20 May 2015

Burberry Group plc

Preliminary results for the year ended 31 March 2015

Burberry posts robust results with revenue of £2.5bn, up 11% underlying and adjusted profit before tax of £456m, up 7% underlying

Our intense focus on core heritage British-made trench coats and cashmere scarves was a principal driver of the year's growth, alongside the investment in digital, which continued to outperform across all regions

- Strong underlying financial performance
  - Revenue £2.5bn, up 11% underlying, up 8% at reported FX
  - Adjusted profit before tax £456m, up 7% underlying
    - After £38m adverse exchange rate impact, down 1% at reported FX
  - Reported profit before tax £445m (2014: £444m)
  - Net cash up £150m
  - Full year dividend 35.2p, up 10%

- Ongoing investment drove continued brand and business momentum
  - Retail sales up 14% underlying
  - Comparable sales growth of 9%
    - Double-digit % growth in Americas and EMEIA
    - Mid single-digit % growth in Asia Pacific, given disruption in Hong Kong
  - Global team's focus on heritage trench coats and scarves drove growth
  - Investment focused in flagship markets including
    - Store openings in Los Angeles and Tokyo
    - Events in Shanghai and Los Angeles, celebrating our British heritage
  - Continued investment in digital service, data analytics and owned and third party platforms led to digital again outperforming in all regions

- Expected exchange rate benefit in FY 2016 now reduced to about £10m at current rates

Christopher Bailey, Chief Creative and Chief Executive Officer, commented:

"We are pleased to report a strong full year performance, with revenue up 11% and adjusted profit up 7% underlying. Against a challenging external backdrop, our global team has focused ever more intensely on our core, including celebrating the British-made products that are our brand signature and extending our online and offline integration.

At this early stage of the year, we are seeing increased uncertainty in some markets. Against this background, we will continue to manage our business dynamically - capitalising on the significant opportunities we have by channel, region and product to create long-term shareholder value."

All metrics and commentary in the Group Financial Highlights and Business and Financial Review exclude adjusting items unless stated otherwise.

Adjusting items are:
- A charge of £14.9m in reported operating expenses being the amortisation of the fragrance and beauty licence intangible asset (2014: £14.9m)
- Put option liability finance income of £3.7m in the reported net finance income relating to the third party 15% economic interest in the Chinese business (2014: a charge of £1.7m)

Details of adjusting items are contained in Note 7 of the Notes to the Financial Information.

Underlying performance is presented in this announcement as, in the opinion of the Directors, it provides additional understanding of the ongoing performance of the Group.

Underlying performance is calculated before adjusting items and removes the effect of changes in exchange rates compared to the prior period. This takes into account both the impact of the movement in exchange rates on the translation of overseas subsidiaries' results and also now on foreign currency procurement and sales through the Group's UK supply chain.

Certain financial data within this announcement have been rounded.

Enquiries

Burberry		
Carol Fairweather	Chief Financial Officer	020 3367 3524
Fay Dodds	VP, Investor Relations	
Julian Payne	VP, PR and Corporate Relations	020 3428 8975
Brunswick		020 7404 5959
Nick Claydon		
Laura Buchanan		

- There will be a presentation today at 9.30am (UK time) to investors and analysts at Horseferry House, Horseferry Road, London, SW1P 2AW
- The presentation can be viewed live on the Burberry website www.burberryplc.com and can also be accessed live via a dial-in facility on +44 (0)20 3003 2666
- The supporting slides and an indexed replay will be available on the website later in the day
- Burberry will issue its First Quarter Trading Update on 15 July 2015
- The AGM will be held on 16 July 2015

Certain statements made in this announcement are forward-looking statements. Such statements are based on current expectations and are subject to a number of risks and uncertainties that could cause actual results to differ materially from any expected future results in forward-looking statements. Burberry Group plc undertakes no obligation to update these forward-looking statements and will not publicly release any revisions it may make to these forward-looking statements that may result from events or circumstances arising after the date of this document. Nothing in this announcement should be construed as a profit forecast. All persons, wherever located, should consult any additional disclosures that Burberry Group plc may make in any regulatory announcements or documents which it publishes. All persons, wherever located, should take note of these disclosures. This announcement does not constitute an invitation to underwrite, subscribe for or otherwise acquire or dispose of any Burberry Group plc shares, in the UK, or in the US, or under the US Securities Act 1933 or in any other jurisdiction.

Burberry is listed on the London Stock Exchange (BRBY.L) and is a constituent of the FTSE 100 index. ADR symbol OTC:BURBY.

