of £1.7m (2015: £2.3m).

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 2016, a net impairment charge of £45.3m (2015: £10.8m) was recorded as a result of the annual review of impairment of retail store assets. A charge of £24.2m (2015: £3.9m) was recognised against property, plant and equipment, £nil (2015: £0.2m) was charged against intangible assets and £21.1m (2015: £6.7m) was charged in relation to onerous lease provisions. Refer to note 12 and note 20 for further details of intangible assets and onerous lease provisions respectively.

Where indicators of impairment were identified, the impairment review compared the value-in-use of the cash generating units to the carrying values at 31 March 2016. 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 11.4% and 19.7% (2015: between 12.1% and 18.3%), based on the Group's weighted average cost of capital adjusted for country-specific tax rates and risks. Where the value-in-use was less than the carrying value of the cash generating unit, an impairment of property, plant and equipment was recorded. Where the value-in-use was negative, onerous lease provisions were assessed in relation to the future contracted minimum lease payments. Potential alternative uses for property, such as subletting of leasehold or sale of freehold, were considered in estimating both the value for impairment charges and onerous lease provisions.

13. Property, plant and equipment (continued)

Management has considered the potential impact of changes in assumptions on the total recorded as a result of the review for impairment of retail store assets and consideration of onerous lease provisions. The most significant estimate is the future level of revenues achieved by the retail stores. It is estimated that, for the stores subject to an impairment or onerous lease provision in the year, a 5% decrease/increase in revenue assumptions for the year ending 31 March 2017, with no change to subsequent forecast revenue growth rate assumptions, would result in a £7m increase/£6m decrease in the charge in the year ended 31 March 2016.

The impairment charge recorded in property, plant and equipment relates to 32 retail cash generating units (2015: 22 retail cash generating units) for which the total recoverable amount at the balance sheet date is £18.2m (2015: £6.5m). Impairment charges of £2.3m (2015: £nil) arose relating to other assets in the year.

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 2016 £m	As at 31 March 2015 £m
Deferred tax assets	134.4	145.0
Deferred tax liabilities	(0.6)	(0.9)
Net amount	133.8	144.1

	Year to 31 March 2016 £m	Year to 31 March 2015 £m
The movement in the deferred tax account is as follows:		
As at 1 April	144.1	115.0
Effect of foreign exchange rate changes	2.8	8.0
(Charged)/credited to the Income Statement	(5.0)	20.0
(Charged)/credited to other comprehensive income	(1.6)	1.5
Charged to equity	(6.5)	(0.4)
As at 31 March	133.8	144.1

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 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
Effect of foreign exchange rate changes	0.2	–	–	–	–	0.2
Charged/(credited) to the Income Statement	0.4	0.2	–	–	(0.6)	–
Credited to other comprehensive income	–	–	(0.4)	–	–	(0.4)
As at 31 March 2016	2.8	(0.9)	1.1	–	1.0	4.0

14. Deferred taxation (continued)

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 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
Effect of foreign exchange rate changes	(0.4)	1.8	–	–	0.7	0.9	3.0
Credited/(charged) to the Income Statement	4.4	4.8	(6.0)	–	0.4	(8.6)	(5.0)
Charged to other comprehensive income	–	–	–	(2.0)	–	–	(2.0)
Charged to equity	–	–	(6.5)	–	–	–	(6.5)
As at 31 March 2016	11.5	46.9	9.3	(0.7)	6.9	63.9	137.8

1 Deferred tax balances within the 'Other' category in the analysis above include temporary differences arising on property provisions of £8.5m (2015: £2.4m), accrued intercompany expenses of £23.0m (2015: £38.4m) and other provisions and accruals of £32.4m (2015: £30.8m).

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 £62.3m (2015: £53.2m) in respect of losses and temporary timing differences amounting to £215.1m (2015: £190.6m) that can be set off against future taxable income. There is a time limit for the recovery of £24.8m of these potential assets (2015: £16.8m) which ranges from three to ten years (2015: four to nine years).

Included within other temporary differences above is a deferred tax liability of £1.2m (2015: £nil) 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 £270m (2015: £250m).

15. Trade and other receivables

	As at 31 March 2016 £m	As at 31 March 2015 £m
Non-current		
Deposits and other financial receivables	37.5	39.6
Other non-financial receivables	2.8	2.7
Prepayments	26.2	18.2
Total non-current trade and other receivables	66.5	60.5
Current		
Trade receivables	205.1	193.6
Provision for doubtful debts	(7.2)	(4.6)
Net trade receivables	197.9	189.0
Other financial receivables	20.9	16.3
Other non-financial receivables	27.5	23.9
Prepayments	35.4	28.1
Accrued income	3.7	3.0
Total current trade and other receivables	285.4	260.3
Total trade and other receivables	351.9	320.8

Included in total trade and other receivables are non-financial assets of £91.9m (2015: £72.9m).

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 2016, trade receivables of £18.2m (2015: £13.6m) were impaired. The amount of the provision against these receivables was £7.2m as at 31 March 2016 (2015: £4.6m). 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 2016 £m	As at 31 March 2015 £m
Current	3.7	0.1
Less than one month overdue	11.5	8.8
One to three months overdue	1.5	1.5
Over three months overdue	1.5	3.2
	18.2	13.6

15. Trade and other receivables (continued)

As at 31 March 2016, trade receivables of £9.3m (2015: £7.5m) were overdue but not impaired. The ageing of these overdue receivables is as follows:

	As at 31 March 2016 £m	As at 31 March 2015 £m
Less than one month overdue	4.3	4.5
One to three months overdue	4.1	2.3
Over three months overdue	0.9	0.7
As at 31 March	9.3	7.5

Movement in the provision for doubtful debts is as follows:

	Year to 31 March 2016 £m	Year to 31 March 2015 £m
As at 1 April	4.6	5.3
Increase in provision for doubtful debts	3.1	0.1
Receivables written off during the year as uncollectable	(0.5)	(0.8)
As at 31 March	7.2	4.6

As at 31 March 2016 there were £1.5m impaired receivables within other receivables (2015: £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 2016 £m	Year to 31 March 2015 £m
Asia Pacific	99.3	105.0
EMEIA	89.1	78.2
Americas	71.6	64.7
Total	260.0	247.9

16. Inventories

	As at 31 March 2016 £m	As at 31 March 2015 £m
Raw materials	38.3	29.2
Work in progress	1.3	2.2
Finished goods	447.1	405.2
Total inventories	486.7	436.6

The cost of inventories recognised as an expense and included in cost of sales amounted to £723.3m (2015: £730.1m).

The net movement in inventory provisions included in cost of sales for the year ended 31 March 2016 was a cost of £24.9m (2015: £31.3m).

The cost of finished goods physically destroyed in the year is £18.8m (2015: £19.7m).

17. Derivative financial instruments

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 2016 £m	As at 31 March 2015 £m
Forward foreign exchange contracts – cash flow hedges	7.8	6.6
Forward foreign exchange contracts – held for trading ¹	–	0.5
Equity swap contracts – held for trading	0.5	2.8
Total position	8.3	9.9
Comprising:		
Total non-current position	0.3	1.5
Total current position	8.0	8.4

Derivative financial liabilities

	As at 31 March 2016 £m	As at 31 March 2015 £m
Forward foreign exchange contracts – cash flow hedges	(1.3)	(10.7)
Forward foreign exchange contracts – held for trading ¹	(0.1)	(1.8)
Forward foreign exchange contracts – hedge of net investment	(0.8)	–
Equity swap contracts – held for trading	(0.1)	–
Total position	(2.3)	(12.5)
Comprising:		
Total non-current position	–	–
Total current position	(2.3)	(12.5)

Net derivative financial instruments

The notional principal amounts of the outstanding forward foreign exchange and equity swap contracts at year end are:

	As at 31 March 2016 £m	As at 31 March 2015 £m
Cash flow hedges	107.4	218.4
Held for trading ¹	61.4	197.4
Hedge of net investment	17.4	–
Equity swap contracts	5.9	13.8

¹ Forward foreign exchange contracts classified as held for trading are used for cash management purposes. At 31 March 2016 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.

