
BURBERRY LIMITED

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

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BURBERRY LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2015

The directors present their strategic report for the year ended 31 March 2015.

Business review

Burberry Limited (the "Company") is a wholly owned subsidiary of Burberry Group plc (the "Group"). Burberry is one of Britain's leading luxury brands offering men's and women's clothing, accessories, fragrance and beauty products to customers all over the world. The Company's principal activities consist of manufacturing, wholesaling, retailing and licensing activities.

In the year ended 31 March 2015, turnover increased by 6.2% (2014: 22.5%) and gross profit by 3.6% (2014: 20.7%). These increases were principally driven by growth in the accessories and beauty product divisions. The decrease in operating profit of 2.8% (2014: increase of 9.4%) was principally due to a rebasing of the business service support fee from the USA.

Future developments

The Company will continue to seek opportunities to maximise the long term value derived from its brand.

Principal risks and uncertainties

The management of the business and the execution of the Company's growth strategies are subject to a number of risks.

The principal risks and uncertainties are integrated with the principal risks of Burberry Group plc and are not managed separately. Accordingly, the principal risks and uncertainties of Burberry Group plc, which include those of the Company, are discussed on pages 56 to 59 of the Group's 2014/15 Annual report which does not form part of this report.

Financial risk management

The Company's financial risk management objectives and policies are set out within note 17 to the financial statements.

Going concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the financial statements.

Key performance indicators

The directors of Burberry Group plc manage the Group's operations on a consolidated basis using key performance indicators. For this reason, the Company's directors believe that analysis using key performance indicators for the Company is not necessary or appropriate. The development, performance and position of Burberry Group plc is discussed in the Performance section of the Group's 2014/15 Annual report which does not form part of this report.

By order of the board



J B Smith

Director

7 October 2015

BURBERRY LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2015

The directors present their report and the financial statements for the year ended 31 March 2015.

Future developments

Please refer to the strategic report on page 1 for future developments of the Company.

Financial risk management

Please refer to the strategic report on page 1 for the financial risk management of the Company.

Results and dividends

The Company's profit for the financial year is £202,433,000 (2014: £208,437,000). The directors paid an interim dividend during the year of £200,000,000 (2014: £200,000,000). The directors do not recommend the payment of a final dividend (2014: £nil).

Directors

The directors who held office during the year and up to the date of signing were as follows:

A Ahrendts	(resigned 30 April 2014)
C A Fairweather	
N P Jones	(alternate director to C A Fairweather)
M N C Mahony	(resigned 18 September 2014)
J B Smith	
E C Rash	(alternate director to M N C Mahony, resigned 18 September 2014)
C P Bailey	(appointed 29 July 2014, resigned 26 February 2015)
B D Jackson	(alternate director to J B Smith, appointed 7 April 2015)

Directors' responsibilities statement

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company 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 applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

BURBERRY LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2015

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 enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure of information to auditors

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

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

Independent auditors

The Company has passed elective resolutions dispensing with the need to hold an Annual General Meeting and annually reappoint an auditor. Accordingly, PricewaterhouseCoopers LLP, are deemed to be reappointed as auditors for the forthcoming year.

Political and charitable contributions

During the year to 31 March 2015, the Company donated £4,138,000 (2014: £3,983,000) for the benefit of charitable causes. These donations principally comprised cash. Further information regarding the charitable donations made during the year are contained on pages 40 to 41 of the Group's 2014/15 Annual Report. The Company made no political donations in line with its policy (2014: £nil).

Creditor payment policy

For all trade creditors, it is Company policy to:

- agree and confirm terms of payment at the commencement of business with that supplier;
- pay in accordance with contractual and other legal obligations; and
- continually review the payment procedures and liaise with suppliers as a means of eliminating difficulties and maintaining a good working relationship.

Trade creditor days as at 31 March 2015 were 64 days (2014: 63 days) based on the ratio of average company trade creditors during the year to the amounts recorded as expense during the year attributable to trade creditors.

Employee involvement

The Company's employees are subject to the same employee involvement as the employees of the Group. The Group employee involvement policies and practises are set out on pages 40 to 41 of the Group's 2014/15 Annual Report.

Disabled persons

The Company supports the employment of disabled people wherever possible through recruitment, by retention of those who become disabled during their employment and generally through training, career development and promotion.

By order of the board



J B Smith

Director

7 October 2015

BURBERRY LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BURBERRY LIMITED

Report on the financial statements

Our opinion

In our opinion, Burberry Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 March 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

Burberry Limited's financial statements, comprise:

- the Balance Sheet as at 31 March 2015;
- the Profit and Loss account for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

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.

Other matters on which we are required to report by exception

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

BURBERRY LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BURBERRY LIMITED

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.

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 2, 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 International Standards on Auditing (UK and Ireland) ("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 strategic report, directors' report and financial statements 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.



Sotiris Kroustis (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
7 October 2015

BURBERRY LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2015**

	Note	2015 £000	2014 £000
Turnover	3	1,378,633	1,297,691
Cost of sales		(670,512)	(614,402)
Gross profit		708,121	683,289
Net operating expenses	4	(452,745)	(420,450)
Operating profit		255,376	262,839
Interest receivable and similar income	6	10,016	1,922
Interest payable and similar charges	6	(7,124)	(2,633)
Profit on ordinary activities before taxation	5	258,268	262,128
Tax on profit on ordinary activities	7	(55,835)	(53,691)
Profit for the financial year	20	202,433	208,437

The notes on pages 8 to 43 form part of these financial statements.

The above results are derived from continuing operations.

There is no material difference between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical cost equivalents.

The Company had no recognised gains and losses during the year other than those included in the profit and loss account.

