Finance and Accounting

Abstract

This essay intends to analyse the annual report of Burberry Group Plc. The purpose of the paper is to identify the financial strengths and weaknesses of the company. Based on the discussion, it has been found that the financial performance of Burberry Group Plc. has been satisfactory during the concerned period of time.

Introduction

Annual report and account analysis highlights the overall condition of a particular company. It not only elaborates the financial condition of the company, but it also takes in consideration other aspects of evaluation such as, management and corporate social responsibility. Annual reports are published by the companies annually, whereas few of them also publish quarterly. The reports are important for the company itself and also, for investors who are interested in investing in the same. The annual reports are also useful to the auditors who audit the financial statements. The analysis of the financial statements, present in the annual report, identifies the financial status of the company, which are very important for the investors' knowledge. The essay elaborates the annual report and accounts analysis of a luxury fashion house, Burberry Group Plc. It highlights the financial statement analysis of the company as well as depicts the strength of efficient management. The Director's Report described in this essay summarizes marketing, financial and operation activities of the company.

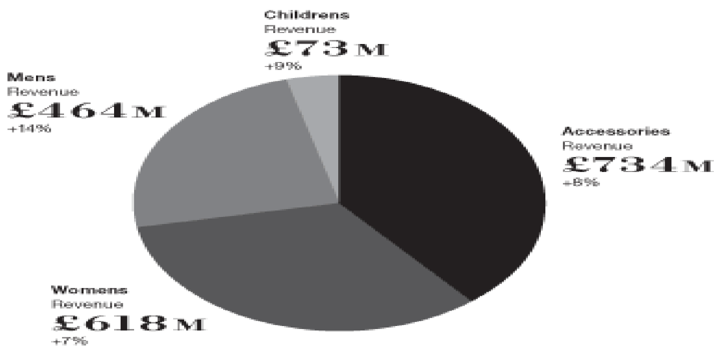
Burberry Group Plc.

Burberry Group Plc., luxury fashion house in Britain which distributes clothing and fashion accessories as well as licensing fragrances. One of its most hugely copied trademarks is the typical tartan pattern. Mostly famous for its trench coats, Burberry was designed and found by Thomas Burberry. The company has established stores as well as franchises worldwide and also, sells through acquiescence in third-party houses. Queen Elizabeth II and Prince of Wales had granted Royal Warrants to the company. Christopher Bailey is the Chief Creative Officer. It is listed on the London Stock Exchange as well as on the FTSE 100 Index. A 2013 report by Interbrands revealed that Burberry ranked the 77th among the most valuable brand in the world then (Burberry Group Plc., 2013b).

Since its foundation in 1856, it has remained quintessentially the best in the outwear industry. The company has made its brand unique by introducing digital luxury positioning and optimisation in mediums of trench coats along with establishing its place among generations and genders. The company has developed new channels of marketing, brought in new product designs, initiated digital marketing and also, made different retail strategies, so as to tap every part of the world. The company has been a consistent performer who has developed a sense style statement among the generations and genders. Creative thinking has been the main motivator of the company along with the cross-functional collaboration and meritocratic ethos.

The company aims at selling its product to end consumers through wholesale and retail channels. The financial year 2012/13, has encountered 71% of revenue and 24% of wholesale. The company has also introduced licensing agreements in Japan and worldwide, which has given leverage to the technical and local expertise of licensing. It has undergone 7% growth in revenue and has expanded its store by 5%. The following diagram describes the diversified product mix of the company.

Figure 1: Diversifies Product mix



(Source: Burberry Group Plc., 2013a)

The figure elaborates product diversification among the genders, along with revenue which is collected from each of the section. It has been noticed that accessories has collected the highest revenue for the company. Therefore, it indicates that the accessories of Burberry Group Plc. have captured a significant position in the minds of customers and so they come for repeat purchase. Another noticeable part of the figure is the revenue collected from the women section by the company.

The strategies undertaken by the company are as follows:

1) *Leverage the franchise*: It concentrates on enhancing the consumer resonance.

2) *Brand momentum*: It ensures the purity, strength and positioning of Burberry brand which has remained a priority for many.

3) *Beauty*: Burberry, on October 2012, had announced the conversion to a directly operating structure from a licensed fragrance and make-up business. The consumers have already encountered the elegance of Burberry as a brand and therefore, the brand has experienced an outstanding growth in form of company image. The business integration was, however, completed within the year of inauguration, which is 1 April 2013.