	Carrying amount £m	Contractual maturities		
		Contractual cash flows £m	1 to 6 months £m	6 to 12 months £m
As at 31 March 2016				
Forward exchange contracts used for hedging:				
Outflow		(124.2)	(45.7)	(78.5)
Inflow		130.2	50.4	79.8
	5.7	6.0	4.7	1.3
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)

The contractual maturity profile of non-current financial liabilities is shown in note 25. For further details of cash flow hedging and net investment hedging refer to note 25 – Market Risk.

18. Cash and cash equivalents

	As at 31 March 2016 £m	As at 31 March 2015 £m
Cash at bank and in hand	282.1	252.3
Short-term deposits	429.7	365.1
Total	711.8	617.4

19. Trade and other payables

	As at 31 March 2016 £m	As at 31 March 2015 £m
Non-current		
Put option liability over non-controlling interest	45.8	54.4
Other payables	3.0	3.7
Deferred income and non-financial accruals	65.9	59.0
Total non-current trade and other payables	114.7	117.1
Current		
Trade payables	167.2	159.8
Other taxes and social security costs	58.3	61.0
Other payables	3.9	4.5
Accruals	132.4	164.0
Deferred income and non-financial accruals	25.4	16.7
Total current trade and other payables	387.2	406.0
Total trade and other payables	501.9	523.1

Included in total trade and other payables are non-financial liabilities of £149.6m (2015: £136.7m).

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. The call option is currently exercisable and the put option is exercisable after 1 September 2020. 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 before 1 September 2020 would be different should Burberry decide to exercise the call option due to the difference between estimated risk adjusted discount rates and estimated growth in business performance in China over the period to 1 September 2020.

The value of the put option liability is £45.8m at 31 March 2016 (2015: £54.4m). The movement in the liability for the period includes a decrease of £9.9m relating to unrealised fair value movements, as described in note 6, offset by the impact of translation of the put option 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 £4.6m increase/decrease in the carrying value of the put option liability at 31 March 2016 (2015: £5.4m), and a corresponding £4.6m loss/gain in the profit before taxation for the year ended 31 March 2016 (2015: £5.4m).

A 1% increase/decrease in the risk adjusted discount rate for China would result in a £2.0m decrease/£2.1m increase in the carrying value of the put option liability at 31 March 2016 (2015: £2.9m decrease/£3.0m increase), and a corresponding £2.0m gain/£2.1m loss in the profit before taxation for the year ended 31 March 2016 (2015: £2.9m gain/£3.0m 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 2016 is £79.7m (2015: £109.0m).

20. Provisions for other liabilities and charges

	Property obligations £m	Restructuring costs £m	Other costs £m	Total £m
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
Effect of foreign exchange rate changes	1.0	–	0.1	1.1
Created during the year	30.8	–	2.2	33.0
Discount unwind	0.1	–	–	0.1
Utilised during the year	(5.8)	(0.1)	(0.2)	(6.1)
Released during the year	(3.7)	(0.7)	(0.2)	(4.6)
Balance as at 31 March 2016	51.8	–	4.2	56.0

Within property obligations are amounts of £27.0m (2015: £12.1m) relating to onerous lease obligations. See note 13 for details relating to impairment of assets and onerous lease provisions for retail cash generating units.

The net charge in the year for onerous lease obligations is £20.1m (2015: £6.5m). This includes amounts of £21.1m (2015: £6.7m) relating to retail stores (refer to note 13) and a credit of £1.0m (2015: £0.2m) relating to other properties.

	As at 31 March 2016 £m	As at 31 March 2015 £m
Analysis of total provisions:		
Non-current	38.4	22.2
Current	17.6	10.3
Total	56.0	32.5

The non-current provisions relate to provisions for onerous leases and property reinstatement costs which are expected to be utilised within 20 years (2015: 21 years).

21. Bank overdrafts and borrowings

Included within bank overdrafts is £44.9m (2015: £60.9m) 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 2016, the Group held bank overdrafts of £6.6m (2015: £4.3m) 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 2016, there were £nil outstanding drawings (2015: £nil). During the year the Group exercised an option to extend the maturity of the facility to November 2020, after receiving consent from all members of the syndicate. The agreement contains another option, exercisable in 2016, which allows the Group to extend for an additional one year, at the consent of the syndicate. The Group is in compliance with the financial and other covenants within this facility and has been in compliance throughout the financial year.

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 (2015: 0.05p) each		
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
Allotted on exercise of options during the year	293,187	–
As at 31 March 2016	445,037,254	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 2016, no ordinary shares were repurchased by the Company under this authority (2015: nil).

The cost of purchasing 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 2016 the amounts offset against this reserve are £39.9m (2015: £57.0m). As at 31 March 2016, the ESOP trusts held 3.1m shares (2015: 4.1m) in the Company, with a market value of £42.7m (2015: £71.9m). In the year to 31 March 2016 the ESOP trusts have waived their entitlement to dividends of £1.2m (2015: £1.2m).

During the year profits of £2.0m (2015: £5.3m) have been transferred to capital reserves due to statutory requirements of subsidiaries. Due to the disposal and merger of subsidiaries, £6.2m (2015: £nil) has been transferred from capital reserves to retained earnings. The capital reserve consists of non-distributable reserves and the capital redemption reserve arising on the purchase of own shares.

Other Reserves in the statement of changes in equity consists of the capital reserve, the foreign currency translation reserve, and the hedging reserves. The hedging reserves consist of the cash flow hedge reserve and the net investment hedge reserve.

	Hedging reserves				Total £m
	Capital reserve £m	Cash flow hedges £m	Net investment hedge £m	Foreign currency translation reserve £m	
Balance as at 31 March 2014	40.0	1.5	4.1	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	(4.4)	4.1	147.3	192.3
Other comprehensive income:					
Cash flow hedges – gains deferred in equity	–	7.3	–	–	7.3
Cash flow hedges – losses transferred to income	–	3.5	–	–	3.5
Net investment hedges – losses deferred in equity	–	–	(0.8)	–	(0.8)
Foreign currency translation differences	–	–	–	19.5	19.5
Tax on other comprehensive income	–	(2.2)	0.6	(1.9)	(3.5)
Total comprehensive income/(expense) for the year	–	8.6	(0.2)	17.6	26.0
Disposal of subsidiaries	(6.2)	–	–	–	(6.2)
Transfer between reserves	2.0	–	–	–	2.0
Balance as at 31 March 2016	41.1	4.2	3.9	164.9	214.1

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 2016 £m	As at 31 March 2015 £m
Amounts falling due:		
Within one year	206.2	205.4
Between two and five years	461.3	513.1
After five years	188.9	264.4
Total	856.4	982.9

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 2016 £m	As at 31 March 2015 £m	As at 31 March 2016 £m	As at 31 March 2015 £m
Amounts falling due:				
Within one year	0.7	0.7	2.3	2.1
Between two and five years	2.1	2.6	3.4	5.6
Total	2.8	3.3	5.7	7.7

24. Capital commitments

	As at 31 March 2016 £m	As at 31 March 2015 £m
Capital commitments contracted but not provided for:		
Property, plant and equipment	15.2	36.3
Intangible assets	1.6	1.0
Total	16.8	37.3

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 the Group treasury department (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 Group Treasury 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). These transactions are recorded as cash flow hedges. The Group's foreign currency transactions arise principally from purchases and sales of inventory and royalty income.

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. Currently, the Group does not hedge intercompany foreign currency transactions.

The Group monitors the desirability of hedging the net assets of overseas subsidiaries when translated into Sterling for reporting purposes. The Group has entered into a net investment hedge during the year, using forward foreign exchange contracts with a principal value of KRW 42.7bn (£26.0m) to hedge net assets of overseas subsidiaries, relating to surplus cash whose remittance is foreseeable.

At 31 March 2016, the Group has performed a sensitivity analysis to determine the effect of Sterling strengthening/weakening by 20% (2015: 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 £16.5m (2015: decrease/increase £12.6m). 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 £11.5m (2015: decrease/increase £13.0m) 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'.