GROUP FINANCIAL HIGHLIGHTS

Total revenue £2,523m, up 11% underlying, up 8% at reported FX

Adjusted profit before tax £456m, up 7% underlying, down 1% at reported FX. Reported profit before tax £445m (2014: £444m)

Significant impact from exchange rates, reducing reported revenue by £72m and adjusted PBT by £38m

Retail/wholesale revenue up 12% underlying; adjusted operating profit up 8% underlying; adjusted operating margin of 16.3%

Adjusted diluted EPS up 2% to 76.9p (2014: 75.4p); reported diluted EPS up 4%

Full year dividend per share up 10% to 35.2p (2014: 32.0p); payout based on adjusted diluted EPS of 46% (2014: 42%), reflecting our intention to move progressively to a 50% dividend payout ratio

Year-end net cash increased by £150m to £552m; operating cash flow up 6% year-on-year to £568m including tight control of working capital; £156m of capital expenditure

	Year to 31 March		*% change*	
£ million	2015	2014	*reported FX*	*underlying*
Revenue	2,523.2	2,329.8	*8*	*11*
Cost of sales	(757.7)	(671.3)	*(13)*	
Gross margin	1,765.5	1,658.5	*6*	
Operating expenses*	(1,310.3)	(1,198.2)	*(9)*	
Adjusted operating profit	**455.2**	**460.3**	***(1)***	***7***
Net finance credit*	0.6	0.7	*-*	
Adjusted profit before taxation	**455.8**	**461.0**	***(1)***	***7***
Adjusting items	(11.2)	(16.6)		
Profit before taxation	**444.6**	**444.4**	***-***	
Taxation	(103.5)	(112.1)		
Non-controlling interest	(4.8)	(9.8)		
Attributable profit	336.3	322.5		
Adjusted EPS (pence)˜	**76.9**	**75.4**	***2***	
EPS (pence)˜	75.1	72.1	*4*	
Weighted average number of ordinary shares (millions)˜	447.8	447.3		

Adjusted measures exclude adjusting items
* Excludes adjusting items. For detail, see page 2
˜ EPS is presented on a diluted basis

BUSINESS AND FINANCIAL REVIEW

Burberry delivered a strong financial performance in FY 2015, with underlying growth of 11% in revenue and 7% in adjusted profit before tax. Against a challenging external environment, and with rapidly-changing consumer behaviour, we constantly evolved and executed our key strategies and initiatives. Our continuing investment in retail and digital, as well as the global team's focus on our core products - British-made heritage trench coats and cashmere scarves - were the principal drivers of the year's growth.

In FY 2015, Burberry continued to deliver robust growth reflecting the strength of the brand and its products, underpinned by continued investment in key growth initiatives. These included new stores in flagship markets, digital infrastructure improvements (upgraded mobile site and China fulfilment) and increased marketing, focused on flagship stores, iconic products and festive.

With the external environment becoming more uncertain in some markets since the start of the year, in FY 2016 we will continue to tightly control costs, invest selectively to drive growth while embedding more productive and efficient processes throughout the business. Key investments will include stores in flagship markets, technology and continued digital enhancements.

Core strategies

As set out at the time of the interim results in November 2014, we have evolved our core strategies to reflect more accurately the current shape of the business and the scope of our future ambitions. We also added a sixth strategy – Build our culture – ensuring our values are reflected in everything we do.

Inspire with the brand

Brand events around the world reinforced our distinctive British identity, built around heritage trench coats and scarves. We celebrated the opening of new flagship stores, from our "Dreams of London" event in Shanghai in April 2014 to our "London in Los Angeles" event in April 2015. Coupled with the runway shows and the festive film "From London with Love", these initiatives further strengthened global brand awareness.

Innovation in our use of digital media improved engagement with existing and potential customers. While building on our more established platforms including Facebook, Twitter and Instagram, we worked with other partners, such as WeChat in China and LINE in Japan, and have been early adopters of newer social platforms. In April 2015, we launched on Snapchat as part of our "London in Los Angeles" event and used the new live streaming service, Periscope, to offer the first ever 'red carpet to runway' stream on the platform.

We continued to invest in customer data and analytics to better understand the core luxury customer. The insights gained enabled our global teams to make more informed decisions in retail, customer service, digital and marketing, all driving productivity and efficiency improvements throughout the business.

