

**Burberry International Holdings Limited**

**Registered Number 4251867**

**Directors' Report and Accounts**

**For the year to 31 March 2010**

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# **Burberry International Holdings Limited**

## **Directors' Report for the year to 31 March 2010**

The directors submit their report and the audited financial statements for the year to 31 March 2010

### **Principal activities and business review**

Burberry International Holdings Limited (The "Company") is a wholly owned subsidiary of Burberry Group plc (the "Group") Its principal activity is to act as a holding company

On 1 October 2009 the Company formed Burberry India Private Limited ("Burberry India"), a company registered in India, with a third party company registered in India, Genesis Colors Private Limited Burberry India will manage all Burberry retail and wholesale distribution within the Indian market

The Company has a 51% interest in the issued share capital of the company, the majority of the voting rights and the power to appoint the majority of the directors

On 28 January 2010, the Group terminated its franchisee agreement in India and Burberry India acquired the Burberry retailing business from the terminated franchisee

Refer to Note 8 for further details of new investments during the year

The directors do not intend, at the date of this report, that there will be any major changes in the Company's activities in the next year

The balance sheet on page 6 of the financial statements shows that the Company is in a net asset position at the year end, consistent with prior year

The Group manages its operations on a divisional basis For this reason, the Company's directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business The performance of the financing companies of Burberry Group plc, which includes the Company, is discussed in the Group's 2010 Annual Report which does not form part of this report The Company intends to retain its holdings in subsidiary companies for the foreseeable future

### **Principal risks and uncertainties**

The directors of Burberry Group plc manage the risks of the Burberry Group (the Group) at a group level, rather than at an individual business unit level For this reason, the Company's directors believe that a discussion of the Group's risks would not be appropriate for an understanding of the development, performance or position of the Company's business The principal risks and uncertainties of the Group, which include those of the Company, are discussed in the Group's 2010 Annual Report which does not form part of this report

### **Results and dividends**

The Company's profit for the financial year is £11,790,593 (2009 £12,183,128) The directors paid an interim dividend of £11,447,037 (2009 £nil) and do not recommend the payment of a final dividend (2009 £nil)

# Burberry International Holdings Limited

## Directors' Report for the year to 31 March 2010 (continued)

### Provision of information to auditors

In accordance with the provisions of section 418 (1) to (4) 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 directors are aware, there is no relevant audit information of which the 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

### Directors

The directors who held office during the period were as follows

S L Cartwright

C A Fairweather

A G Janowski

V Rainsford (alternate to C A Fairweather)

### Statement of directors' responsibilities in respect of the Annual Report and the financial statements

The directors are responsible for preparing 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

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.

### Auditors

The Company has passed elective resolutions dispensing with the need to hold an Annual General Meeting and annually reappoint auditors. Accordingly, PricewaterhouseCoopers LLP are deemed to have been re-appointed as auditors for the forthcoming year.

By order of the board 13 December 2010



C A Fairweather  
Director

13 December 2010

# Burberry International Holdings Limited

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BURBERRY INTERNATIONAL HOLDINGS LIMITED

We have audited the financial statements of Burberry International Holdings Limited for the year ended 31 March 2010 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

### Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 3, 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 the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinion, 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 this opinion, 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.

### Scope of the audit of the financial statements

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.

### Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 March 2010 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.

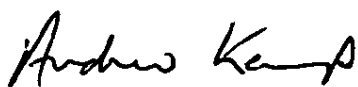
### Opinion on other matter prescribed by the Companies Act 2006

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

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- 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, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Andrew Kemp (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London

18 December 2010

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# Burberry International Holdings Limited

## Profit and loss account for the year to 31 March 2010

	Note	2010 £	2009 £
Administrative expenses	2	(305,531)	-
Exceptional item	3	340,766	9,127,319
Other income	4	-	1,979,526
Dividend receivable	5	12,363,880	-
<b>Operating Profit</b>		<b>12,399,115</b>	<b>11,106,845</b>
Interest receivable and similar income	6	415,208	563,367
Interest payable and similar charges	6	(40)	(11)
Foreign exchange (losses)/ gains		(372,571)	550,550
<b>Profit on ordinary activities before taxation</b>		<b>12,441,712</b>	<b>12,220,751</b>
Tax on profit on ordinary activities	7	(651,119)	(37,623)
<b>Profit on ordinary activities after taxation</b>	12, 13	<b>11,790,593</b>	<b>12,183,128</b>