	As at 31 March 2016			As at 31 March 2015		
	Monetary assets	Monetary liabilities	Net	Monetary assets	Monetary liabilities	Net
	£m	£m	£m	£m	£m	£m
Sterling	0.2	(0.6)	(0.4)	0.9	(0.9)	-
US Dollar	41.4	(11.0)	30.4	33.4	(13.0)	20.4
Euro	44.5	(36.4)	8.1	50.6	(63.0)	(12.4)
Chinese Yuan Renminbi ¹	0.4	(47.5)	(47.1)	0.1	(58.0)	(57.9)
Other currencies	5.2	(2.6)	2.6	2.3	(3.0)	(0.7)
Total	91.7	(98.1)	(6.4)	87.3	(137.9)	(50.6)

1 The balance includes the put option over the non-controlling interest (refer to 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 £nil (2015: £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 2016 are £51.5m (2015: £65.2m). This includes cash pool overdraft balances of £44.9m (2015: £60.9m) which are offset by cash balances for the purpose of interest calculations. At 31 March 2016 the remaining borrowings were £6.6m (2015: £4.3m) and any change in interest rates would not significantly impact profit.

The floating rate financial assets as at 31 March 2016 comprise short-term deposits of £429.7m (2015: £365.2m), interest bearing current accounts of £41.7m (2015: £72.5m) and cash pool asset balances of £45.4m (2015: £60.8m). At 31 March 2016, if interest rates on floating rate financial assets had been 100 basis points higher/lower (2015: 100 basis points), excluding the impact on cash pool asset balances and with all other variables held constant, post-tax profit for the year would have been £3.6m (2015: £2.4m) 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 10% of the total balance due (2015: 8%). 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 (£16.5m) 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 2016 the discounted fair value of the loan is £13.9m (2015: £9.8m). The book value of the loan, recorded at amortised cost, is £11.0m (2015: £9.8m). 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 £49.1m was held with institutions with a rating below 'A' at 31 March 2016, of which £38.6m (2015: £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 (2015: CHF 0.3m), INR nil (2015: INR 0.2m), AED 0.3m (2015: AED 0.3m) and GBP 0.3m (2015: GBP nil) 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 2016 £m	As at 31 March 2015 £m
In more than one year, but not more than two years	10.0	5.9
In more than two years, but not more than three years	5.0	2.3
In more than three years, but not more than four years	4.8	0.8
In more than four years, but not more than five years	83.7	0.8
In more than five years	16.7	109.5
Total financial liabilities	120.2	119.3

Other non-current financial liabilities relate to other payables, onerous lease provisions and the put option liability over non-controlling interests.

Capital risk

The Board reviews the Group's capital allocation policy annually. The capital allocation framework prioritises the investment needs of the business and regular dividend payments. It then considers additional returns to shareholders, balancing capital efficiency with financial flexibility in what is a cyclical sector. At 31 March 2016, the Group had net cash of £660.3m (2015: £552.2m) and total equity excluding non-controlling interests of £1,565.0m (2015: £1,400.9m).

In the current period, having reached its target dividend pay-out ratio of 50%, the Group now intends to move to a progressive dividend policy going forward, looking to maintain or grow the dividend in pence per share over time.

Furthermore, having considered the future cash generation, growth, productivity and investment plans, taking into consideration the current challenging external environment and relevant financial parameters, the Group has decided to commence a share buyback programme of up to £150m starting in the year ending 31 March 2017. Additional capital returns to shareholders in the future periods will be kept under regular review reflecting the factors discussed above.

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 83 to 105 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 2016 £m	Year to 31 March 2015 £m
Wages and salaries	349.3	384.8
Social security costs	34.9	44.3
Share based compensation (all awards and options settled in shares)	(0.3)	21.0
Other pension costs	12.5	18.0
Total	396.4	468.1

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 2016	Year to 31 March 2015
EMEIA ¹	5,310	5,113
Americas	2,005	2,048
Asia Pacific	2,866	3,148
Total	10,181	10,309

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 18 June 2015, 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 2015. These options are exercisable for a period of up to six months from 1 September 2018 and 1 September 2020 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 three-year and five-year grants is £1.69 and £1.46 respectively. The fair values have been determined by applying the Black-Scholes option pricing model. The key factors used in determining the fair value were as follows:

	Three-year grant	Five-year grant
Share price at contract commencement date	£16.22	£16.22
Exercise price	£13.64	£13.64
Life of award	3 years	5 years
Dividend yield	2.71%	2.71%
Expected volatility	28.6%	32.1%
Risk-free interest rate	0.94%	1.42%

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 2016	Weighted average exercise price	Year to 31 March 2015
Outstanding at 1 April	1,175.0p	1,161,489	1,066.0p	958,090
Granted during the year	1,364.0p	471,453	1,216.0p	704,230
Lapsed and forfeited during the year	1,241.4p	(172,524)	1,157.0p	(156,786)
Withdrawn during the year	1,229.6p	(97,331)	1,167.3p	(47,131)
Exercised during the year	1,038.6p	(209,446)	931.1p	(296,914)
Outstanding at 31 March	1,262.5p	1,153,641	1,175.0p	1,161,489
Exercisable at 31 March	998.9p	4,297	1,049.0p	1,667

The weighted average share price at the respective exercise dates in the year was £13.18 (2015: £15.39).

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 2016	Number of shares under option as at 31 March 2015
30 June 2010 – 28 February 2016	557.0p	826	26,124
24 June 2011 – 28 February 2015	1,049.0p	–	1,667
24 June 2011 – 28 February 2017	1,049.0p	35,445	36,033
22 June 2012 – 28 February 2016	1,104.0p	3,471	209,687
22 June 2012 – 28 February 2018	1,104.0p	11,035	13,455
20 June 2013 – 28 February 2017	1,220.0p	167,118	220,296
20 June 2013 – 28 February 2019	1,220.0p	11,974	15,166
20 June 2014 – 28 February 2018	1,216.0p	479,716	603,642
20 June 2014 – 28 February 2020	1,216.0p	31,737	35,419
18 June 2015 – 28 February 2019	1,364.0p	387,987	–
18 June 2015 – 28 February 2021	1,364.0p	24,332	–
Total		1,153,641	1,161,489

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 30 July 2015, 223,140 ordinary shares were granted under this scheme (2015: 212,940). The fair value of the awards granted is £15.64, determined by applying the Black-Scholes option pricing model. The key factors used in determining the fair value were as follows:

Share price at grant date	£15.64
Exercise price	£nil
Life of award	Equivalent to vesting period
Expected volatility	27.8%
Risk-free interest rate	0.98%

26. Employee costs (continued)

All Employee Share Plan (continued)

Movements in the number of share awards outstanding are as follows:

	Year to 31 March 2016	Year to 31 March 2015
Outstanding at 1 April	501,040	458,410
Granted during the year	223,140	212,940
Lapsed and forfeited during the year	(96,810)	(89,280)
Exercised during the year	(93,150)	(81,030)
Outstanding at 31 March	534,220	501,040
Exercisable at 31 March	81,730	64,180

The weighted average share price at the respective exercise dates in the year was £15.28 (2015: £15.06).

Share awards outstanding at the end of the year have the following terms:

Term of the award	Number of awards as at 31 March 2016	Number of awards as at 31 March 2015
12 July 2002 – 18 July 2082 ¹	2,500	2,700
30 August 2003 – 18 July 2082 ¹	2,650	2,850
20 August 2004 – 18 July 2082 ¹	5,800	6,000
1 September 2005 – 18 July 2082 ¹	3,880	3,880
19 July 2010 – 18 July 2082 ¹	19,560	26,160
18 July 2011 – 18 July 2082 ¹	18,090	22,590
18 July 2012 – 18 July 2082 ¹	29,220	47,460
18 July 2012 – 18 September 2015	30	64,710
17 July 2013 – 18 July 2082 ¹	51,510	59,490
17 July 2013 – 17 October 2016	67,050	83,880
31 July 2014 – 18 July 2082 ¹	61,980	72,720
31 July 2014 – 31 October 2017	83,310	108,600
30 July 2015 – 18 July 2082 ¹	77,640	–
30 July 2015 – 30 October 2018	111,000	–
Total	534,220	501,040

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 Group plc Executive Share Plan 2014 ('the ESP')

The ESP was set up in the year ended 31 March 2015, to replace the previous two long-term incentive plans – the Burberry Co-Investment Plan and the Burberry Senior Executive Restricted Share Plan ('the RSP'). The ESP aims to reward executives and senior management for sustainable long-term performance and successful execution of the Group's long-term strategy.

Under the ESP, participants are awarded shares, structured as nil-cost options, up to a maximum value of four times base salary per annum. Awards may be subject to a combination of non-market performance conditions, including compound annual Group adjusted PBT growth; compound annual Group revenue growth; and average retail/wholesale adjusted return on invested capital ('ROIC'). Performance conditions will be measured over a three-year period from the last reporting period prior to the grant date. Each performance condition will stipulate a threshold and maximum target. The portion of the scheme relating to each performance target will vest 25% if the threshold target is met, and then on a straight-line basis up to 100% if the maximum target is met.