BURBERRY LIMITED
REGISTERED NUMBER: 00162636

BALANCE SHEET
AS AT 31 MARCH 2015

	Note	£000	2015 £000	2014 £000
Fixed assets				
Intangible assets	8		6,279	6,529
Tangible assets	9		146,789	148,001
Investments	10		34,189	34,189
			<u>187,257</u>	<u>188,719</u>
Current assets				
Stocks	11	213,305		208,294
Debtors: amounts falling due after more than one year	12	373,142		271,610
Debtors: amounts falling due within one year	12	391,959		428,692
Cash at bank and in hand		343,454		270,009
		<u>1,321,860</u>		<u>1,178,605</u>
Creditors: amounts falling due within one year	13	<u>(622,727)</u>		<u>(497,292)</u>
Net current assets			<u>699,133</u>	<u>681,313</u>
Total assets less current liabilities			<u>886,390</u>	<u>870,032</u>
Creditors: amounts falling due after more than one year	14		<u>(75,688)</u>	<u>(75,269)</u>
Provisions for liabilities	16		<u>(6,904)</u>	<u>(9,787)</u>
Net assets			<u><u>803,798</u></u>	<u><u>784,976</u></u>
Capital and reserves				
Called up share capital	19		20,650	20,650
Revaluation reserve	20		632	646
Capital redemption reserve	20		2,387	2,387
Profit and loss account			<u>780,129</u>	<u>761,293</u>
Total shareholders' funds	21		<u><u>803,798</u></u>	<u><u>784,976</u></u>

The notes on pages 8 to 43 form part of these financial statements.

The financial statements of Burberry Limited (registered number 00162636) were approved and authorised for issue by the board of directors on 7 October 2015. They were signed on its behalf by:



C A Fairweather
Director
7 October 2015

BURBERRY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

1. Accounting policies

1.1 Basis of preparation

The financial statements have been prepared under the historical cost convention as modified by the revaluation of Buildings and in accordance with applicable accounting standards.

The Company is itself a subsidiary company and is exempt from the requirement to prepare group financial statements by virtue of section 400 of the Companies Act 2006. These financial statements therefore present information about the Company as an individual undertaking and not about its group.

These financial statements have been prepared on the going concern basis under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. As permitted under section 400 of the Companies Act 2006, the Company has not prepared consolidated financial statements since it is a wholly owned subsidiary undertaking of the ultimate holding company, Burberry Group plc, a company registered in England.

The principal accounting policies, which have been applied consistently throughout the year, are set out below.

1.2 Adoption of Financial Reporting Standard (FRS) 101 'Reduced Disclosure Framework'

The accounting framework for the Company financial statements is required to be changed following the publication of FRS 100 'Application of Financial Reporting Requirements' for the financial year commencing 1 April 2015, from the current preparation which is in accordance with applicable accounting standards in the United Kingdom and the Companies Act 2006. It is considered that it is in the best interests of the Group for the Company to adopt FRS 101. The shareholder will be informed in writing of this change.

1.3 Turnover

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

BURBERRY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

1. Accounting policies (continued)

1.4 Share schemes

The Group operates a number of equity-settled share-based compensation schemes, under which services are received from employees of the Company (including executive directors) as consideration for equity instruments of Burberry Group plc. 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 the profit and loss account within capital and reserves.

1.5 Operating leases

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

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

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

Finance leases where the Company is a lessee are capitalised at the commencement of the lease at the lower of fair value of the leased asset and the present value of the minimum lease payments. Interest is charged to the Profit and Loss account and credited to the lease liability using the effective interest rate method. Lease liabilities are held in Other Creditors on the Balance Sheet. The capitalised leased assets are held in Tangible Assets on the Balance Sheet, and are depreciated over the shorter of the lease term and the useful life of the leased asset.

1.6 Dividends

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

BURBERRY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015**

1. Accounting policies (continued)**1.7 Pension costs**

The pension costs in the financial statements are determined in accordance with Financial Reporting Standard 17 "Retirement benefits" ("FRS 17").

Defined Contribution schemes

Eligible employees of the Company participate in the Burberry Stakeholder Plan UK, a defined contribution pension scheme. The assets covering this arrangement are also held in an independently administered fund.

The cost of providing these benefits to participating employees is recognised in the Profit and Loss Account of the Company and comprises the amount of contributions payable to the scheme in respect of the year.

The Company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the Company to the fund in respect of the year.

1.8 Intangible assets*Trademarks and other intangible assets*

The cost of securing and renewing trademarks and 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 trademarks or over the terms of the lease. The useful economic life of trademarks and other intellectual property is determined on a case by case basis, in accordance with the terms of the underlying agreement and the nature of the asset.

BURBERRY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015**

1. Accounting policies (continued)**1.9 Tangible assets**

Tangible fixed assets, with the exception of assets in the course of construction, are stated at cost or deemed cost, based on historical revalued amounts, less accumulated depreciation and provision to reflect any impairment in value. Assets in the course of construction is stated at cost less any provision for impairments 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 the costs attributable to bringing the asset to its working condition for its intended use.

Computer software

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

Depreciation

Depreciation of tangible fixed assets 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 tangible fixed asset	Useful life
Land	Freehold land and buildings	Not depreciated
Freehold property	Freehold land and buildings	Up to 50 years
Leaseholds	Leasehold less than 50 years	Over the unexpired term of the lease
Plant and machinery	Fixtures, fittings and equipment	Up to 10 years
Retail fixtures and fittings	Fixtures, fittings and equipment	Up to 5 years
Office equipment	Fixtures, fittings and equipment	5 years
Computer equipment	Fixtures, fittings and equipment	Up to 5 years

BURBERRY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

1. Accounting policies (continued)

1.9. Tangible assets (continued)

Valuations

The Company has adopted a policy of not revaluing properties as permitted under Financial Reporting Standard 15 "Tangible fixed assets" ("FRS 15"). Previously revalued freehold properties are included at their valuation at 31 March 1996 less accumulated depreciation. All other freehold properties are carried at historical cost. Leasehold properties are carried at original cost and are depreciated over the remainder of the lease term on a straight line basis.

Profit or loss on disposal of tangible assets

Profits and losses on disposal of tangible 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.

1.10 Impairment of fixed assets

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

1.11 Investments

Investments held by the Company are carried at cost less amounts written off in respect of impairment. The impairment charge is the difference between the carrying value of the investment held less the future discounted cash flows. The charge is in accordance with Financial Reporting Standard 11 "Impairment of fixed assets and goodwill" ("FRS 11").

1.12 Stocks

Stocks and work in progress are valued on a weighted average basis at the lower of cost (including an appropriate proportion of production overheads) and net realisable value. Where necessary, provision is made to reduce cost to no more than net realisable value having regard to the age and condition of stock, as well as its anticipated saleability.

BURBERRY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

1. Accounting policies (continued)

1.13 Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is recognised as a liability or asset if transactions have occurred at the balance sheet date which gives rise to an obligation to pay more taxation in the future, or a right to pay less taxation in the future. An asset is not recognised to the extent that the transfer of economic benefits in the future is uncertain. Deferred tax assets and liabilities recognised are not discounted. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

No provision is made to cover any future liability to taxation that would arise in respect of revalued properties until such time as a sale is likely to occur.