The notes on pages 7 to 13 form part of these financial statements

All results derive from continuing operations

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

The Company had no recognised gains and losses during the year other than those reflected in the results above, and therefore no separate statement of total recognised gains and losses has been presented

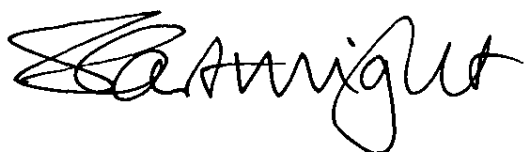
# Burberry International Holdings Limited

## Balance sheet as at 31 March 2010

	<i>Note</i>	2010 £	2009 £
<b>Non current assets</b>			
Investments	8	58,480,117	50,064,859
		58,480,117	50,064,859
<b>Current assets</b>			
Bank and cash equivalents		12,671	9,176
Debtors- amounts falling due within one year	9	8,472,781	20,167,441
		8,485,452	20,176,617
<b>Current liabilities</b>			
Creditors- amounts falling due within one year	10	(32,408,013)	(36,027,476)
<b>Net current liabilities</b>		(23,922,561)	(15,850,859)
<b>Net assets</b>		<b>34,557,556</b>	<b>34,214,000</b>
<b>Capital and reserves</b>			
Called up share capital	11	1	1
Profit and loss account	12	34,557,555	34,213,999
<b>Equity shareholders' fund</b>	13	<b>34,557,556</b>	<b>34,214,000</b>

The notes on pages 7 to 13 form part of these financial statements

Approved by the board 13 December 2010



**S L Cartwright**  
Director

# **Burberry International Holdings Limited**

## **Notes to the Financial Statements for the year to 31 March 2010**

### **1 Accounting policies**

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### **(a) Basis of preparation**

These financial statements have been prepared on the going concern basis under the historical cost convention, and in accordance with applicable accounting standards in the United Kingdom and the Companies Act 2006.

#### **(b) Dividend distribution**

Dividend distributions to Burberry Group plc are recognised as a liability in the period in which the dividends are approved by the shareholders in the case of final dividends or when they are paid in respect of interim dividends.

#### **(c) Investment**

Investments held by the Company are stated at cost, less any provisions to reflect impairment in value.

Loans to the Company are considered to be part of the net investment in the subsidiary and any foreign exchange gain or losses made on these loans are recognised in the profit and loss account.

#### **(d) Impairment**

Investments are not subject to amortisation and are tested annually for impairment. An impairment loss is recognised for the amount by which the carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's net realisable value and value in use.

#### **(e) Foreign currency transactions**

Transactions denominated in foreign currencies are translated into Sterling at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies, which are held at year end, are translated into Sterling at the exchange rate ruling at the balance sheet date. Exchange differences on monetary items are recognised in the profit and loss account in the period in which they arise.

#### **(f) Cash flow statement**

The Company is exempt from the requirement to prepare a cash flow statement under FRS 1 (revised 1996) 'Cash flow statements', as it is a part of Burberry Group and the cash flow for the Group is included in the consolidated financial statements of Burberry Group.

#### **(g) Related party transactions**

FRS 8, 'Related Party Disclosures' requires the disclosure of the details of material transactions and balances between the reporting entity and related parties. The Company has taken advantage of the exemption under the terms of FRS 8, not to disclose details of transactions with entities that are part of Burberry Group.

# **Burberry International Holdings Limited**

## **2 Result for the period**

No directors received any remuneration from the Company during the period to 31 March 2010 (2009 £nil)

No employee costs are included in these financial statements (2009 nil) The Company has not been recharged audit fees of £1,632 for the current year as these were all paid for by Burberry Limited (2009 1,569)

## **3 Exceptional income**

During the financial year, the investment in Burberry International K K was impaired by £2,743,206 and the impairment of £3,083,972 in Burberry Asia Holdings Limited was reversed through the profit and loss account in accordance with Financial Reporting Standard 11 "Impairment of Fixed Assets and Goodwill "

In the prior year the company's investment in Burberry Italy Retail Limited was sold to Burberry Limited, which resulted in a net profit of £9,127,319