Dependent on the performance of the vesting conditions, 50% of the award will vest on the third anniversary of the grant date, and the remaining 50% of the award will vest on the fourth anniversary of the grant date.

Awards made to the Senior Leadership Team will be subject to all three non-market performance conditions and will be measured 50% based on annual adjusted PBT growth; 25% based on annual revenue growth; and 25% based on ROIC.

Awards made to Senior Management will be subject to two non-market performance conditions and will be measured 75% based on annual adjusted PBT growth and 25% based on annual revenue growth.

Awards made to Management will not be subject to performance conditions apart from continued service during the vesting period.

26. Employee costs (continued)

The Burberry Group plc Executive Share Plan 2014 ('the ESP') (continued)

During the year, the following grants were made under the ESP:

Date of grant	Options granted	Fair value	Participant group	Performance conditions	Targets	
					Threshold	Maximum
22 July 2015	1,505,556	£15.59	Senior Leadership Team	3-year growth in Group adjusted PBT	3%	11%
				3-year growth in Group revenue	3%	11%
				3-year average retail/wholesale adjusted ROIC	15.3%	17.8%
22 July 2015	1,503,478	£15.59	Senior Management	3-year growth in Group adjusted PBT	3%	11%
				3-year growth in Group revenue	3%	11%
				Continued service	N/A	N/A
22 July 2015 18 November 2015	261,478 133,328	£15.59 £12.82	Management Senior Leadership Team	3-year growth in Group adjusted PBT	3%	11%
				3-year growth in Group revenue	3%	11%
				3-year average retail/wholesale adjusted ROIC	15.3%	17.8%
18 November 2015	1,138	£12.82	Senior Management	3-year growth in Group adjusted PBT	3%	11%
				3-year growth in Group revenue	3%	11%
18 November 2015	3,950	£12.82	Management	Continued service	N/A	N/A

The fair values for the above grants have been determined by applying the Black-Scholes option pricing model. The key factors used in determining the fair value were as follows:

	22 July 2015	18 November 2015
Share price at contract commencement date	£15.59	£12.82
Exercise price	£nil	£nil
Life of award	Equivalent to vesting period	Equivalent to vesting period
Expected volatility	27.8%	32.6%
Risk-free interest rate	1.01%	0.90%

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.

Movements in the number of share awards outstanding are as follows:

	Year to 31 March 2016
Outstanding at 1 April	-
Granted during the year	3,408,928
Lapsed and forfeited during the year	(170,448)
Outstanding at 31 March	3,238,480
Exercisable at 31 March	-

Share awards outstanding at the end of the year have the following terms:

Term of the award	Number of awards as at 31 March 2016
22 July 2015 – 21 July 2025	3,100,064
18 November 2015 – 17 November 2025	138,416
Total	3,238,480

26. Employee costs (continued)

Burberry Senior Executive Restricted Share Plan 2004 ('the RSP')

The final grant under the RSP was made on 12 June 2014.

Under the RSP participants were awarded shares, structured as nil-cost options, up to a maximum value of two times base salary per annum. Certain participants were granted awards subject to both market and non-market performance conditions, while other participants were granted awards subject to non-market performance conditions only. A limited number of awards were 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.

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 2016 are:

Year of grant and participant group	Number of awards outstanding as at 31 March 2016	Three-year compound adjusted PBT growth targets	
		Threshold	Maximum
2013 – market and non-market conditions	1,177,598	10%	15%
2013 – non-market conditions only	833,415	5%	15%
2013 – no performance conditions	221,851	N/A	N/A
2014 – market and non-market conditions	775,207	5%	15%
2014 – non-market conditions only	1,104,422	5%	15%
2014 – no performance conditions	272,033	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.

26. Employee costs (continued)

Burberry Senior Executive Restricted Share Plan 2004 ('the RSP') (continued)

Movements in the number of share awards outstanding are as follows:

	Year to 31 March 2016	Year to 31 March 2015
Outstanding at 1 April	7,913,082	7,675,508
Granted during the year	–	2,481,329
Lapsed and forfeited during the year	(1,959,768)	(505,036)
Exercised during the year	(763,014)	(1,738,719)
Outstanding at 31 March	5,190,300	7,913,082
Exercisable at 31 March	401,183	301,555

The weighted average share price at the respective exercise dates in the year was £15.12 (2015: £15.15).

Share awards outstanding at the end of the year have the following terms:

Term of the award	Number of awards as at 31 March 2016	Number of awards as at 31 March 2015
21 July 2005 – 20 July 2015	–	5,411
10 August 2006 – 9 August 2016	4,463	5,101
27 November 2006 – 26 November 2016	2,124	2,124
11 June 2007 – 10 June 2017	6,612	8,764
25 June 2008 – 24 June 2018	15,817	30,492
1 June 2009 – 31 May 2019	67,092	106,867
10 June 2010 – 9 June 2020	122,342	398,554
22 November 2010 – 21 November 2020	1,500	3,000
20 June 2011 – 19 June 2021	230,262	438,626
21 November 2011 – 20 November 2021	15,522	27,514
13 June 2012 – 12 June 2022	305,939	1,989,090
16 November 2012 – 15 November 2022	34,101	127,006
14 June 2013 – 13 June 2023	1,966,666	2,124,852
17 June 2013 – 16 June 2023	243,542	243,542
25 November 2013 – 24 November 2023	22,656	22,656
12 June 2014 – 11 June 2024	2,151,662	2,379,483
Total	5,190,300	7,913,082

26. Employee costs (continued)

The Burberry Co-Investment Plan

The final award granted under the Burberry Co-Investment Plan was made on 12 June 2014.

Under the Burberry Co-Investment Plan, executive directors and certain senior management were 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 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.

Movements in the number of share awards outstanding are as follows:

	Year to 31 March 2016	Year to 31 March 2015
Outstanding at 1 April	2,777,125	3,348,510
Granted during the year	–	849,617
Lapsed and forfeited during the year	(318,647)	(92,441)
Exercised during the year	(897,959)	(1,328,561)
Outstanding at 31 March	1,560,519	2,777,125
Exercisable at 31 March	55,643	34,119

The weighted average share price at the respective exercise dates in the year was £15.31 (2015: £14.85).

Share awards outstanding at the end of the year have the following terms:

Term of the award	Number of awards as at 31 March 2016	Number of awards as at 31 March 2015
7 June 2011 – 6 June 2016	–	34,119
18 July 2012 – 17 July 2017	55,643	1,203,247
14 June 2013 – 13 June 2018	714,365	724,250
12 June 2014 – 11 June 2019	790,511	815,509
Total	1,560,519	2,777,125

26. Employee costs (continued)

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 vesting of these options was dependent on continued employment over the vesting period. The exercise price of these share options was £nil.

At 31 March 2015, 350,000 options remained outstanding. These options vested in full on 1 April 2015 and were exercised during the current period. No options remain outstanding at 31 March 2016.

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 were granted on the basis that they would vest in three tranches: 20% exercisable on 15 July 2016; 40% exercisable on 15 July 2017; and the remaining 40% exercisable on 15 July 2018, dependent upon continued employment over the vesting period. Under the current arrangement, the first tranche now becomes exercisable on 15 July 2017 (or earlier upon termination of employment). 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 2016	Year to 31 March 2015
Outstanding at 1 April	1,000,000	1,000,000
Granted during the year	-	-
Outstanding at 31 March	1,000,000	1,000,000
Exercisable at 31 March	-	-

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 were granted on the basis that they 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.

Movements in the number of share awards outstanding are as follows:

	Year to 31 March 2016	Year to 31 March 2015
Outstanding at 1 April	500,000	-
Granted during the year	-	500,000
Outstanding at 31 March	500,000	500,000
Exercisable at 31 March	-	-

26. Employee costs (continued)

November 2015 One-off Grant

On 18 November 2015, options in respect of 73,000 ordinary shares were granted as a one-off award, with a £nil exercise price.

The options are due to vest in three stages: 25,000 options are exercisable on 1 July 2016; 30,000 options are exercisable on 1 July 2017; and the remaining 18,000 options are exercisable on 1 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 18 November 2025.