4) *Burberry World Live*: Burberry Regent Street, which was opened in September in the heart of London, has been the most expressive part of the brand. It introduced the idea of ‘Burberry World Live’ and in the process, brought under light all the aspects of Burberry. The concept, thus, offered full collection of clothes and accessories in an enhanced digital environment. The store gave product satisfaction to their customers by providing them with hundred screens throughout the store, which included product specific content that is triggered by RFID-enabled merchandise on the mirrors that turned instantly into screens. In the store, users can watch their key brand live from any location. The products included the women wear A/W13 and S/S13 runway shows. The store gave a live expression to the innovative digital launches of the brand. This comprised of live music events that featured artists of Burberry Acoustic and first experience at the store of Burberry Bespoke.

5) *Digital*: The investment made in burberry.com had been continued after the expanded delivery to 100 countries. The Spanish and Korean brought in a number of languages online. Additional 84 stores were rolled out which extended global streaming of the brand content in the flagship market. Retail theatre was rolled out to a further 84 stores, after the extension of the global brand under the flagship of the market

6) *Brand recognition*: The company has been listed in Top 100 Global Brands for the fourth time in consecutive years. Burberry was recognised as the most luxurious fashion brand which has increased the values for itself. The company was quoted by Altagamma as the most luxury brand which has the highest awareness for the digital customer and has “led media think tank L2’s ‘Fashion Digital IQ Index’ for the second year” (Burberry Group Plc., 2013b). It was also referred by L2 as the luxurious fashion brand which own the “highest ‘digital IQ’ in China” (Burberry Group Plc., 2013b). LinkedIn had given Burberry rank 29 and is regarded as a highly demanded employer globally.

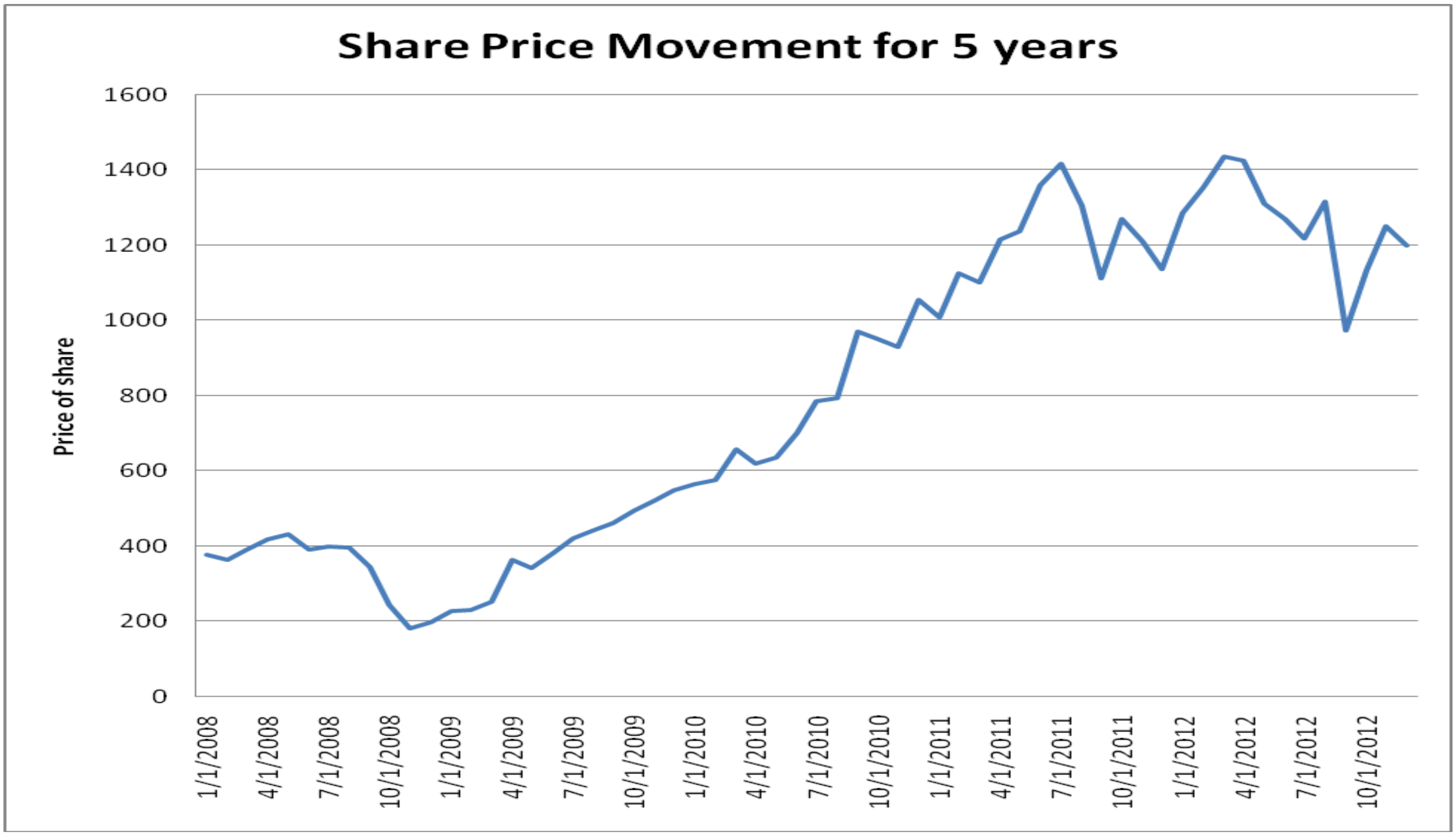
7) *Marketing innovation*: The continued extension of the company’s boundary, by marketing innovation and leveraging the brand content for engaging and connecting the audiences globally, has made the brand world famous.