1.14 Foreign currency translation

Transactions denominated in foreign currencies are translated into sterling at the exchange rate ruling at the date of the transaction or at the forward contract rate where hedged. Monetary assets and liabilities denominated in foreign currencies which are held at year end are translated into sterling at the exchange rate ruling at the balance sheet date. Exchange differences on monetary assets and liabilities are taken to the Profit and Loss Account in the year in which they arise.

1.15 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.

1.16 Provisions - 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 the operating lease. Where a lease 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 Company's requirements and not fully recovered through sub-leasing, or through value-in-use.

BURBERRY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

1. Accounting policies (continued)

1.17 Cash flow statement

The Company is exempt from the requirement to prepare a cash flow statement under Financial Reporting Standard 1 (revised 1996) "Cash flow statements" ("FRS 1"), as it is a wholly owned subsidiary of Burberry Group plc and the cash flows are included in the consolidated cash flow statement of Burberry Group plc.

1.18 Related party transactions

Financial Reporting Standard 8, "Related party disclosures" ("FRS 8") requires the disclosure of the details of material transactions and balances between the reporting entity and related parties. The Company has taken advantage of the exemption under the terms of FRS 8, not to disclose details of transactions with entities that are wholly owned subsidiaries of Burberry Group plc.

1.19 Derivative financial instruments

The Company uses derivative financial instruments to reduce exposure to foreign exchange risk. The Company does not hold or issue derivative financial instruments for speculative purposes.

For a forward foreign exchange contract to be treated as a hedge the instrument must be related to actual foreign currency assets or liabilities or to a probable commitment. It must involve the same currency or similar currencies as the hedged item and must also reduce the risk of foreign currency exchange movements on the Company's operations. Gains and losses arising on these contracts are not recognised in the profit and loss account until the derivative matures.

2. Changes in accounting policies and presentation

There have been no changes to financial reporting standards and interpretations issued by the Accounting Standards Board which impact the financial statements for the first time in the year ended 31 March 2015.

BURBERRY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

3. Segment analysis

	2015 £000	2014 £000
Turnover by division:		
Retail/Wholesale	1,278,763	1,201,054
Licensing	99,870	96,637
	<u>1,378,633</u>	<u>1,297,691</u>

	2015 £000	2014 £000
Turnover by destination:		
EMEIA ⁽¹⁾	701,555	664,313
Americas	324,783	287,517
Asia	352,295	345,861
	<u>1,378,633</u>	<u>1,297,691</u>

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

All turnover originates in the United Kingdom.

Operating profit by division:

	2015 £000	2014 £000
Retail/Wholesale	255,947	245,957
Licensing	(571)	16,882
	<u>255,376</u>	<u>262,839</u>

BURBERRY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015**

3. Segment analysis (continued)

Net assets by division:

	2015 £000	2014 £000
Retail/Wholesale	517,281	406,833
Licensing	(1,898)	(1,342)
Net operating assets	515,383	405,491
Investments	34,189	34,189
Net balances due from Group undertakings	258,638	348,320
Corporate tax	(24,485)	(23,288)
Deferred tax	20,149	20,264
Derivatives	(76)	-
Net assets	803,798	784,976

4. Net operating expenses

	2015 £000	2014 £000
Distribution costs	160,641	141,705
Administrative expenses	292,104	278,745
Total	452,745	420,450

5. Profit on ordinary activities before taxation

	2015 £000	2014 £000
Profit on ordinary activities before taxation is stated after charging / (crediting):		
Depreciation of tangible assets		
- within cost of sales	1,012	808
- within distribution costs		
- relating to owned assets	15,604	14,712
- relating to leased assets	538	538
- within administrative expenses	24,983	22,712
Amortisation of trademarks and other intangible assets	634	581
Loss on purchase of tangible assets	371	-
Loss on disposal of tangible assets	891	18
Directors' and employees' costs (see note 27)	220,728	204,576
Operating lease payments - land and buildings	40,450	38,348
Auditors' remuneration	1,494	1,517
Net exchange (profit) / loss included in profit and loss account	(13,795)	6,515

BURBERRY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015**

5. Profit on ordinary activities before taxation (continued)

	2015 £000	2014 £000
Auditors' remuneration is further analysed as follows:		
Fees payable to the Company's auditors for the audit of the Company's annual financial statements	294	200
Audit services in respect of other Group companies	922	1,098
Total audit fees	1,216	1,298
Audit related assurance services	35	28
Tax services - compliance and advisory	243	191
Total non-audit fees	278	219
Total	1,494	1,517

6. Net interest receivable/(payable)

	2015 £000	2014 £000
Interest receivable - Group undertakings	8,717	1,066
Interest receivable - bank	1,299	856
Interest receivable and similar income	10,016	1,922
Interest payable - Group undertakings	(6,411)	(1,955)
Interest payable - bank	(713)	(678)
Interest payable and similar charges	(7,124)	(2,633)
Net interest receivable/(payable)	2,892	(711)

BURBERRY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

7. Tax on profit on ordinary activities

Corporation tax is based on the profit for the year and comprises:

	2015 £000	2014 £000
Current tax		
UK corporation tax at 21% (2014: 23%)	55,537	53,822
Adjustments in respect of prior years	43	(1,703)
	<u>55,580</u>	<u>52,119</u>
Double taxation relief	(656)	(768)
	<u>54,924</u>	<u>51,351</u>
Overseas taxation	796	768
Total current tax	<u>55,720</u>	<u>52,119</u>
Deferred tax		
Origination and reversal of timing differences	77	(600)
Adjustments in respect of prior years	(50)	(727)
Adjustments due to change in tax rates	88	2,899
Total deferred tax	<u>115</u>	<u>1,572</u>
Tax on profit on ordinary activities	<u><u>55,835</u></u>	<u><u>53,691</u></u>

UK Group companies do not charge/pay for group tax relief from other UK companies. As such, Burberry Limited does not recognise a tax (credit)/charge for any (losses)/profits to the extent that there are sufficient profits/(losses) within the UK Group companies to fully offset Burberry Limited's UK liability.