The fair value of the award is £12.82, determined by applying the Black-Scholes option pricing model. The key factors used in determining the fair value were as follows:

Share price at grant date	£12.82
Exercise price	£nil
Life of award	Equivalent to vesting period
Expected volatility	24.4%
Risk-free interest rate	0.79%

Movements in the number of share awards outstanding are as follows:

	Year to 31 March 2016
Outstanding at 1 April	-
Granted during the year	73,000
Outstanding at 31 March	73,000
Exercisable at 31 March	-

November 2015 Exceptional Grant

On 18 November 2015, options in respect of 570,151 ordinary shares were granted as an exceptional one-off grant, with a £nil exercise price.

The options are due to vest in two stages: 50% are exercisable on 15 December 2017; and the remaining 50% are exercisable on 15 December 2018. The vesting of these options will be dependent upon continued employment as well as continued satisfactory performance. Any unvested options will automatically lapse on 18 November 2025.

The fair value of the award is £12.82, determined by applying the Black-Scholes option pricing model. The key factors used in determining the fair value were as follows:

Share price at grant date	£12.82
Exercise price	£nil
Life of award	Equivalent to vesting period
Expected volatility	23.3%
Risk-free interest rate	0.68%

Movements in the number of share awards outstanding are as follows:

	Year to 31 March 2016
Outstanding at 1 April	-
Granted during the year	570,151
Outstanding at 31 March	570,151
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 2016 £m	Year to 31 March 2015 £m
Salaries, short-term benefits and social security costs	9.1	17.6
Post-employment benefits	0.1	0.1
Share based compensation (all awards and options settled in shares)	0.5	9.5
Total	9.7	27.2

There were no other material related party transactions in the period.

28. Subsidiary undertakings and investments

In accordance with Section 409 of the Companies Act 2006 a full list of related undertakings as at 31 March 2016, including their country of incorporation and percentage share ownership, is disclosed below. Unless otherwise stated, all undertakings are indirectly owned by Burberry Group plc and operate in the country of incorporation. All the subsidiary undertakings have been consolidated as at 31 March 2016. In addition to the subsidiary undertakings listed below, the Group also holds an interest in 21.5% of the ordinary shares of SuitsSpain SL, which is incorporated in Spain and is currently in the process of liquidation.

Company name	Country of incorporation	Interest	Holding (%)
Burberry Pacific Pty Ltd	Australia	Ordinary shares	100
Burberry (Austria) GmbH	Austria	Ordinary shares	100
Sandringham Bahrain SPC ²	Bahrain	Ordinary shares	100
Burberry Antwerp N.V.	Belgium	Ordinary shares	100
Burberry Brasil Comércio de Artigos de Vestuário e Acessórios Ltda	Brazil	Ordinary shares	100
Burberry Canada Inc	Canada	Common stock	100
Burberry (Shanghai) Trading Co., Ltd ³	China	Ordinary shares	100
Burberry Czech Rep s.r.o.	Czech Republic	Ordinary shares	100
Burberry France SASU	France	Ordinary shares	100
Burberry (Deutschland) GmbH	Germany	Ordinary shares	100
Burberry Asia Holdings Limited	Hong Kong	Ordinary shares	100
Burberry Asia Limited	Hong Kong	Ordinary shares	100
Burberry China Holdings Limited	Hong Kong	Ordinary shares	100
Burberry Hungary kft	Hungary	Ordinary shares	100
Burberry India Private Limited	India	Ordinary shares	51
Burberry Ireland Investments	Ireland	Ordinary A shares	100
		Ordinary B shares	100
Burberry Ireland Limited	Ireland	Ordinary shares	100
Burberry Italy (Rome) SRL	Italy	Ordinary shares	100
Burberry Italy SRL ¹	Italy	Ordinary shares	100
Burberry Japan K.K.	Japan	Ordinary shares	100
Burberry Al Kuwait General Trading Textiles and Accessories Company WLL ⁴	Kuwait		49
Burberry Macau Limited	Macau	Ordinary quota	100
Burberry (Malaysia) Sdn. Bhd.	Malaysia	Ordinary shares	100
Horseferry Mexico S.A. de C.V.	Mexico	Ordinary (fixed) shares	100
		Ordinary (variable) shares	100
Horseferry Mexico Servicios Administrativos, S.A. de C.V.	Mexico	Ordinary shares	100
Burberry Netherlands BV	Netherlands	Ordinary shares	100
Burberry Qatar WLL ⁴	Qatar		49
Burberry Korea Limited	Republic of Korea	Ordinary shares	100
Burberry Retail LLC	Russian Federation	Participatory share	100
Burberry Saudi Company Limited	Kingdom of Saudi Arabia	Ordinary shares	75
Burberry (Singapore) Distribution Co. PTE Ltd	Singapore	Ordinary shares	100
Burberry (Spain) Retail SL	Spain	Ordinary shares	100

28. Subsidiary undertakings and investments (continued)

Company name	Country of incorporation	Interest	Holding (%)
Burberry Latin America Holdings, S.L.	Spain	Ordinary shares	100
Burberry (Suisse) SA ¹	Switzerland	Ordinary shares	100
Burberry (Taiwan) Co Ltd	Taiwan	Ordinary shares	100
Burberry (Thailand) Limited	Thailand	Ordinary shares	100
Burberry FZ-LLC	United Arab Emirates	Ordinary shares	100
Burberry Middle East LLC ⁴	United Arab Emirates	Ordinary shares	49
Burberry (Espana) Holdings Limited	United Kingdom	Ordinary shares	100
Burberry (No. 1) Unlimited	United Kingdom	Ordinary shares	100
Burberry (No. 2) Unlimited	United Kingdom	Ordinary shares	100
Burberry (No. 7) Unlimited	United Kingdom	Ordinary shares	100
Burberry (No. 8) Unlimited	United Kingdom	Ordinary shares	100
Burberry (Spain) Finance Limited ¹	United Kingdom	Ordinary shares	100
Burberry (UK) Limited	United Kingdom	Ordinary shares	100
Burberry Beauty Limited ¹	United Kingdom	Ordinary shares	100
Burberry Distribution Limited	United Kingdom	Ordinary shares	100
Burberry Europe Holdings Limited ¹	United Kingdom	Ordinary shares	100
Burberry Finance Limited	United Kingdom	Ordinary shares	100
Burberry Haymarket Limited ¹	United Kingdom	Ordinary shares	100
Burberry Holdings Limited	United Kingdom	Ordinary shares	100
Burberry International Holdings Limited ¹	United Kingdom	Ordinary shares	100
Burberry Italy Retail Limited ⁵	United Kingdom	Ordinary shares	100
Burberry Latin America Limited	United Kingdom	Ordinary shares	100
Burberry Limited	United Kingdom	Ordinary shares	100
Burberry London Limited	United Kingdom	Ordinary shares	100
Burberry New York 2005 Limited	United Kingdom	Ordinary shares	100
Burberry New York Unlimited	United Kingdom	Ordinary A shares Ordinary B shares	100 100
Burberry Spain (UK) Limited	United Kingdom	Ordinary shares	100
Burberry Treasury Limited	United Kingdom	Ordinary shares	100
Burberry Wholesale 2005 Limited	United Kingdom	Ordinary shares	100
Burberry Wholesale Unlimited	United Kingdom	Ordinary A shares Ordinary B shares	100 100
Burberrys Limited ¹	United Kingdom	Ordinary shares	100
Hampstead (UK) Limited ¹	United Kingdom	Ordinary shares	100
Sweet Street Developments Limited	United Kingdom	Ordinary shares	100
Temple Works Limited	United Kingdom	Ordinary shares	100
The Scotch House Limited ¹	United Kingdom	Ordinary shares	100
Thomas Burberry Holdings Limited ¹	United Kingdom	Ordinary shares	100
Thomas Burberry Limited ¹	United Kingdom	Ordinary shares	100
Woodrow-Universal Limited ¹	United Kingdom	Ordinary shares	100
Woodrow-Universal Pension Trustee Limited ¹	United Kingdom	Ordinary shares	100
Worldwide Debt Collections Limited	United Kingdom	Ordinary shares	100
Burberry (Wholesale) Limited	United States	Class X common stock Class Y common stock	100 100
Burberry Limited	United States	Class X common stock Class Y common stock	100 100
Burberry North America, Inc	United States	Common stock	100
Burberry USA Holdings Inc	United States	Common stock	100
Burberry Warehousing Corporation	United States	Common stock	100
Castleford Industries, Ltd	United States	Series A common stock Series B common stock	100 100
Castleford Tailors, Ltd	United States	Common stock	100

1 Held directly by Burberry Group plc.

2 The Group has an indirect holding of 100% of the issued share capital through a nominee.

3 Sparkle Roll Holdings Limited, a non-Group company, holds a 15% economic interest in Burberry (Shanghai) Trading Co., Ltd.