8) *Digital engagement*: The brand excitement has been driven across a range of platforms globally. The main campaign of S/S13 has generated awareness among the traditional and social media by launching the video which generated around 1.7 million views on the Burberry and YouTube platform.

Trend Analysis for 5 years

The company has about 118 shareholders and 68 subsidiaries that form an integral part of the company. The market capitalization of the company is £6,517,996. The company has always satisfied their shareholders, similar to their customers. The share price of the company has encountered an upward trend after 2009, since the company encountered a rise in sales. The following figure depicts the movement of the share for the past five years.

Figure 2: Share Price Movement of Burberry Group Plc from 2008- 2012



(Source: Author's creation)

From the above figure, it is evident that the price of the company shares has encountered a significant rise, thereby denoting a prosperous condition of the company. With the rise in the price of the shares, more investors have invested in the company shares. However, the price of the shares encountered a down trend after April 2011 for quite a long time, only to gain its momentum again in April 2012. The reason for fluctuations in the price of the shares is the increase and decrease in the sales volume.

The table below indicates the total revenue of the company for the past five years (Burberry Group Plc., 2013c: Burberry Group Plc., 2013d: Burberry Group Plc., 2013e: Burberry Group Plc., 2013f):

Year	2012	2011	2010	2009	2008
Total Revenue (in £ million)	**1999**	**1857**	**1501**	**1201**	**995**

The table above indicates that the sales of the company have increased over the period of 5 years and thus the price of the shares have increased during that period of time.

Annual Report Analysis

The Annual Reports of the company highlights the operational and financial condition which helps an investor to make any decision regarding investment in the company. The annual report of the company is presented lavishly. The print quality as well as pictures expresses the elegance of the company to their readers. The annual reports over the years have become more elegant and the number of columns of reports has improved and increased, which is indicative of the fact that the company has expanded its business and maintained the same elegance down the years.

i. The Director's Report

The report of the director is presented in a brief, but detailed manner. The business review section elaborates the performance of directors to the investors under section 172 of Companies Act 2006. It also includes the principle risks that are encountered by the company previously and will face in future. The principle activities section of the report elaborates about the business. The revenue profit section indicates the financial condition of the company. In the report, the directors also instruct the investor about the dividends. It thus helps the investor to take a decision regarding investment in the company shares. The other sections of the director's report include the director's share of interest, insurance and indemnities of the directors, share capital, employment policies, substantial shareholdings, charitable donations, interest in own shares, financial instruments, credit payment policy, essential contracts, independent auditors and annual general meetings (Burberry Group Plc., 2013f).

ii. The Statement of Accounting Policies

The directors are responsible for the preparation of the financial statements (income statement, balance sheet and cash flow statement). The statements are prepared in accordance with the International Financial Reporting Standards (IFRS) which was adopted by the European Union (EU). The parent company, however, follows the Generally Accepted Accounting Principles (GAAP) of United Kingdom. The financial statements are not accepted until and unless the directors are satisfied with the presentation and accurateness. They also look after the fair and true view of the group, prior to dispatching the financial results for the annual reports.

For preparing the financial statements, the directors require the following:

1) Suitable accounting policies.

2) Make the accounting estimates and judgements that are practical and aims at applying them consistently.

3) State whether to follow IFRS or GAAP.

4) Preparation of financial statements ongoing basis unless some inappropriateness in encountered which will lead to any change.

The directors are also responsible for the integrity and maintenance of the website of the company. The legislation in UK for preparation of the financial statements may vary from legislation in other jurisdictions.

The directors have the following responsibility towards the accurateness of the financial statement preparation:

1) The Group financial statements are prepared according to IFRS which was actually adopted by EU. The financial statements must give a clear and true view of the transactions that have taken place during that period. The fair view of the assets and liabilities reflect the financial position of the company and the Group as a whole.