BURBERRY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015**

7. Tax on profit on ordinary activities (continued)**Factors affecting tax charge for the year**

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 21% (2014: 23%). The differences are explained below:

	2015 £000	2014 £000
Profit on ordinary activities before taxation	<u>258,268</u>	<u>262,128</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 21% (2014: 23%)	54,236	60,289
Effects of:		
Permanent disallowables	(424)	(1,244)
Overseas tax	140	-
Adjustments to tax charge in respect of prior years	43	(1,703)
Other timing differences	1,701	888
Debt cap adjustment	1,496	(978)
Group relief received for nil consideration	(1,472)	(7,342)
Transfer pricing adjustment re imputed interest	-	2,209
Total current tax	<u>55,720</u>	<u>52,119</u>

There were a number of changes to the UK corporation tax system announced in the March 2013 Budget Statement. The main rate of corporation tax changes to 20% with effect from 1 April 2015. These changes were substantively enacted on 2 July 2013.

BURBERRY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015**

8. Intangible assets

	Trademarks and other intangible assets £000
Cost	
At 1 April 2014	9,747
Additions	384
Disposals	(250)
At 31 March 2015	<u>9,881</u>
Accumulated Amortisation	
At 1 April 2014	3,218
Charge for the year	634
Disposals	(250)
At 31 March 2015	<u>3,602</u>
Net Book Value	
At 31 March 2015	<u>6,279</u>
At 31 March 2014	<u>6,529</u>

BURBERRY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015**

9. Tangible assets

	Freehold land and buildings £000	Leasehold less than 50 years £000	Fixtures, fittings and equipment £000	Assets in the course of construction £000	Total £000
Cost or valuation					
At 1 April 2014	3,440	60,095	213,021	11,890	288,446
Additions	6	1,462	22,250	18,098	41,816
Disposals	-	-	(3,209)	(797)	(4,006)
Reclassification	-	615	7,417	(8,032)	-
At 31 March 2015	3,446	62,172	239,479	21,159	326,256
Accumulated Depreciation					
At 1 April 2014	731	17,758	121,956	-	140,445
Charge for the year	55	4,015	38,067	-	42,137
Disposals	-	-	(3,115)	-	(3,115)
At 31 March 2015	786	21,773	156,908	-	179,467
Net Book Value					
At 31 March 2015	2,660	40,399	82,571	21,159	146,789
At 31 March 2014	2,709	42,337	91,065	11,890	148,001

The valuation of properties at 31 March 1996, on the basis of their open market value, was carried out by Colliers Erdman Lewis, Chartered Surveyors. The valuation was carried out in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation manual.

Assets held under finance leases, capitalised and included in tangible fixed assets:

	2015 £000	2014 £000
Cost	4,159	4,159
Accumulated depreciation	(1,905)	(1,367)
Net book value	2,254	2,792

BURBERRY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

9. Tangible assets (continued)

Freehold properties held at revalued amount	2015 £000	2014 £000
Cost	2,752	2,752
Accumulated depreciation	(660)	(604)
Net book value	<u>2,092</u>	<u>2,148</u>

2015 £000	2014 £000
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If the revalued amount of freehold properties were stated on the historical basis the amounts would be:

Historical cost	2,054	2,054
Accumulated depreciation	(595)	(553)
Net book value based on historical cost	<u>1,459</u>	<u>1,501</u>

10. Investments

	2015 £000	2014 £000
Burberry Italy Retail Limited	<u>34,189</u>	<u>34,189</u>

Subsidiary undertaking	Place of incorporation	% of holding of ordinary share capital	Nature of business
Burberry Italy Retail Limited	England and Wales	100 %	Luxury goods retailer
Burberry Distribution Limited	England and Wales	100 %	Distribution
Worldwide Debt Collections Limited	England and Wales	100 %	Debt Collection

As permitted under Section 400 of the Companies Act 2006 group financial statements have not been prepared as the Company is itself a wholly owned subsidiary of another company (see note 29). The directors believe that the carrying value of the investment is supported by its discounted cash flows.

BURBERRY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015**

11. Stocks

	2015 £000	2014 £000
Raw materials	29,270	36,307
Work in progress	2,176	2,730
Finished goods	181,859	169,257
	<u>213,305</u>	<u>208,294</u>

12. Debtors

	2015 £000	2014 £000
Trade debtors	90,682	82,002
Amounts owed by Group undertakings		
Ultimate parent	13,118	152,419
Fellow subsidiaries	257,099	160,249
Other debtors	3,935	3,055
Prepayments and accrued income	18,203	20,719
Value added tax recoverable	8,871	10,248
Derivatives	51	-
Amounts falling due within one year	<u>391,959</u>	<u>428,692</u>
Prepayments	2,622	2,648
Amounts owed by Group undertakings		
Ultimate parent	126,511	39,928
Fellow subsidiaries	223,860	208,770
Deferred taxation (see note 15)	20,149	20,264
Amounts falling due after more than one year	<u>373,142</u>	<u>271,610</u>
Total debtors	<u>765,101</u>	<u>700,302</u>

Included in amounts owed by Group undertakings are loans of £364,811,000 (2014: £252,236,000) which are interest bearing. The interest rate earned is based on relevant national LIBOR equivalents plus 0.5 - 1.77%. The remaining amounts owed by Group undertakings of £255,777,000 (2014: £309,130,000) are interest free. Amounts owed by Group undertakings falling due after one year are unsecured and receivable between 7 April 2016 and 17 June 2019. Amounts owed by Group undertakings falling due within one year are unsecured and receivable on demand.

BURBERRY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015**

13. Creditors: amounts falling due within one year

	2015 £000	2014 £000
Bank loans and overdrafts (see note 18)	53,039	75,476
Derivative liability	127	-
Trade creditors	110,106	128,843
Amounts owed to Group undertakings	302,524	153,002
Corporation tax	24,485	23,288
Other creditors	3,562	4,007
Accruals and deferred income	128,884	112,676
	<u>622,727</u>	<u>497,292</u>

Included in amounts owed to Group undertakings are loans of £194,072,000 (2014: £84,866,000) which are interest bearing, unsecured and repayable between 31 July 2015 and 1 March 2016. The interest rate is based on relevant national LIBOR equivalents plus 0.5 - 0.9%. The remaining amounts owed to Group undertakings of £98,075,000 (2014: £68,136,000) are interest free, unsecured and repayable on demand.

14. Creditors: amounts falling due after more than one year

	2015 £000	2014 £000
Amounts owed to Group undertakings	59,426	60,044
Other creditors	1,375	2,085
Accruals and deferred income	14,887	13,140
	<u>75,688</u>	<u>75,269</u>

Included in amounts owed to Group undertakings are loans of £59,426,000 (2014: £60,044,000) which are interest bearing. The interest rate earned is based on relevant national LIBOR equivalents plus 0.9%. Amounts owed to Group undertakings are unsecured and repayable on 17 June 2019.