4 The Group has a 59% share in profits of Burberry Middle East LLC and its subsidiaries in Kuwait and Qatar and has the power to control these companies via the terms of the shareholder agreement for Burberry Middle East LLC.

5 Operates principally in Italy.

29. Contingent liabilities

In a number of jurisdictions the Group is subject to claims against it and to tax audits. These typically relate to Valued Added Taxes, sales taxes, customs duties, corporate taxes, transfer pricing, payroll taxes, various contractual claims and other matters. 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.

30. Events after the balance sheet date

On 22 April 2016 the Group entered into an agreement to transfer the economic right to the non-controlling interest in Burberry Middle East LLC to the Group in consideration for payments to be made to the minority shareholder relating to the future revenue of Burberry Middle East LLC and its subsidiaries, Burberry Al Kuwait General Trading Textiles and Accessories Company WLL and Burberry Qatar WLL, over the period 2016 to 2023. Under the terms of the agreement dividends of AED 120.0m (£22.6m) will be paid by Burberry Middle East LLC to the minority shareholder in respect of profits up to 31 March 2016. The fair value of the variable deferred consideration at the date of the transaction is estimated to be £30m. This transaction will be accounted for as a purchase of the non-controlling interest in Burberry Middle East LLC and its subsidiaries by the Group, with the exception of a 12% interest in Burberry Qatar WLL which will continue to be held by another minority shareholder.

	Continuing operations				
Year to 31 March	2012 £m	2013 £m	2014 £m	2015 £m	2016 £m
Revenue by channel					
Retail	1,270.3	1,416.6	1,622.6	1,807.4	1,837.7
Wholesale	478.3	472.7	628.0	648.1	634.6
Retail/Wholesale	1,748.6	1,889.3	2,250.6	2,455.5	2,472.3
Licensing	108.6	109.4	79.2	67.7	42.4
Total revenue	1,857.2	1,998.7	2,329.8	2,523.2	2,514.7
Profit by channel	£m	£m	£m	£m	£m
Retail/Wholesale	286.9	335.6	393.5	399.2	380.9
Licensing	90.0	92.5	66.8	56.0	36.9
Adjusted operating profit¹	376.9	428.1	460.3	455.2	417.8
Segmental analysis	%	%	%	%	%
Retail/Wholesale gross margin	68.1	70.6	70.2	69.2	69.6
Retail/Wholesale adjusted operating expenses as a percentage of sales ¹	51.7	52.8	52.7	52.9	54.2
Retail/Wholesale adjusted operating margin ¹	16.4	17.8	17.5	16.3	15.4
Licensing operating margin	82.9	84.6	84.3	82.7	87.0
Summary profit analysis	£m	£m	£m	£m	£m
Adjusted operating profit¹	376.9	428.1	460.3	455.2	417.8
Net finance (charge)/income ¹	(0.7)	(0.3)	0.7	0.6	2.8
Adjusted profit before taxation¹	376.2	427.8	461.0	455.8	420.6
Adjusting items	(10.2)	(77.1)	(16.6)	(11.2)	(5.0)
Profit before taxation	366.0	350.7	444.4	444.6	415.6
Taxation	(100.6)	(91.5)	(112.1)	(103.5)	(101.0)
Discontinued operations	(0.3)	—	—	—	—
Non-controlling interest	(1.8)	(4.9)	(9.8)	(4.8)	(5.1)
Attributable profit	263.3	254.3	322.5	336.3	309.5
Retail/Wholesale revenue by product division	£m	£m	£m	£m	£m
Accessories ²	689.4	729.1	816.1	892.5	901.7
Womens	582.5	618.2	684.0	743.0	729.0
Mens	410.5	464.2	520.8	557.5	548.4
Childrens/Other	66.2	72.6	78.4	77.7	90.7
Beauty	—	5.2	151.3	184.8	202.5
Retail/Wholesale revenue by destination	£m	£m	£m	£m	£m
Asia Pacific	652.5	745.3	870.3	938.1	932.9
EMEIA ³	661.6	680.7	811.5	869.0	878.5
Americas	434.5	463.3	568.8	648.4	660.9
Financial KPIs					
Total revenue growth ⁴	+23%	+8%	+17%	+11%	-1%
Adjusted PBT growth ^{1,4}	+24%	+13%	+8%	+7%	-10%
Adjusted retail/wholesale return on invested capital (ROIC) ¹	20.0%	19.0%	19.6%	17.9%	14.8%
Comparable store sales growth	14%	5%	12%	9%	-1%
Adjusted retail/wholesale operating margin ¹	16.4%	17.8%	17.5%	16.3%	15.4%
Adjusted diluted EPS growth ¹	+26%	+14%	+8%	+2%	-9%
Year to 31 March	2012 pence per share	2013 pence per share	2014 pence per share	2015 pence per share	2016 pence per share
Earnings and dividends					
Adjusted earnings per share – diluted ¹	61.6	70.0	75.4	76.9	69.9
Earnings per share – diluted	59.3	57.0	72.1	75.1	69.4
Diluted weighted average number of ordinary shares (millions)	444.3	446.5	447.3	447.8	446.1
Dividend per share (on a paid basis)	22.0	26.0	29.8	32.9	35.7

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 EMEA 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 EMEA, effective from 1 April 2013. The results for the years ended 31 March 2012 and 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.

Year to 31 March Net Cash Flow	2012 £m	2013 £m	2014 £m	2015 £m	2016 £m
Adjusted operating profit ¹	376.9	428.1	460.3	455.2	417.8
Discontinued operations	2.5	–	–	–	–
Restructuring spend	(8.6)	(1.0)	(0.7)	–	–
Depreciation and amortisation ¹	87.6	111.2	123.7	123.7	132.2
Employee share scheme costs	31.8	24.9	25.4	21.0	(0.3)
Proceeds/(payment) on equity swap contracts	–	–	15.7	(0.2)	(1.6)
Increase in inventories	(61.8)	(39.2)	(68.2)	(15.1)	(49.3)
Increase in receivables	(17.4)	(32.0)	(73.8)	(43.8)	(31.7)
Increase in payables and provisions	70.1	17.6	42.3	19.7	9.1
Other non-cash items	1.4	13.4	10.8	7.6	26.8
Cash flow from operations	482.5	523.0	535.5	568.1	503.0
Capital expenditure	(153.1)	(175.9)	(154.0)	(155.7)	(138.0)
Payment to terminate licence relationship	–	(144.1)	–	–	–
Proceeds from sale of assets held for sale	–	0.1	–	–	–
Capital contributions from JV partners	4.9	0.4	0.7	0.4	–
Acquisitions	(23.5)	(1.0)	(2.6)	(3.4)	–
Net interest	(0.6)	0.9	0.8	1.2	3.1
Tax paid	(108.2)	(99.0)	(111.1)	(114.4)	(94.8)
Free cash flow	202.0	104.4	269.3	296.2	273.3
Dividends	(99.2)	(113.5)	(130.7)	(145.3)	(158.4)
ESOP trust purchases/other	(60.0)	(45.4)	(18.8)	(15.1)	(8.2)
Exchange difference	(2.4)	12.8	(13.9)	13.9	1.4
Total movement in net cash	40.4	(41.7)	105.9	149.7	108.1
Net cash	338.3	296.6	402.5	552.2	660.3
As at 31 March Balance Sheet	2012 £m	2013 £m	2014 £m	2015 £m	2016 £m
Intangible assets	133.1	210.2	195.4	193.5	189.6
Property, plant and equipment	328.8	409.1	398.4	436.5	426.2
Inventories	311.1	351.0	419.8	436.6	486.7
Trade and other receivables	167.5	199.5	273.7	320.8	351.9
Trade and other payables	(429.3)	(447.8)	(507.2)	(523.1)	(501.9)
Taxation (including deferred taxation)	39.1	45.3	47.4	68.6	56.4
Net cash	338.3	296.6	402.5	552.2	660.3
Other net assets	2.8	(11.1)	(22.0)	(33.6)	(48.3)
Net assets	891.4	1,052.8	1,208.0	1,451.5	1,620.9
Reconciliation of Adjusted Retail/Wholesale ROIC	2012 £m	2013 £m	2014 £m	2015 £m	2016 £m
Retail/Wholesale adjusted operating profit¹	286.9	335.6	393.5	399.2	380.9
Adjusted effective tax rate ¹	26.7%	25.8%	24.7%	23.4%	24.7%
Retail/Wholesale adjusted operating profit after tax¹	210.3	249.0	296.3	305.8	286.7
Net assets excluding licensing segment assets	884.4	1,048.6	1,202.2	1,448.9	1,617.4
Net cash	(338.3)	(296.6)	(402.5)	(552.2)	(660.3)
Assumed lease assets ^{2,3}	560.0	713.0	782.5	922.0	1,076.0
Exclude adjusting items:					
Licence intangible asset	–	(70.9)	(56.0)	(41.1)	(26.1)
Put option liability	57.8	55.0	51.3	54.4	45.8
Restructuring provisions	3.5	1.9	1.5	0.8	–
Adjusted operating assets	1,167.4	1,451.0	1,579.0	1,832.8	2,052.8
Average operating assets	1,049.3	1,309.2	1,515.0	1,705.9	1,942.8
Adjusted Retail/Wholesale ROIC	20.0%	19.0%	19.6%	17.9%	14.8%

