

- processes and procedures and implementing them across the Group; and
- a global finance structure consisting of employees with the appropriate expertise to ensure that Group policies and procedures are correctly applied. Effective management and control of the finance structure is achieved through the finance leadership team, consisting of key finance employees from the region and corporate headquarters.

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

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

Control environment

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

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

Accountability and audit

The Board is required to present a balanced and understandable assessment of the Group's position and prospects in the Annual Report and in interim and other public reports. The Board is satisfied that it has met this obligation. A summary of the directors' responsibilities for the financial statements is set out on page 106 and includes a statement regarding the Group's status as a going concern as required by the UK Corporate Governance Code. The Report of the Auditors on page 107 includes a statement by the auditors concerning their reporting responsibilities.

Report of the Audit Committee

Dear Shareholder,

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

As the external environment continues to be challenging, during the year the Committee continued to focus on ensuring that the Group's systems and controls are operating effectively, are responsive to this external environment and are evolving in line with the Group's growth (including the integration of the Beauty business).

The Audit Committee met three times during the year. In addition to the usual work of the Committee (as set out on page 90) the Committee considered the following specific matters.

- The assessment of the carrying value of goodwill.
- The accounting treatment and progress of the integration of the fragrance and beauty business.
- Impairment assessment for property, plant and equipment.
- The recoverability of the cost of inventory and the resulting amount of provisioning required.
- The impairment assessment of trade receivables, having taken into account the changes in global economic conditions during the year.
- The Group's tax strategy and the assumptions and judgements applied in order to estimate the amount of corporation tax and deferred tax to be recognised at the period end.
- The calculation of the fair value of the put option over the non-controlling interest in the Group's business in China.

Where these matters related to the financial statements for the period, the Committee reviewed the approach, the estimates and judgements applied, the recommendation of management and the findings of the external auditors.

The Committee has a constructive and open relationship with management and we thank them for their assistance during the year.

Philip Bowman

Chairman, Audit Committee

Committee membership

The following directors served as members of the Committee throughout the year ending 31 March 2013:

Members	Appointment Date
Philip Bowman (Chairman)	21 June 2002
Ian Carter	18 May 2007
Stephanie George	19 May 2006
John Smith*	2 February 2010
David Tyler	21 June 2002

* John Smith resigned as a member of the Committee on 3 March 2013.

The Audit Committee met three times during the year. The attendance record of Committee members is recorded in the table on page 85. In addition to the scheduled meetings the Chairman of the Committee meets separately with the Executive Vice President, Chief Financial Officer and the Director of Audit and Risk Assurance on a regular basis including prior to each meeting.

Other regular attendees at Committee meetings include: the Chairman of the Board, the Chief Executive Officer, the Executive Vice President, Chief Financial Officer, the Director of Audit and Risk Assurance, the Chief Corporate Affairs Officer & General Counsel, the Company Secretary, the Senior Vice President – Group Finance, the Group

Financial Controller, the Vice President of Group Tax and the External Auditors.

The Board is satisfied that Philip Bowman as Chairman has recent and relevant financial experience and that all other Committee members have past employment experience in either finance or accounting roles or broad experience and knowledge of financial reporting and/or international businesses. Details of their experience can be found in their biographies on page 76.

Role of the Committee

The main roles and responsibilities of the Audit Committee are set out in written terms of reference which are available on the Company's website at burberryplc.com.

The Committee reviews its terms of reference annually. In light of its key responsibilities, the Committee considered the following items of usual business during the financial year as set out in the table below.

External auditors

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

<i>Key Committee Roles and Responsibilities</i>	<i>Usual Business Conducted During 2012/13</i>
Financial Reports: The integrity of the Group's financial statements and formal announcements of the Group's performance.	<ul style="list-style-type: none"> Review of the Annual Report and Accounts, annual financial statements, preliminary announcement, and interim announcement. Assessment of the Group's ability to continue as a going concern for the foreseeable future. Consideration of the report of the external auditors on the financial statements for the year, and on the year end audit. Ensuring compliance with relevant regulations for financial reporting and UK Governance Code.
Risks and Internal Controls: The Group's internal financial, operational and compliance controls and risk identification and management systems. Review of Group policies for identifying and assessing risks and arrangements for employees to raise concerns (in confidence) about possible improprieties. Review of the effectiveness of the internal audit function.	<ul style="list-style-type: none"> Review of the Group's statement in the Governance Report on internal controls and risk management. Review of business risk assessments. Treasury Policy review and compliance. Health and safety reviews. Whistleblowing reports. Anti-Bribery Policy compliance.
Internal Audit: Review of the annual internal audit programme and the consideration of findings of any internal investigations and management's response. Review of effectiveness of the internal audit function.	<ul style="list-style-type: none"> Consideration of the result of internal audits and management responses to the findings. Approval of the internal audit plan for 2013/14.
External Auditors: Recommending the appointment of external auditors, approving their remuneration and overseeing their work. Policies on the engagement of the external auditors for the supply of non-audit services.	<ul style="list-style-type: none"> Review and approval of the proposed audit fee and terms of engagement for the Group's external auditors PricewaterhouseCoopers LLP for the 2012/13 financial year (see below). Review and approval of the audit plan for the year presented by the Group's auditors. Consideration of the key areas of risk and the audit approach applied to these areas, the proposed areas of coverage of the audit, changes of scope and areas of risk in the current year plan and the resource plan. Review of all non-audit services provided by the Group's auditors during the period and the fees relating to the services provided (see below on page 91).