Included in other creditors are amounts of £nil (2014: £672,000) which fall due after 5 years.

BURBERRY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

15. Deferred tax asset

	2015 £000	2014 £000
At beginning of year	20,264	21,836
Debit to the profit and loss account	(115)	(1,572)
At end of year	<u>20,149</u>	<u>20,264</u>

The analysis of the deferred tax asset is shown below:

	2015 £000	2014 £000
Accelerated capital allowances	8,240	5,858
Share schemes	10,145	11,824
Other short term timing differences	1,764	2,582
Total	<u>20,149</u>	<u>20,264</u>

The deferred tax asset recorded in each year arises from timing differences, which are expected to reverse in the foreseeable future.

16. Provisions for liabilities

	Property obligations £000	Other £000	Total £000
At 1 April 2014	7,541	2,246	9,787
Created during the year	451	-	451
Discount unwind	96	-	96
Utilised during the year	(2,762)	(48)	(2,810)
Released during the year	(284)	(336)	(620)
At 31 March 2015	<u>5,042</u>	<u>1,862</u>	<u>6,904</u>

Property obligations relate to onerous leases of £2,097,000 (2014: £5,068,000), which are expected to be utilised within five years, and dilapidation provisions of £2,849,000 (2014: £2,473,000), which are expected to be utilised in 21 years.

Within other is a restructuring provision of £570,000 (2014: £628,000), which is expected to be utilised within one year.

BURBERRY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

17. Financial risk management

The Company's principal financial instruments, other than derivatives, comprise cash and short term deposits, external borrowings, trade debtors, and trade creditors and other creditors arising directly from operations. The Company's activities expose it to a variety of financial risks: market risks (including foreign exchange risk, interest rate risk and price risk), credit risk, liquidity risk and capital risk.

The Company's risk management is carried out by Burberry Group's treasury department ("Group Treasury") to reduce financial risk and to ensure sufficient liquidity is available to meet foreseeable needs and to invest in cash assets safely and profitably. This is done in close co-operation with the Group's operating units. 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.

(i) Market risks

Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from various foreign currency denominated transactions, including royalty income, sales and purchases. To reduce exposure to currency fluctuations, the Group has a policy of hedging foreign currency denominated transactions by entering into forward exchange contracts.

Under the Company's accounting policy, the fair value of the Company's cash flow hedges is not separately recognised on the Balance Sheet as either a financial asset or financial liability. Under the presentation requirements of Financial Reporting Standard 25 "Financial instruments: Disclosure and presentation", had the Company recognised the fair value of its cash flow hedges, the value recognised on the Balance Sheet would have been a net asset of £5,433,000 (2014: £3,406,000).

Further details of the Group's foreign exchange risk are included in the consolidated financial statements of Burberry Group plc, which are publicly available.

Price risk

The Company's exposure to equity securities price risk is minimal. The Company is not exposed to commodity price risk.

(ii) Credit risk

The Company has no significant concentrations of credit risk. It has policies in place to ensure that wholesale sales of products 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 Company's exposure to bad debts is not significant and default rates have historically been very low.

With respect to credit risk arising from other financial assets, which comprise cash and short term deposits and certain derivative instruments, the Company's exposure to credit risk arises from the default of the counterparty. There are policies in place that limit the amount of credit exposure to any financial institution and only deposit funds with independently rated financial institutions with a minimum rating of 'A'.

BURBERRY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015**

17. Financial risk management (continued)**(iii) Liquidity risk**

The Company'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, the Group Treasury aims to maintain flexibility in funding by keeping committed credit lines available.

(iv) Interest rate risk

The Company's exposure to market risk for changes in interest rates relates primarily to cash, short term deposits and borrowings.

Borrowings are linked to the LIBOR rate, while cash and short term borrowings are affected by UK market rates. Bank overdrafts are at variable rates. Currently, this interest rate risk is not hedged as the risk is not considered significant. This situation is monitored by Group Treasury.

(v) Capital risk

The Company manages its capital (defined as net cash plus equity) to ensure that its subsidiaries are able to operate as going concerns and optimise returns to shareholders. At 31 March 2015, the Company had net cash of £290,415,000 (2014: £194,533,000) and total shareholder's funds of £803,798,000 (2014: £784,976,000).

Cash is used to fund the continued investment in the Company and growth of the global brand. It is also used to make routine outflows of capital expenditure, tax and dividends.

The Company was in compliance with the financial and other covenants within its committed bank credit facilities as at the balance sheet date and has been in compliance throughout the year.

18. Bank loans and overdrafts

	2015 £000	2014 £000
Unsecured		
Bank overdrafts	53,039	75,476
Total	53,039	75,476

Bank overdrafts represent balances on cash pooling arrangements.

Burberry Limited has access to the Group's new £300,000,000 (2014: £300,000,000) multi-currency revolving credit facilities. At 31 March 2015 the Company had not drawn down from this facility (31 March 2014: £nil). Further details of the Group's new revolving credit facilities are included in Note 25 and in the consolidated financial statements of Burberry Group plc, which are publicly available.

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

BURBERRY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

19. Called up share capital

	2015 £000	2014 £000
Allotted, called up and fully paid		
20,546,750 (2014: 20,546,750) Ordinary Shares of £1 each	20,547	20,547
103,250 (2014: 103,250) Preference Shares of £1 each	103	103
	<u>20,650</u>	<u>20,650</u>

The Preference Shares carry a non-cumulative preferential dividend of €0.20 per share out of the profits of the Company available for distribution when such a dividend has been declared by the directors.

On a winding up the preference shareholders have priority before all other classes of share to receive payment of nominal capital plus any arrears of dividends.

The preference shareholders have the right to receive notice of, attend, speak or vote at a general meeting of the Company, only if a resolution is to be proposed modifying the rights and privileges of the preference shareholders.