2) The report that is prepared by the Director should include true review of the performance and development of the business. It also highlights the position of the Group along with the uncertainties and the risks which are encountered by the company.

Auditing of the financial statements is evident as it reviews whether the amounts are in accordance with disclosures of the accounting principles. It thus provides with assurance that there is no error in the material provided in the financial statement. The assessment is made whether policies are appropriate for the Group’s development and can be used consistently and adequately. The presentation of the financial statements is overall audited by auditors in order to check whether all the elements are complying with the legislations. It is also necessary to check whether the audited financial statement is consistent with the non-financial and financial information that are provided in Annual Report. It is essential to become aware of the material misstatement as it implies that the report is not made properly.

iii. Financial Reports Analysis

The financial reports form an essential part of the Annual Report. It is the section of the Annual Report which helps the investors to make their investment decision. The financial reports takes into account the balance sheet and profit and loss account which shows the financial position of the company.

The Balance Sheet

The balance sheet of the company elaborates the amount of total assets and liabilities that are owned by them. The total assets include the current assets and fixed assets which can be categorised as done in Table 3 and 4:

Figure 3: Total Assets (2004-2013)

67	Balance sheet										
68											
69		31/03/2013	31/03/2012	31/03/2011	31/03/2010	31/03/2009	31/03/2008	31/03/2007	31/03/2006	31/03/2005	31/03/2004
70		th GBP	th GBP	th GBP	th GBP	th GBP	th GBP	th GBP	th GBP	th GBP	th GBP
71		12 months	12 months	12 months	12 months	12 months	12 months	12 months	12 months	12 months	12 months
72		Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.
73		Unqualified	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified
74		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	UK GAAP	
75											
76	**Fixed Assets**										
77	Tangible Assets	409,100	328,800	281,800	256,100	258,600	177,500	162,700	167,000	166,100	149,800
78	Land & Buildings	226,900	174,500	144,500	165,800	172,400	115,500	111,800	118,600	114,800	111,800
79	Freehold Land	65,000	37,300	38,800	59,100	64,900	52,900	58,200	65,400		
80	Leasehold Land	161,900	137,200	105,700	106,700	107,500	62,600	53,600	53,200		
81	Fixtures & Fittings	0	0	0	0	66,100	53,500	45,600	45,700	46,700	36,800
82	Plant & Vehicles	0	0	0	0	0	0	0	0	0	0
83	Plant										
84	Vehicles										
85	Other Fixed Assets	182,200	154,300	137,300	90,300	20,100	8,500	5,300	2,700	4,600	1,200
86	Intangible Assets	210,200	133,100	114,700	64,600	57,500	150,400	133,600	135,400	107,900	111,400
87	Investments	160,400	123,900	97,800	51,900	67,200	36,900	29,700	20,800	100	8,800
88	Fixed Assets	779,700	585,800	494,300	372,600	383,300	364,800	326,000	323,200	274,100	270,000
89											
90	**Current Assets**										
91	Stock & W.I.P.	351,000	311,100	247,900	166,900	262,600	268,600	149,800	124,200	102,500	89,500
92	Stock	14,700	5,700	5,100	7,100	12,900	25,000	17,700	15,600	95,800	81,900
93	W.I.P.	700	500	600	2,700	3,200	5,500	5,900	6,400	6,700	7,600
94	Finished Goods	335,600	304,900	242,200	157,100	246,500	238,100	126,200	102,200		
95	Trade Debtors	109,300	95,400	88,600	92,300	146,500	136,300	111,200	89,400	91,600	86,100
96	Bank & Deposits	426,400	546,900	466,300	468,400	252,300	127,600	131,400	113,700	169,900	158,700
97	Other Current Assets	49,300	59,900	52,200	36,800	57,800	32,900	26,000	18,800	44,100	34,700
98	Group Loans (asset)	0	0	0	0	0	0	0	0	0	0
99	Directors Loans (asset)	0	0	0	0	0	0	0	0	0	0
100	Other Debtors	15,200	26,400	22,300	15,300	13,700	13,300	9,400	3,100	44,100	34,700
101	Prepayments	24,700	23,400	21,600	20,800	27,000	19,600	16,600	15,500		
102	Deferred Taxation	9,400	10,100	8,300	700	17,100			200		
103	Investments	30,500	11,500	15,100	2,600	23,200	23,000	5,300	2,800		
104	Current Assets	966,500	1,024,800	870,100	767,000	742,400	588,400	423,700	348,900	408,100	369,000

(Source: Author' creation)

The table above elaborates the total asset owned by the company for a period of ten years from 2004- 2013. The following are observations from the above table:

1) The fixed assets have increased over the years from 2004 to 2012. It denotes that the company has purchased more land and buildings compared to previous years. The company has increased the amount of investment too. This indicates the fact that the company has been encountering huge profit which has made it possible to make investment and purchase at an increasing rate over the entire period of ten years.