## **4 Other income**

There was no other income in the current year

In the prior year Burberry International Holdings Limited received a once off payment of £1,979,526 from The Jashamal Group as compensation for delay in the formation of Burberry Middle East LLC

## **5 Dividend income/expense**

The company received £12,363,880 in dividend income (2009 £nil), and paid an interim dividend of £11,447,037 in 2010 (2009 £nil)

## **6 Interest receivable and payable**

Interest receivable represents interest on loans to other group companies Interest payable represents bank interest



# Burberry International Holdings Limited

## Notes to the Financial Statements for the year to 31 March 2010 (continued)

### 7 Tax on profit on ordinary activities

The tax charge is based on tax withheld for the year and comprises

	2010 £	2009 £
<b>Current tax</b>		
UK corporation tax	32,925	37,623
Double tax relief	(32,925)	(37,623)
Tax withheld on overseas interest receivable	32,925	37,623
Tax withheld on overseas dividend receivable	618,194	-
<b>Total current tax</b>	<b>651,119</b>	<b>37,623</b>

UK Group companies do not charge/pay for group tax relief from other UK companies. As such, Burberry International Holdings 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 International Holdings Limited's UK liability.

The rate of current tax on profit on ordinary activities varies from the standard rate of corporation tax in the UK of 28% (2009: 28%). The difference is explained below.

	2010 £	2009 £
Profit on ordinary activities	12,441,712	12,220,751
Tax charge on ordinary activities at the standard rate of corporation tax of 28% (2009: 28%)	3,483,679	3,421,810
Tax effects of:		
Group relief surrendered/ (claimed) for nil consideration	351,714	(39,644)
Permanent differences	84,443	-
Profit on disposal of shares not taxable	-	(2,555,649)
Dividend income not taxable	(3,461,886)	-
Impairment reversal not taxable	(95,414)	-
Transfer pricing adjustment- imputed interest	(329,611)	(788,894)
Overseas withholding tax suffered	618,194	-
<b>Total current tax charge</b>	<b>651,119</b>	<b>37,623</b>

A number of changes to the UK Corporation tax system were announced in the June 2010 Budget Statement. The Finance (No 2) Act 2010 is expected to include legislation to reduce the main rate of corporation tax from 28% to 27% from 1 April 2011. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 24% by 1 April 2014. The changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

# Burberry International Holdings Limited

## Notes to the Financial Statements for the year to 31 March 2010 (continued)

### 8 Investments

	2010 £	2009 £
Burberry Asia Holdings Limited	3,083,972	3,083,972
Burberry Pacific Pty Limited	298,959	298,959
Burberry Korea Limited	8,736,171	8,736,172
Burberry Japan K K	52,348	52,348
Burberry Italy (Rome) S r l	6,711	6,711
Burberry (Malaysia) Sdn Bhd	39,557	39,557
Burberry (Taiwan) Co Limited	10,036,381	10,036,381
Burberry (Austria) GmbH	12,011	12,011
Burberry France SASU	27,896,556	27,896,556
Burberry Czech Republic s r o	306,381	306,381
Burberry Antwerp N V	869,340	869,340
Burberry Hungary kft	512,683	512,683
Burberry Netherlands BV	156,481	156,481
Burberry China Holdings Limited	370,180	57,770
Burberry Middle East LLC	429,214	429,214
Burberry International K K	7,475,840	1,522,729
Burberry Ireland Limited	906	906
Burberry Macau Limited	1,997	-
Burberry Brazil Participacoes Ltd	-	-
Burberry India Private Limited	1,806,875	-
Burberry Latin America Limited	100	-
Investment at cost	62,092,663	54,018,171
Accumulated impairment	(3,612,546)	(3,953,312)
Total cost of investment	58,480,117	50,064,859

During the year, Burberry International Holdings Limited increased their investment in Burberry China Holdings Limited and Burberry International K K by £312,410 and £5,953,111 respectively. The Company also invested in Burberry Macau Limited, Burberry Brazil Participacoes Ltd, Burberry India Private and Burberry Latin America Limited. The Company has a 100% interest in the share capital of these new formed companies.