20. Reserves

	Capital redemption reserve £000	Revaluation reserve £000	Profit and loss account £000
At 1 April 2014	2,387	646	761,293
Retained profit for the financial year	-	-	202,433
Dividends	-	-	(200,000)
Value of share options granted	-	-	16,389
Transfer of reserves	-	(14)	14
	<u>2,387</u>	<u>632</u>	<u>780,129</u>
At 31 March 2015	2,387	632	780,129

21. Reconciliation of movements in shareholders' funds

	2015 £000	2014 £000
Opening shareholders' funds	784,976	758,407
Profit for the financial year	202,433	208,437
Dividends (note 22)	(200,000)	(200,000)
Value of share options granted	16,389	18,132
	<u>803,798</u>	<u>784,976</u>
Closing shareholders' funds	803,798	784,976

BURBERRY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

22. Dividends

	2015 £000	2014 £000
Dividend expense	200,000	200,000

The directors paid an interim dividend of £9.73 (2014: £9.73) per ordinary share.

23. Related parties

The Company has the following related parties which are not wholly owned subsidiaries of Burberry Group plc:

- Burberry Middle East LLC
- Burberry Qatar WLL CR
- Burberry AL Kuwait General Trading Textiles and Accessories Company WLL
- Burberry India Pvt Limited
- Burberry Saudi Company Limited

Aggregated related party transactions and balances which arise in the normal course of business from transactions that are carried on an arms length basis with the related parties above are set out below:

	2015 £000	2014 £000
Sales		
- Product	29,877	30,660
- Royalty income	2,351	2,340
Amounts owed by Group undertakings	6,850	8,978
Amounts owed to Group undertakings	(713)	-

24. Capital commitments

	2015 £000	2014 £000
Amounts contracted for future capital expenditure and not provided for in the financial statements		
- tangible assets	3,321	4,665
- intangible assets	852	2,146
Total	4,173	6,811

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 tangible assets.

BURBERRY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015**

25. Operating lease commitments

At 31 March the Company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	2015	2014
	£000	£000
Payments committed to be made in the next year analysed by the year in which the lease expires:		
within one year	3,004	2,722
within two to five years	12,000	12,477
over five years	24,363	18,203
	39,367	33,402

The commitments for operating lease amounts payable calculated as a percentage of turnover have been based on the minimum payment that is required under the term of the lease. As a result the amounts charged to the profit and loss account are different to the commitment at the year end.

BURBERRY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015**

26. Contingent liabilities

On 25 November 2014, the Group entered into a £300m multi-currency revolving credit facility with a syndicate of third-party banks. The facility matures in November 2019. The agreement contains two options which allow the Group to extend for an additional one year which are exercisable in 2015 and 2016, at the consent of the syndicate.

Burberry Limited, together with Burberry Group plc, Burberry Asia Limited, Burberry (Wholesale) Limited (US) and Burberry Limited (US) make up the Guarantor Group for a £300,000,000 (2014: £300,000,000) multi-currency revolving facility agreement. At 31 March 2015, there were no outstanding drawings (2014: £nil). Interest is currently charged on this facility at LIBOR plus 0.90% on drawings less than £100,000,000, at LIBOR plus 1.05% on drawings between £100,000,000 and £200,000,000 and at LIBOR plus 1.20% on drawings over £200,000,000.

A potential liability may arise in the future if one of the Group members defaults on the loan facility. Each guarantor, including Burberry Limited, would be liable to cover the amounts outstanding, including principal and interest elements.

The Company has indemnified banks against potential liabilities and claims resulting from several guarantee commitments made by banks on behalf of other Group undertakings. At 31 March 2015 the guarantee commitments totalled £36,094,000 (2014: £34,408,000).

As the Company refines its wholesale distribution and modernises its supply chain, former wholesale customers, suppliers and agents may assert claims against the Company in respect of the termination of their relationships with the Company. No material claims are outstanding.

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

27. Directors' and employees' costs

	2015 £000	2014 £000
Staff costs:		
Wages and salaries	170,372	158,143
Social security costs	26,137	21,131
Share based compensation	17,193	19,098
Other pension cost (see note 26)	7,026	6,204
	220,728	204,576

BURBERRY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015**

27. Directors' and employees' costs (continued)

	31 March 2015	31 March 2014
The average number of persons in the Company during the year, including directors, was:		
Production	940	895
Buying	112	79
Distribution/sales	983	1,001
Administration	1,632	1,520
	<u>3,667</u>	<u>3,495</u>
	2015 £000	2014 £000
Staff costs include the following remuneration in respect of directors:		
Aggregate emoluments	5,733	6,474
Company contributions to defined contribution pension schemes	-	55
	<u>5,733</u>	<u>6,529</u>
	2015 Number	2014 Number
The number of directors who:		
Are members of a defined contribution pension scheme	-	2
Exercised options over shares in the Company	2	3
Had awards receivable in the form of shares under a long-term incentive scheme	5	5
	2015 £000	2014 £000
The directors' remuneration disclosed above includes the amounts paid to the highest paid director as follows:		
Aggregate emoluments	2,168	3,309
Company contributions to defined contribution pension schemes	-	21
	<u>2,168</u>	<u>3,330</u>

For details of the emoluments of the highest paid director, including share options, long term incentive plans, pensions and other benefits, refer to the financial statements of Burberry Group plc.

BURBERRY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

27. Directors' and employees' costs (continued)

Share options granted to directors and employees

Burberry Group plc 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 and award 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.

Savings-Related Share Option Scheme

In the financial year ended 31 March 2007, a Savings-Related Share Option Scheme (Sharesave) offering Burberry Group plc ordinary shares was introduced for employees.

On 20 June 2014, further options were granted under this scheme with a three-year and five-year vesting period offered to employees. The savings contract commencement date for this grant was 1 September 2014. These options are exercisable for a period of up to six months from 1 September 2017 and 1 September 2019 for the three-year and five-year schemes respectively, with vesting dependent on continued employment, as well as a saving obligation over the vesting period. The exercise price for these options is calculated at a 20% discount to market price over the three dealing days preceding the invitation date. Three day averages are calculated by taking middle market quotations of a Burberry Group plc share from the London Stock Exchange.