2) The current assets have also encountered an upward trend over the years. The Stock and WIP denotes that the company is undergoing a prosperous situation since the stock and WIP has decreased over the years. The decrease in stock denotes that the company has been experiencing huge sales. The demand for goods has decreased the WIP time and amount and the products are manufactured at an increasing rate. The increase in sales denotes that the company products are liked by the customers and there is a continuous demand for products, despite their high prices. It indicates the fact that people has become more brand conscious and has developed a good sense of fashion for their daily life.

3) The finished goods of the company have increased over the years. It indicates the fact that the company has increased their number of products manufactured with time due to the rise in demand for the products.

Figure 4: Total liabilities (2004-2013)

106	**Current Liabilities**										
107	Trade Creditors	-118,200	-118,800	-85,800	-62,100	-54,800	-62,500	-56,800	-28,000	-34,300	-38,000
108	Short Term Loans & Overdrafts	-129,800	-208,600	-168,400	-206,400	-244,700	-191,800	-134,200	-101,200		-800
109	Bank Overdrafts	-129,800	-208,100	-167,900	-205,900	-244,700	-191,800	-134,200	-101,200		-800
110	Group Loans (short t.)	0	0	0	0	0	0	0	0		0
111	Director Loans (short t.)	0	0	0	0	0	0	0	0		0
112	Hire Purch. & Leas. (short t.)	0	0	0	0	0	0	0	0		0
113	Hire Purchase (short t.)										
114	Leasing (short t.)										
115	Other Short Term Loans	0	-500	-500	-500	0	0	0	0		0
116	Total Other Current Liabilities	-315,500	-269,400	-280,100	-233,300	-247,300	-181,900	-139,400	-126,600	-173,500	-122,400
117	Corporation Tax	-80,900	-53,700	-60,000	-51,800	-49,100	-51,900	-25,000	-25,600	-25,200	-19,300
118	Dividends	0	0	0	0	0	0	0	0	-21,700	-14,900
119	Accruals & Def. Inc. (short t.)	-186,800	-175,400	-147,900	-114,200	-83,400	-87,500	-78,100	-67,500	-72,600	-65,300
120	Social Securities & V.A.T.	-24,600	-23,300	-16,700	-6,200	-7,800	-5,200	-6,400	-6,000	-6,700	-4,200
121	Other Current Liabilities	-23,200	-17,000	-55,500	-61,100	-107,000	-37,300	-29,900	-27,500	-47,300	-18,700
122	Current Liabilities	-563,500	-596,800	-534,300	-501,800	-546,800	-436,200	-330,400	-255,800	-207,800	-161,200
123											
124	Net Current Assets (Liab.)	403,000	428,000	335,800	265,200	195,600	152,200	93,300	93,100	200,300	207,800
125	Net Tangible Assets (Liab.)	972,500	880,700	715,400	573,200	521,400	366,600	285,700	280,900	366,500	366,400
126	Working Capital	403,000	428,000	335,800	265,200	195,600	152,200	93,300	93,100	200,300	207,800
127	Total Assets	1,746,200	1,610,600	1,364,400	1,139,600	1,125,700	953,200	749,700	672,100	682,200	639,000
128	Total Assets less Cur. Liab.	1,182,700	1,013,800	830,100	637,800	578,900	517,000	419,300	416,300	474,400	477,800
129											
130	**Long Term Liabilities**										
131	Long Term Debt										
132	Group Loans (long t.)										
133	Director Loans (long t.)										
134	Hire Purch. & Leas. (long t.)										
135	Hire Purchase (long t.)										
136	Leasing (long t.)										
137	Preference Shares										
138	Other Long Term Loans										
139	Total Other Long Term Liab.	-108,700	-105,100	-84,400	-26,700	-24,200	-13,300	-10,400	-14,600	-16,600	-35,400
140	Accruals & Def. Inc. (long t.)	-47,900	0	0	0	-23,800	-13,300	0	0	0	0
141	Other Long Term Liab.	-60,800	-105,100	-84,400	-26,700	-400	0	-10,400	-14,600	-16,600	-35,400
142	Provisions for Other Liab.	-20,600	-16,500	-11,400	-7,100	-10,200	-8,000	-10,200	-13,300	-3,200	-5,300
143	Deferred Tax	-800	-1,400	-1,800	-1,600	-2,300	-4,300	-10,200	-10,500		
144	Other Provisions	-19,800	-15,100	-9,600	-5,500	-7,900	-3,700		-2,800	-3,200	-5,300
145	Pension Liabilities	-600	-800	-600	-500	-600	-400	-1,800	-1,800		
146	Balance sheet Minorities	-35,800	-24,100	-20,100	-13,400	-4,600					
147	Long Term Liabilities	-165,700	-146,500	-116,500	-47,700	-39,600	-21,700	-22,400	-29,700	-19,800	-40,700