1 Excludes the impact of adjusting items.

2 Assumed lease assets and assumed lease debt are calculated as a factor of five times lease payments, excluding the impact of charges relating to onerous lease provisions.

3 Assumed lease assets as at 31 March 2015 has been restated to remove the impact of charges relating to onerous lease provisions.

Report on the 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 2016;
- 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

The financial statements, included within the Burberry Group plc Annual Report 2015/16 (the 'Annual Report'), comprise:

- the Company Balance Sheet as at 31 March 2016;
- the Company Statement of Changes in Equity for the year then ended; 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 United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law (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 Directors' Responsibilities Statement set out on page 114, 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 matters

We have reported separately on the Group financial statements of Burberry Group plc for the year ended 31 March 2016.

Paul Cragg

Senior Statutory Auditor,
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
17 May 2016

Company Balance Sheet

	Note	As at 31 March 2016 £m	As at 31 March 2015 £m
Fixed assets			
Investments in subsidiaries	D	1,712.7	2,237.3
		1,712.7	2,237.3
Current assets			
Trade and other receivables – amounts falling due after more than one year	E	497.2	303.6
Trade and other receivables – amounts falling due within one year	E	57.1	163.3
Derivative assets maturing after more than one year		0.3	1.5
Derivative assets maturing within one year		0.2	1.3
Cash at bank and in hand		0.2	0.8
		555.0	470.5
Creditors – amounts falling due within one year	F	(59.6)	(58.8)
Derivative liabilities maturing within one year		(0.1)	–
Net current assets		495.3	411.7
Total assets less current liabilities		2,208.0	2,649.0
Creditors – amounts falling due after more than one year	F	(801.5)	(1,536.0)
Provisions for liabilities		(1.0)	(1.4)
Net assets		1,405.5	1,111.6
Equity			
Called up share capital	G	0.2	0.2
Share premium account		209.8	207.6
Capital reserve		0.9	0.9
Hedging reserve		4.6	4.1
Profit and loss account		1,190.0	898.8
Total Equity		1,405.5	1,111.6

The financial statements on pages 174 to 181 were approved by the Board on 17 May 2016 and signed on its behalf by:

Sir John Peace
Chairman

Carol Fairweather
Chief Financial Officer

Company Statement of Changes in Equity

Note	Ordinary share capital £m	Share premium account £m	Capital reserve £m	Hedging reserve £m	Retained earnings £m	Total equity £m
Balance 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
Total comprehensive income for the year	–	–	–	–	260.8	260.8
Employee share incentive schemes						
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)
Dividends paid in the year	H	–	–	–	(144.9)	(144.9)
Balance as at 31 March 2015	0.2	207.6	0.9	4.1	898.8	1,111.6
Profit for the financial year	–	–	–	–	460.1	460.1
Other comprehensive income:						
Tax on net investment hedges transferred to income	–	–	–	0.5	–	0.5
Total comprehensive income for the year	–	–	–	0.5	460.1	460.6
Employee share incentive schemes						
Value of share options granted	–	–	–	–	(0.3)	(0.3)
Exercise of share options	–	2.2	–	–	–	2.2
Purchase of own shares by ESOP trusts	–	–	–	–	(10.9)	(10.9)
Dividends paid in the year	H	–	–	–	(157.7)	(157.7)
Balance as at 31 March 2016	0.2	209.8	0.9	4.6	1,190.0	1,405.5

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 incorporated and domiciled in the UK. The address of its registered office is Horseferry House, Horseferry Road, London, SW1P 2AW. 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 including the ESOP trusts within 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, wholesaler and retailer. 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.

The financial statements of the Company have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ('FRS 101'). The financial statements have been prepared on a going concern basis under the historical cost convention, as modified by derivative financial asset and derivative financial liabilities measured at fair value through profit or loss, and in accordance with the Companies Act 2006. Profit for the year on ordinary activities, but before dividends payable, was £460.1m (2015: £260.8m). As permitted by Section 408 of the Companies Act 2006, the Company has not presented its own profit and loss account.

The preparation of the financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note C).

Financial Reporting Standard 101 – reduced disclosure exemptions

The change in basis of preparation has enabled the Company to take advantage of the applicable disclosure exemptions permitted by FRS 101 in the financial statements, which are summarised below:

Standard	Disclosure exemption
IFRS 7, 'Financial Instruments: Disclosures'	<ul style="list-style-type: none"> • Full exemption
IFRS 13, 'Fair Value Measurement'	<ul style="list-style-type: none"> • para 91-99 – disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities
IAS 1, 'Presentation of the Financial Statements'	<ul style="list-style-type: none"> • para 10(d) – statement of cash flows • para 10(f) – a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective statement of items in its financial statements, or when it reclassifies items in its financial statements • para 16 – statement of compliance with all IFRS • para 38 – present comparative information in respect of paragraph 79(a)(iv) of IAS 1 • para 38A – requirement for minimum of two primary statements, including cash flow statements • para 38B-D – additional comparative information • para 40A-D – requirements for a third statement of financial position • para 111 – cash flow statement information • para 134-136 – capital management disclosures
IAS 7, 'Statement of Cash Flows'	<ul style="list-style-type: none"> • Full exemption
IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors'	<ul style="list-style-type: none"> • para 30 & 31 – requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective
IAS 24, 'Related Party Disclosures'	<ul style="list-style-type: none"> • para 17 – key management compensation • The requirements to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
IAS 36, 'Impairment of Assets'	<ul style="list-style-type: none"> • para 134(d)-134(f) and 135(c)-135(e)

A. Basis of preparation (continued)

First time application of FRS 100 and FRS 101

In the current year the Group has adopted FRS 100 and FRS 101. In previous years the financial statements were prepared in accordance with applicable UK accounting standards.

The Company has revised its accounting policies in accordance with FRS 101, however this change in the basis of preparation has not materially altered the recognition, measurement and disclosure requirements previously applied in accordance with UK GAAP. The Company is required to inform its shareholders and to provide a reasonable opportunity for its shareholders to object to the use of FRS 101. A shareholder or shareholders holding, in aggregate, 5% or more of the total allotted shares in Burberry Group plc, may object to the Company applying FRS 101 'Reduced Disclosure Framework' to its individual financial statements by notifying the Company Secretary, in writing, at the registered address of the Company shown on page 183 by Friday 8 July 2016.

B. Accounting policies

The following principal accounting policies have been applied in the preparation of these financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated:

Going concern

Taking into account reasonable possible changes in trading performance and after making enquiries, the directors consider it appropriate to continue to adopt the going concern basis in preparing the financial statements for the year ended 31 March 2016.

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 financial statements, 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. Share based payments disclosures relevant to the Company are presented within note 26 to the consolidated financial statements.

Dividend distribution

Dividend distributions to Burberry Group plc's shareholders are recognised as a liability in the year 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.