The fair value per option for the grant is £1.52, determined by applying the Black-Scholes option pricing model. The key factors used in determining the fair value were as follows:

Share price at contract commencement date	£14.34
Exercise price	£12.16
Life of award	Equivalent to vesting period
Dividend yield	2.71%
Expected volatility	34.5%
Risk free interest rate	1.28%

BURBERRY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

27. Directors' and employees' costs (continued)

Movements in the number of share options outstanding and their weighted average exercise prices are as follows:

	Weighted average exercise price	Year to 31 March 2015	Weighted average exercise price	Year to 31 March 2014
Outstanding at 1 April	1,024.0p	561,376	854.3p	595,617
Granted during the year	1,216.0p	344,074	1,220.0p	170,073
Lapsed during the year	1,144.0p	(64,213)	962.0p	(47,127)
Withdrawn during the year	1,181.0p	(31,823)	1,030.0p	(22,993)
Exercised during the year	860.0p	(185,579)	533.0p	(134,194)
Outstanding at 31 March	1,158.0p	623,835	1,024.0p	561,376
Exercisable at 31 March	1,049.0p	1,667	-	-

The weighted average share price at the respective exercise dates in the year was £15.58 (2014: £15.66)

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Option term	Exercise price	Number of shares under option as at 31 March 2015	Number of shares under option as at 31 March 2014
30 June 2009 – 28 February 2015	321.0p	-	48,331
30 June 2010 – 28 February 2016	557.0p	26,124	27,843
24 June 2011 – 28 February 2015	1,049.0p	1,667	148,121
24 June 2011 – 28 February 2017	1,049.0p	36,033	38,766
22 June 2012 – 28 February 2016	1,104.0p	102,960	125,927
22 June 2012 – 28 February 2018	1,104.0p	13,455	15,356
20 June 2013 – 28 February 2017	1,220.0p	116,024	138,491
20 June 2013 – 28 February 2019	1,220.0p	15,166	18,541
20 June 2014 – 28 February 2018	1,216.0p	276,987	-
20 June 2014 – 28 February 2020	1,216.0p	35,419	-
Total		623,835	561,376

BURBERRY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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27. Directors' and employees' costs (continued)**Burberry Senior Executive Restricted Share Plan 2004 (the "RSP")**

Under the RSP participants may be awarded shares, structured as nil-cost options, up to a maximum value of two times base salary per annum. Certain participants will be granted awards subject to both market and non-market performance conditions, while other participants will be granted awards subject to non-market performance conditions only. A limited number of awards will be granted without performance conditions.

The market performance condition is a measure of TSR performance relative to sector peers. The non-market performance condition is compound annual adjusted PBT growth over a 3 year period from the date of grant.

Awards subject to both market and non-market conditions 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 3 year vesting period as at 31 March 2015 are:

3 year compound adjusted PBT growth targets

Year of grant and participant group	Threshold	Maximum
2012 – market and non-market conditions	10%	15%
2012 – non-market conditions only	5%	15%
2012 – no performance conditions	N/A	N/A
2013 – market and non-market conditions	10%	15%
2013 – non-market conditions only	5%	15%
2013 – no performance conditions	N/A	N/A
2014 – market and non-market conditions	5%	15%
2014 – non-market conditions only	5%	15%
2014 – no performance conditions	N/A	N/A

Obligations under this plan will be met either by market purchase shares via the ESOP trust or by the issue of ordinary shares of the Company.

On 12 June 2014, further awards of 1,922,814 ordinary shares were made to senior management under the RSP (2014: 2,261,895). This was the final award that will be granted under the RSP, which will be replaced by the Executive Share Plan (ESP) from 1 April 2015. The fair value of the awards granted with PBT performance conditions was determined by applying the Black-Scholes option pricing model. A discount was applied to the awards with the TSR performance condition, by applying the Monte Carlo model.

BURBERRY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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Movements in the number of share awards outstanding are as follows:

	Year to 31 March 2015	Year to 31 March 2014
Outstanding at 1 April	5,780,075	5,678,692
Granted during the year	1,922,814	2,261,895
Lapsed during the year	(461,682)	(495,647)
Exercised during the year	(1,020,564)	(1,664,865)
	<hr/>	<hr/>
Outstanding at 31 March	6,220,643	5,780,075
	<hr/>	<hr/>
Exercisable at 31 March	534,631	272,769

The weighted average share price at the respective exercise dates in the year was £15.19 (2014: £14.43).

27. Directors' and employees' costs (continued)

12 June 2014

Fair value: PBT performance conditions	£13.53
Fair value: TSR performance conditions	£5.03

BURBERRY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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27. Directors' and employees' costs (continued)

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

	Number of awards as at 31 March 2015	Number of awards as at 31 March 2014
Term of the award		
10 August 2006 - 9 August 2016	1,155	1,155
27 November 2006 - 26 November 2016	2,124	2,124
11 June 2007 - 10 June 2017	6,639	8,501
21 November 2007 - 20 November 2017	-	373
25 June 2008 - 24 June 2018	24,942	75,243
1 June 2009 - 31 May 2019	91,492	460,104
20 November 2009 - 19 November 2019	-	1,250
10 June 2010 - 9 June 2020	306,484	677,987
22 November 2010 - 21 November 2020	375	22,449
20 June 2011 - 19 June 2021	329,895	691,721
21 November 2011 - 20 November 2021	26,374	56,125
13 June 2012 - 12 June 2022	1,538,828	1,615,307
16 November 2012 - 15 November 2022	92,885	92,885
14 June 2013 - 13 June 2023	1,922,769	1,812,033
17 June 2013 - 16 June 2023	-	243,542
25 November 2013 - 24 November 2023	18,938	19,276
12 June 2014 - 11 June 2024	1,857,743	-
Total	6,220,643	5,780,075

The key factors used in determining the fair value of the awards were as follows:

Share price at grant date	£14.68
Exercise price	£nil
Life of award	Equivalent to investing period
Dividend yield	2.71%
Expected volatility	36.3%
Risk free interest rate	1.28%

BURBERRY LIMITED

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27. Directors' and employees' costs (continued)**All Employee Share Plan**

Employees are offered awards of ordinary shares in the Company at a £nil exercise price under an All Employee Share Plan. All awards vest after three years and the vesting of these share awards is dependent on continued employment over the vesting period.

On 31 July 2014, 80,430 ordinary shares were granted under this scheme (2014: 76,320). The fair value of the awards granted is £14.14 determined by applying the Black-Scholes option pricing model. The key factors used in determining the fair value were as follows:

	31 July 2014
Share price at grant date	£14.14
Exercise price	£nil
Life of award	Equivalent to vesting period
Expected volatility	35.8%
Risk free interest rate	1.28%

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

	Year to 31 March 2015	Year to 31 March 2014
Outstanding at 1 April	216,040	196,310
Granted during the year	80,430	76,320
Lapsed during the year	(23,400)	(20,520)
Exercised during the year	(29,220)	(36,070)
Outstanding at 31 March	243,850	216,040
Exercisable at 31 March	64,180	53,620

The weighted average share price at the respective exercise dates was £15.41 (2014: £15.19).