(Source: Author's creation)

The figure above elaborates the total liabilities of the company for the period of 10 years from 2004-2013. The following can be deducted from the above table:

1) The negative value of the trade creditors denotes that the company is paying off their creditors in advance. It is both advantages and disadvantages for the company. The advantage is that the company do not have to worry regarding the future payments. If in the preceding year they encounter sudden loss in the business then they do not have to worry about the payments to the creditors. The advance payments to the creditors draw up a disadvantage too. Other than paying off the creditors in advance the company can make investments in future with the surplus cash which will bring in more profit for the company. Thus the strategy of paying off the creditors in advance is not as fruitful as it looks like in the balance sheet.

2) The negative value of current liabilities indicates the fact that the company has been paying of its liabilities in advance. The strategy taken by the company will safeguard them from future payments but it will be losing the profits that can be incurred if the extra cash is utilised in investments.

Findings

It can be concluded that Burberry has enough current assets to pay off the future liabilities. The figures above indicate that the company possesses extra cash which they are utilising to pay off their creditors and other liabilities in advance, so that they do not need to worry about the future payments.

The Profit and Loss Account (or Income Statement)

The profit and loss account or the income statement of any company denotes the net earnings during the year. It also includes the cash inflows that are balanced by cash outflows. The income statement of Burberry has a number of components which are indicated in the tables, along with the amounts:

Figure 5: Profit and Loss account (2004-2013)