Investments in subsidiaries

Investments in subsidiaries are stated at cost, less any provisions to reflect impairment in value.

B. Accounting policies (continued)

Impairment of investments in subsidiaries

Investments in subsidiaries are not subject to amortisation and are tested annually for impairment. An impairment loss is recognised for the amount by which the carrying value 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 (cash-generating units).

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 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 current tax liability 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 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 Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Financial instruments

A financial instrument is initially recognised at fair value on the Balance Sheet when the Company 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, with the exception of derivative financial instruments, are stated at amortised cost using the effective interest rate method. The fair value of the financial assets and liabilities held at amortised cost approximate their carrying amount due to the use of market interest rates.

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

Cash and cash equivalents

On the Balance Sheet, cash and cash equivalents comprise cash held with banks.

Trade and other receivables

Trade and other receivables are included in current assets. Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company 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.

B. Accounting policies (continued)

Financial instruments (continued)

Borrowings

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 rate method. Borrowings are classified in creditors amounts falling due within one year unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Derivative financial instruments

The Company uses equity swap contracts to economically hedge its exposure to fluctuations in the Company's share price which impacts the social security costs payable by Group companies in relation to share based compensation schemes.

The equity swap contracts are initially recognised at fair value at the trade date and classified as held for trading. All subsequent changes in fair value are recognised in the Income Statement up to the maturity date.

Foreign currency translation

Functional and presentation currency

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

Transactions in foreign currencies

Transactions denominated in foreign currencies 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.

Ordinary 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.

C. Key sources of estimation and judgement

Preparation of the financial statements in conformity with FRS 101 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:

Impairment of investments in subsidiaries

Investments in subsidiaries are not subject to amortisation and are tested annually for impairment. When a review for potential impairment is conducted, the recoverable amount is determined based on the higher of an asset's fair value less costs to sell and value-in-use calculations prepared on the basis of management's assumptions and estimates. Refer to note D for further details of investments.

Impairment of loan receivables

The Company is required to make an estimate of the recoverable value of loan receivables. When assessing potential impairment of loan receivables, management considers factors including any specific known problems or risks. Refer to note E for further details on the net carrying value of trade and loan receivables.

D. Investments in subsidiaries

Cost	£m
As at 1 April 2015	2,237.3
Additions	26.0
Disposal of subsidiaries	(76.4)
Impairment charge	(474.2)
As at 31 March 2016	1,712.7

During the year the Company liquidated £76.4m (2015: £nil) direct and indirect non-operating subsidiaries as part of a wider corporate restructuring exercise, resulting in impairments of £469.8m (2015: £nil). These disposals and impairments are offset by distributions made by these subsidiaries.

The directors consider that the carrying value of the investments is supported by their underlying net assets. The subsidiary undertakings and investments of the Burberry Group are listed in note 28 of the Group financial statements.

E. Trade and other receivables

	As at 31 March 2016 £m	As at 31 March 2015 £m
Amounts owed by Group companies	496.4	302.7
Prepayments	0.8	0.9
Trade and other receivables – amounts falling due after more than one year	497.2	303.6
Amounts owed by Group companies	56.7	163.1
Prepayments	0.4	0.2
Trade and other receivables – amounts falling due within one year	57.1	163.3
Total trade and other receivables	554.3	466.9

Included in amounts owed by Group companies are loans of £553.1m (2015: £414.8m) which are interest bearing.

The interest rate earned is based on relevant national LIBOR equivalents plus 0.5% to 0.9%. These loans are unsecured and repayable between 1 March 2017 and 17 June 2021. The remaining receivable of £nil (2015: £51.0m) is unsecured, interest free and repayable on demand.

F. Creditors

	As at 31 March 2016 £m	As at 31 March 2015 £m
Amounts owed to Group companies	801.5	1,536.0
Creditors – amounts falling due after more than one year	801.5	1,536.0
Amounts owed to Group companies	59.4	58.6
Accruals	0.2	0.2
Creditors – amounts falling due within one year	59.6	58.8
Total creditors	861.1	1,594.8

Amounts owed to Group companies falling due after more than one year are interest bearing. The interest rate earned is based on LIBOR plus 0.5% to 0.9%. These loans are unsecured and repayable between 17 June 2019 and 17 June 2020.

All amounts owed to Group companies falling due within one year are unsecured, interest free and repayable on demand.

G. Ordinary share capital

Allotted, called up and fully paid share capital	Number	£m
Ordinary shares of 0.05p (2015: 0.05p) each		
As at 1 April 2015	444,744,067	0.2
Allotted on exercise of options during the year	293,187	–
As at 31 March 2016	445,037,254	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 2016, no ordinary shares were repurchased by the Company under this authority (2015: nil).

The cost of purchasing 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 2016 the amounts offset against this reserve are £39.9m (2015: £57.0m). As at 31 March 2016, the ESOP trusts held 3.1m shares (2015: 4.1m) in the Company, with a market value of £42.7m (2015: £71.9m). In the year to 31 March 2016 the ESOP trusts have waived their entitlement to dividends of £1.2m (2015: £1.2m).

The capital reserve consists of the capital redemption reserve arising on the purchase of own shares.

H. Dividends

	Year to 31 March 2016 £m	Year to 31 March 2015 £m
Prior year final dividend paid 25.5p per share (2015: 23.2p)	112.5	102.1
Interim dividend paid 10.2p per share (2015: 9.7p)	45.2	42.8
Total	157.7	144.9

A final dividend in respect of the year to 31 March 2016 of 26.8p (2015: 25.5p) per share, amounting to £118.5m, 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 5 August 2016 to shareholders on the register at the close of business on 8 July 2016.

I. 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 2016, there were £nil outstanding drawings (2015: £nil). During the year the Group exercised an option to extend the maturity of the facility to November 2020, after receiving consent from all members of the syndicate. The agreement contains another option, exercisable in 2016, which allows the Group to extend for an additional one year, at the consent of the syndicate.

The companies acting as guarantor to the facility consist of Burberry Group plc, Burberry Limited, Burberry Asia Limited, Burberry (Wholesale) Limited (US) and Burberry Limited (US). The fair value of this financial guarantee as at 31 March 2016 is £nil (2015: £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.

J. Audit fees

The Company has incurred audit fees of £0.1m for the current year which are borne by Burberry Limited (2015: £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: 0371 384 2839. 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 Depository Receipts

Burberry has a sponsored Level 1 American Depository 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

Tel: Toll free within the US: +1 888 269 2377
Tel: International: +1 201 680 6825
Email enquiries: shrelations@cpushareownerservices.com
Website: www.mybnymdr.com

Annual General Meeting

Burberry's Annual General Meeting will be held at the InterContinental Hotel, One Hamilton Place, Park Lane, London W1J 7QY commencing at 9.30am on Thursday, 14 July 2016.

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 2016 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 2016 of 10.2p per ordinary share was paid on 22 January 2016. A final dividend of 26.8p per share has been proposed and, subject to approval at the Annual General Meeting on 14 July 2016, will be paid according to the following timetable:

Final dividend record date:	8 July 2016
Deadline for return of DRIP mandate forms:	15 July 2016
Final dividend payment date:	5 August 2016

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.

If you are a UK taxpayer, please note that from 6 April 2016 the Dividend Tax Credit has been replaced by a tax-free Dividend Allowance of £5,000. Any dividends received above this amount will be subject to taxation. Dividends paid on shares held within pensions and Individual Savings Accounts ('ISAs') will continue to be tax-free. Further information can be found at www.gov.uk/tax-on-dividends.

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 2016 and future dividends to qualify for the DRIP, completed application forms must be returned to Equiniti by 15 July 2016.

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: 0371 384 2255. Lines are open 8.30am to 5.30pm, Monday to Friday. Please call +44 121 415 7047 if calling from outside the UK.

Financial calendar

First quarter trading update	13 July 2016
Annual General Meeting	14 July 2016
First half trading update	October 2016
Interim results announcement	November 2016
Third quarter trading update	January 2017
Second half trading update	April 2017
Preliminary results announcement	May 2017

Registered office

Burberry Group plc
Horseferry House
Horseferry Road
London
SW1P 2AW

Registered in England and Wales
Registered Number 03458224
www.burberryplc.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 03456 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 0207 930 3737.

Share price information

The latest Burberry Group plc share price is available on the Company's website at www.burberryplc.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 US 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.burberryplc.com.



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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.