BURBERRY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

27. Directors' and employees' costs (continued)

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

	Number of awards as at 31 March 2015	Number of awards as at 31 March 2014
Option term		
12 July 2002 - 18 July 2082*	2,700	3,700
30 August 2003 - 18 July 2082*	2,850	4,250
20 August 2004 - 18 July 2082*	6,000	7,050
1 September 2005 - 18 July 2082*	3,880	4,960
19 July 2010 - 18 July 2082*	26,160	33,660
18 July 2011 - 18 July 2082*	22,590	38,850
18 July 2012 - 18 July 2082*	47,460	54,510
17 July 2013 - 18 July 2082*	59,490	69,060
31 July 2014 - 18 July 2082*	72,720	-
Total	243,850	216,040

*No date has been specified when awards lapse. The cessation date of the trust in which the awards are held is 18 July 2082.

The Burberry Co-investment scheme

Executive directors and certain senior management are able to defer receipt of all or part of their annual bonus and invest it in ordinary shares in the Company with up to a 2:1 match based on individual and Group performance during the year. The matching share awards do not vest for three years and are forfeited if the executive leaves within that period. The exercise price of these share awards is £nil. The awards are also subject to secondary performance conditions.

Awards granted in 2012, 2013 and 2014 vest in full only if the Group achieves at least 10% per annum adjusted PBT growth over the three year vesting period. A proportion of the award (25%) vests if growth in adjusted PBT achieves 5% per annum. Vesting occurs on a straight-line basis between the threshold and the maximum. None of the award vests if adjusted PBT growth is below 5% per annum.

On 12 June 2014, 805,444 ordinary shares were awarded under this scheme (2014: 846,893). This was the final award granted under the Burberry Co-Investment Plan, which will be replaced by the Executive Share Plan (ESP) from 1 April 2015. The fair value of the awards granted on 12 June 2014 is £14.62, determined by applying the Black-Scholes option pricing model. The key factors used in determining the fair value were as follows:

	12 June 2014
Share price at grant date	£14.62
Exercise price	£nil
Life of award	Equivalent to vesting period
Expected volatility	36.3%
Risk free interest rate	1.28%

BURBERRY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015**

27. Directors' and employees' costs (continued)

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

	Year to ended 31 March 2015	Year to 31 March 2014
Outstanding at 1 April	2,870,064	4,515,580
Granted during the year	805,444	846,893
Lapsed during the year	(91,575)	(653,126)
Withdrawn during the year	-	(4,276)
Exercised during the year	(1,084,409)	(1,835,007)
Outstanding at 31 March	<u>2,499,524</u>	<u>2,870,064</u>
Exercisable at 31 March	34,119	-

The weighted average share price at the respective exercise dates was £14.87 (2014: £14.12).

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

	Number of awards as at 31 March 2015	Number of awards as at 31 March 2014
Term of the award		
7 June 2011 - 6 June 2016	34,119	1,118,528
18 July 2012 - 17 July 2017	1,056,479	1,079,035
14 June 2013 - 13 June 2018	636,724	672,501
12 June 2014 - 11 June 2019	772,202	-
Total	<u><u>2,499,524</u></u>	<u><u>2,870,064</u></u>

BURBERRY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015**

27. Directors' and employees' 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 options are due to vest on 1 April 2015. The vesting of all remaining options is dependent on continued employment for the vesting period. The exercise price of these share options is £nil.

Any vested but unexercised options will automatically lapse on 31 March 2016.

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

	Year to 31 March 2015	Year to 31 March 2014
Outstanding at 1 April	350,000	850,000
Forfeited during the year	-	(500,000)
Outstanding at 31 March	350,000	350,000
Exercisable at 31 March	-	-

July 2013 One-Off Grant

On 14 June 2013, options in respect of 1,000,000 ordinary shares were granted as a one-off award, with a £nil exercise price.

The options are due to vest in three stages: 20% are exercisable on 15 July 2016; 40% are exercisable on 15 July 2017; and the remaining 40% are exercisable on 15 July 2018. The vesting of these options is dependent upon continued employment over the vesting period.

Any vested but unexercised options will automatically lapse on 15 July 2019.

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

	Year to 31 March 2015	Year to 31 March 2014
Outstanding at 1 April	1,000,000	-
Granted during the year	-	1,000,000
Outstanding at 31 March	1,000,000	1,000,000
Exercisable at 31 March	-	-

BURBERRY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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27. Directors' and employees' costs (continued)**June 2014 One-off Grant**

On 12 June 2014, options in respect of 500,000 ordinary shares were granted as a one-off award, with a £nil exercise price.

The options are due to vest in three stages: 25% are exercisable on 31 July 2017; 25% are exercisable on 31 July 2018; and the remaining 50% are exercisable on 31 July 2019. Key strategic performance objectives linked to the long term growth of the Group must be met in order for the options to vest. These performance conditions will be assessed at each of the relevant vesting dates, and each tranche will only vest to the extent that performance targets have been achieved at that date.

Any vested but unexercised options will automatically lapse on 31 July 2020.

The fair value of the award is £14.68 determined, by applying the Black-Scholes option pricing model. The key factors used in determining the fair value were as follows:

	12 June 2014
Share price at grant date	£14.68
Exercise price	£nil
Life of award	Equivalent to vesting period
Expected volatility	36.3%
Risk free interest rate	1.28%

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

	Year to 31 March 2015
Outstanding at 1 April	-
Granted during the year	500,000
	<hr/>
Outstanding at 31 March	500,000
Exercisable at 31 March	-

BURBERRY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

28. Retirement benefit obligations

The Company provides post retirement arrangements for its employees which are defined contribution in nature.

Further details of the Company's pension schemes are reported in the financial statements of Burberry Group plc.

The total value of costs recognised in the profit and loss account in the year in relation to the defined contribution scheme is £7,026,000 (2014: £6,204,000).

29. Immediate and ultimate parent undertaking

The immediate parent undertaking is Burberry (UK) Limited, which is registered in England and Wales.

The ultimate parent undertaking and controlling party is Burberry Group plc the smallest and largest group to consolidate these financial statements. Burberry Group plc is registered in England and Wales. Copies of the consolidated financial statements can be obtained from the Company Secretary at Burberry Group plc, Horseferry House, Horseferry Road, London, SW1P 2AW.