164	**Profit & Loss account**										
165											
166		31/03/2013	31/03/2012	31/03/2011	31/03/2010	31/03/2009	31/03/2008	31/03/2007	31/03/2006	31/03/2005	31/03/2004
167		th GBP	th GBP	th GBP	th GBP	th GBP	th GBP	th GBP	th GBP	th GBP	th GBP
168		12 months	12 months	12 months	12 months	12 months	12 months	12 months	12 months	12 months	12 months
169		Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.
170		Unqualified	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified
171		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	UK GAAP	
172											
173	Turnover	1,998,700	1,857,200	1,501,300	1,279,900	1,201,500	995,400	850,300	742,900	715,500	675,800
174	National Turnover	491,700	471,200	402,900							
175	Overseas Turnover	1,507,000	1,386,000	1,098,400							
176	Cost of Sales	-556,700	-558,300	-491,600	-475,900	-535,700	-377,700	-329,000	-296,800	-291,300	-284,200
177	Exceptional Items pre GP										
178	Other Income pre GP										
179	Gross Profit	1,442,000	1,298,900	1,009,700	804,000	665,800	617,700	521,300	446,100	424,200	391,600
180	Administration Expenses	-1,013,900	-922,000	-707,600	-632,900	-675,700	-416,000	-364,300	-291,600	-264,700	-255,000
181	Other Operating Income/Costs pre OP										
182	Exceptional Items pre OP	-82,300									
183	Operating Profit	345,800	376,900	302,100	171,100	-9,900	201,700	157,000	154,500	159,500	136,600
184	Other Income									5,500	2,300
185	Total Other Income & Int. Received	8,600	2,900	1,900	1,100	7,200	5,700	5,500	4,300	5,500	
186	Exceptional Items										
187	Profit (Loss) on Sale of Operations										
188	Costs of Reorganisation										
189	Profit (Loss) on Disposal										
190	Other Exceptional Items										
191	Profit (Loss) before Interest paid	354,400	379,800	304,000	172,200	-2,700	207,400	162,500	158,800	165,000	138,900
192	Interest Received	8,600	2,900	1,900	1,100	7,200	5,700	5,500	4,300		
193	Interest Paid	-3,700	-13,800	-8,300	-6,200	-13,400	-11,700	-6,200	-1,800	-600	-100
194	Paid to Bank	-3,700	-3,600	-5,100	-4,500	-12,400	-11,700	-6,200	-1,800		
195	Paid on Hire Purchase										
196	Paid on Leasing										
197	Other Interest Paid		-10,200	-3,200	-1,700	-1,000					
198	Net Interest	4,900	-10,900	-6,400	-5,100	-6,200	-6,000	-700	2,500	-600	
199	Profit (Loss) before Tax	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
202	Extraordinary Items		-300	-6,200							
203	Minority Interests	-4,900	-1,800	2,100	-800	-900					
204	Profit (Loss) for Period	254,300	263,300	208,400	81,400	-6,000	135,200	110,200	106,400	109,900	91,500
205	Dividends	-113,500	-95,900	-67,400	-52,500	-51,700	-47,400	-36,500	-32,800	-31,700	-22,300
206	Retained Profit(Loss)	140,800	167,400	141,000	28,900	-57,700	87,800	73,700	73,600	78,200	69,200
207											
208	Depreciation	105,700	78,000	53,600	52,400	55,400	28,400	24,900	22,500	21,100	25,600
209	Depreciation Owned Assets	94,400	74,200	53,600	46,100	44,800	28,900	25,900	22,500		
210	Depreciation Other Assets										
211	Impairment Tangibles	11,300	3,800		6,300	10,600	-500	-1,000			
212	Audit Fee	1,600	1,400	1,200	1,700	1,700	1,300	900	900	1,100	800
213	Non-Audit Fee	900	700	700	1,100	1,400	1,500	1,900	1,500	1,000	1,100
214	Tax Advice	800	400	600	800	1,200	1,400	1,800	1,100		
215	Non-Tax Advisory Services	100	300	100	300	200	100	100	400		
216	Other Auditors Services										
217	Non-Audit Fees paid to Other Auditors										
218	Total Amortization and Impairment	16,700	16,300	8,900	7,600	121,000	3,800	1,800	2,000	6,800	6,800
219	Amortisation	16,700	13,300	8,900	6,200	4,800	3,800	1,800	2,000		
220	Impairment		3,000		1,400	116,200					
221	Total Operating Lease Rentals	216,300	182,900	140,200	115,300	97,900		48,100	42,800		
222	Hire of Plant & Machinery								1,600		
223	Land & Building or Property Rents & Other							48,100	41,200		
224	Research & Development										
225	Foreign Exchange Gains/Losses	5,000	-3,300	1,000	-4,000	9,500	-2,900	-600	-800		
226	Remuneration	387,000	358,700	309,700	240,500	202,700	189,700	174,000	148,700	127,700	112,100
227	Wages & Salaries	306,500	271,400	232,300	190,000	170,100	154,300	143,500	124,700	112,700	97,300
228	Social Security Costs	42,200	44,500	41,400	27,100	23,800	17,900	16,500	13,900	12,400	10,800
229	Pension Costs	13,400	11,000	7,700	5,300	4,300	3,200	3,200	2,700	2,600	4,000
230	Other Staff Costs	24,900	31,800	28,300	18,100	4,500	14,300	10,800	7,400		
231	Directors' Remuneration	5,707	6,172	5,888	5,221	3,139	6,389	6,254		4,059	3,870
232	Directors' Fees	1,681	1,590	1,565	2,024	1,990	2,205	1,852		4,027	3,809
233	Pension Contribution	505								32	61
234	Other Emoluments	3,521	4,582	4,323	3,197	1,149	4,184	4,402			
235	Highest Paid Director	3,310	3,688	3,524	3,162	1,887	4,178	3,800		2,104	2,104
236	EBITDA	468,200	471,200	364,600	231,100	166,500	233,900	183,700	179,000	187,400	169,000

(Source: Author's Creation)

The table above denotes the income statement of the company. The following can be deducted from the table:

1) The turnover of the company had increased over the ten years. The national and international turnover of the company denotes the total sales of the company. The sales of the company are observed to have increased because of rise in the demand of products of the company. Thus, the increasing sales indicate that the products are preferred by the mass, both nationally and internationally. It can also be inferred that the international expansion of the company has flourished as it had brought in more sales in form of cash for the company. The strategic decision of the company for extending its boundary has made the company confident about future extensions.

2) The gross profit of the company has increased along with the operating profit. It indicates the fact that the company has reduced its cost of sales by lowering the manufacturing cost. So, the gross profit and operating profit has been increasing over the years. The innovative products, which are in from of clothes and accessories, have brought in new methods of manufacturing, thereby helping the company to reduce the cost of manufacturing.

Findings

It can be inferred that the company has been experiencing profit for the last ten years and has risen, year after year, thereby indicating that the business is running successfully.

The Cash Flow Statement

The cash flow statement denotes the amount of cash inflow along with the cash outflow of the company. The following figure indicates the cash flow statement of the company for the period of ten years from 2004-2013.