# Burberry International Holdings Limited

## Notes to the Financial Statements for the year to 31 March 2010 (continued)

### 8 Investments (continued)

Subsidiary undertaking	Place of incorporation	Percentage of holding of ordinary share capital	Nature of business
Burberry Asia Holdings Limited	Hong Kong	100%	Holding company
Burberry Pacific Pty Limited	Australia	100%	Luxury goods retailer and wholesaler
Burberry Korea Limited	Korea	100%	Luxury goods retailer and wholesaler
Burberry Japan K K	Japan	100%	Luxury goods retailer, wholesaler and service company
Burberry Italy (Rome) S r l	Italy	100%	Luxury goods wholesaler
Burberry (Malaysia) Sdn Bhd	Malaysia	100%	Luxury goods retailer
Burberry (Taiwan) Co Limited	Taiwan Province of China	100%	Luxury goods retailer
Burberry (Austria) GmbH	Austria	100%	Luxury goods retailer
Burberry France SASU	France	100%	Luxury goods retailer and wholesaler
Burberry Czech Republic s r o	Czech Republic	75%	Luxury goods retailer
Burberry Antwerp N V	Belgium	75%	Luxury goods retailer
Burberry Hungary Kft	Hungary	74%	Luxury goods retailer
Burberry Netherlands BV	Netherlands	100%	Luxury goods retailer
Burberry China Holdings Limited	Hong Kong	100%	Holding company
Burberry Middle East LLC	United Arab Emirates	49%	Luxury goods retailer and wholesaler
Burberry International K K	Japan	51%	Luxury goods retailer
Burberry Ireland Limited	Ireland	100%	Luxury goods retailer
Burberry Macau Limited	Macau	96%	Luxury goods retailer
Burberry Brazil Participacoes Ltd	Brazil	100%	Luxury goods retailer
Burberry India Private Limited	India	51%	Luxury goods retailer
Burberry Latin America Limited	UK	100%	Holding company

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 15)

# Burberry International Holdings Limited

## Notes to the Financial Statements for the year to 31 March 2010 (continued)

### 9 Debtors – amounts falling due within one year

	2010 £	2009 £
Amounts due from group undertakings	8,472,781	20,167,441
	8,472,781	20,167,441

Included within amounts due from group undertakings are loans denominated in Sterling, Euros and Australian Dollars on which interest was charged at a rate between 0% and LIBOR plus 0.325% or 0.50% and are repayable on demand £6,815,382 (2009 £18,270,639) of the amount due from group undertakings is interest bearing

### 10 Creditors - amounts falling due within one year

	2010 £	2009 £
Derivative liability	-	6,522
Amounts due to group undertakings	32,408,013	36,020,954
Total	32,408,013	36,027,476

Included in amounts due to group undertakings are loans denominated in Sterling, which are repayable on demand. None of the amount due to group undertakings is interest bearing (2009 nil)

### 11 Called up share capital

	2010 £	2009 £
<b>Authorised</b>		
100 ordinary shares of £1 each	100	100
<b>Allotted, issued and fully paid</b>		
1 ordinary share of £1 each	1	1

### 12 Reserves

	Profit and loss account £
As at 1 April 2009	34,213,999
Retained profit for the year	343,556
As at 31 March 2010	34,557,555

# Burberry International Holdings Limited

## Notes to the Financial Statements for the year to 31 March 2010 (continued)

### 13 Reconciliation of movement in shareholders' funds

	2010 £	2009 £
Profit for the year	11,790,593	12,183,128
Dividend expense	(11,447,037)	-
Net (decrease)/ increase in shareholders' funds	343,556	12,183,128
Opening shareholders' funds	34,214,000	22,030,872
Closing shareholders' funds	34,557,556	34,214,000

### 14 Subsequent event

Burberry International Holdings Limited increased its investment in Burberry International K K by £2,103,715 on 28 April 2010, £2,206,762 on 21 July 2010 and a further £1,584,060 on 23 October 2010. The company increased its investment in Burberry India Private Limited by £536,810 on 21 May 2010 and a further £365,443 on 21 June 2010. The company also increased its investment in Burberry China Holdings Limited by £16,849,868 on 21 July 2010, increased its investment in Burberry Antwerp N V by £850,117 on 1 September 2010 and invested £1,743,403 in Horseferry Mexico SA de CV on 12 November 2010.

### 15 Intermediate and ultimate parent company

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