Figure 6: Cash flow statement (2004-2013)

Cash Flow statement										
	31/03/2013	31/03/2012	31/03/2011	31/03/2010	31/03/2009	31/03/2008	31/03/2007	31/03/2006	31/03/2005	31/03/2004
	th GBP	th GBP	th GBP	th GBP	th GBP	th GBP	th GBP	th GBP	th GBP	th GBP
	12 months	12 months	12 months	12 months	12 months	12 months	12 months	12 months	12 months	12 months
	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.
	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified
	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	UK GAAP	
Net Cash In(Out)flow Operat. Activ.	523,000	482,500	366,400	425,600	209,800	45,400	113,800	104,800	175,500	185,600
Net Cash In(Out)flow Ret. on Invest.	900	-3,900	-4,500	-5,000					4,700	2,200
Taxation	-99,000	-108,200	-98,100	-51,300					-49,500	-49,500
Net Cash Out(In)flow Investing Activ.	-320,900	-176,600	-153,300	-64,500	-90,100	-30,200	-35,700	-50,700		
Capital Expenditure & Financ. Invest.									-34,100	-35,400
Acquisition & Disposal										-2,500
Equity Dividends Paid	-113,500	-95,900	-67,400	-52,500					-24,900	-17,300
Management of Liquid Resources									9,900	-53,400
Net Cash Out(In)flow from Financing	-46,300	-55,100	-5,600	-41,800	-124,700	-34,600	-82,000	-166,700	-60,900	-14,900
Increase(Decrease) Cash & Equiv.	-55,800	42,800	37,500	210,500	-5,000	-19,400	-3,900	-112,600	20,700	14,800

(Source: Author's Creation)

The following can be deducted from the table above:

1) The net cash in (out) flow operating activity has increased during the last ten years, which denotes that the company has been experiencing rise in demand for their products. The payments from the customers have increased, indicating the fact that there is increased demand for products of the company. The company has also experienced reduction in the cost of manufacturing, since new technologies are adopted. The creditors are paid in advance, so there has been reduced amount of payments to the creditors (Burberry Group Plc., 2013g).

2) The negative value of net cash in (out) flow investing activity indicates the fact that the company's outflow for the investing activities has been greater than the inflow. It can be said that the company have been purchasing plants and equipments and properties. The increased investment exceeds the amount of inflow that is experienced by the company.

3) The negative net cash in (out) flow financing activity indicates the fact that the company has been giving out more dividend than it receives as the cash that is obtained from the issued shares or stocks. It also denotes that the company is engaged in share repurchases. It is good for the investors and the situation is healthy for the company too, as it brings in new investors or investments to the company (Burberry Group Plc., 2013h).

Findings

The overall performance of the company is observed to be prosperous as it is experiencing rise in sales of the products and receiving recognition from the customers as well as mass, both nationally and internationally.

iv. Supporting Schedules and Notes to the Accounts

The annual financial statement of the Group comprises of the data of both the company and its subsidiaries, which is presented like a single entity. Few entities of the financial statements are elaborated below:

1) *Key sources of judgement estimation*: The consolidated financial statements are prepared in conformity with the accounting policies, after making proper judgement from the management regarding the expense, revenue, liabilities and disclosures of the contingent liabilities (Burberry Group Plc., 2013f).

2) *Put option liability used over non-controlling interest*: The fair value of put option is calculated based on the non-controlling interest. The calculation is carried out in China which is based on contractual agreement and thus, it requires few assumptions for the future performance of the company or the Group.

3) *Inventory provisioning*: The Group has concentrated on manufacturing goods for the changing fashion world. So, to sustain in such a market, the company has to take care of its cost of inventories, which ensures that provisions are also created.

4) *Impairment of plant, property and equipment*: The property, plant and equipments are reviewed every year for its impairment. It is done to indicate the carrying amount which is not recoverable.

5) *Revenue*: The revenue stated in the financial reports exclude the Value Added Tax and sales taxes. It is described as the amount which is receivable for the products that are supplied.

6) *Business combination*: The acquisition method is applied to calculate the acquisition of subsidiaries of the company as a whole.

7) *Segment reporting*: The operating segments are detailed in such a way that it is constant with internal reporting that is provided to the Chief Operating Decision Maker.

8) *Share schemes*: The company gives out a number of shares which are equity in nature and are based on the compensation schemes. The cost of the shares is actually based on incentives and is measured by their fair value.

9) *Dividend distribution*: The dividend distribution to the shareholders of Burberry Group Plc. Becomes an obligation for the company. The company is liable to pay the interim and final dividend to the shareholders when the shares are approved or paid finally respectively (Burberry Group Plc., 2013c).

Conclusion

It can be concluded that the overall performance of Burberry Group Plc. has been noteworthy. For the past ten years, the company has experienced increase in demand for its products among the customers. With the change in fashion statement, the company has also adjusted and modified their products and catered to the exact need of customers, thereby bringing in huge profit to the company.

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