Realise product potential

There was strong customer demand for heritage trench coats, cashmere scarves and ponchos. Combined, mainline sales of outerwear and soft accessories grew by nearly 20% in the year. In trench coats, the assortment was simplified, focusing on three standard fits, each offered in three colours and three lengths. In scarves, the introduction of monogramming online attracted a very strong customer response. Growth was helped by key brand and marketing activities, which celebrated the British provenance of these products, as well as the halo effect from the My Burberry fragrance campaign.

Revenue in menswear, an under-represented category for Burberry, increased by 10% underlying. Retail significantly outperformed wholesale, where repositioning continued in the United States in particular. Mainline retail sales were driven by double-digit growth in outerwear, supported by core replenishment styles and tailoring. Scarves and shoes drove growth in mens accessories, which comprise only about 20% of total accessories retail revenue, another area of opportunity for Burberry.

Beauty delivered 26% underlying growth in the year. Growth in fragrance (over 95% of revenue) was underpinned by the successful launch of My Burberry, product extensions around Brit Rhythm and a strong operational supply chain.

Optimise channels

Retail sales grew by 14% underlying in the year, to reach 71% of group revenue (up from 70% in FY 2014). Comparable sales growth was 9%, as product and customer service initiatives drove average selling price and conversion, against ongoing weakness in footfall in-store. We also continued to invest in digital commerce, blurring the physical and digital experience, through an enhanced mobile site and improved user experience from search to payment to fulfilment. Collect-in-store is now available in about 200 stores, including China and more recently Japan, and accounts for over 20% of digital revenue.

During the year, Burberry opened 16 mainline stores and closed 17, bringing the total to 214 globally at the year end. Over half of the openings were in flagship markets, including Los Angeles and Tokyo, with seven airport stores, predominantly in Europe, capitalising on the opportunities we see in travel retail. We opened 12 concessions during the year, including in Japan and the Middle East, and closed 26, reflecting further planned elevation of the portfolio in China and other parts of Asia Pacific, including South Korea.

Total capital expenditure for FY 2016 is planned at around £180m (2015: £156m), with about two-thirds in retail, biased towards Asia Pacific.

To complement burberry.com, we continued to work with third party digital players to benefit from their reach and enhance our positioning on their sites. This included existing partners, such as Nordstrom in the US, Harrods in the UK and Shinsegae in South Korea; as well as pure play etailers including Amazon (offering fragrance on their luxury beauty sites initially in the United States and then the UK, France and Germany) and Tmall.com, offering a selected assortment to Chinese consumers on a custom-built dedicated brand space.

Unlock market opportunity

We continued to focus on improving engagement with the Chinese luxury customer both at home and when travelling. In FY 2015, we saw double-digit percentage growth from the Chinese consumer globally in retail, albeit slowing somewhat in the second half. About half of this spend was within China where we delivered mid to high single-digit comparable sales growth in the year, helped by increasing brand awareness and successful execution around key festive periods. In China, we continued to evolve and elevate our store portfolio, closing a net ten stores during the year, finishing with a total of 68, with a further five or so net closures and a small reduction in average selling space planned for FY 2016.

In Hong Kong, we saw a fall in spend from Chinese customers in the second half of the year, reflecting disruption in this high margin market. This fall was more than offset by growth in EMEIA and, off a small base, other parts of Asia Pacific and the Americas.

We made further progress in transforming our operations in Japan, ahead of the licence expiry in 2015. Our directly-operated stores in Japan offer the global collection in the world's second largest luxury market. Comparable sales growth was about 30% in the year. We opened a flagship in Osaka, our fifth mainline store, relocated the store in Omotesando, Tokyo and opened three concessions, bringing the total to 13 concessions. We have also started to invest in raising brand awareness, for example, partnering with LINE to livestream our womens runway show in February 2015.

Looking ahead, we remain confident in our plans for the brand transformation in Japan. In FY 2016, we plan to open a mainline store in Shinjuku, Tokyo, open between five and ten concessions and assume operation of about ten childrenswear concessions. As we said in April, as we build direct operations, the timing and availability of brand and commercially appropriate retail space looking forward is likely to impact our targets for FY 2017.

Revenue in the Americas grew by 16% underlying in the year, as we continued to strengthen and elevate the brand in both retail and wholesale in this market. Investment in the United States is being concentrated in flagship markets, including the refurbishment of our San Francisco store and the relocation of the Los Angeles store in FY 2015, as well as further expansion in New York in the current year.

Pursue operational excellence

In the second half of the year, we tested a new fulfilment approach for digital in China, allowing transactions to draw on inventory in both the local distribution centre and in the store network. This improved stock availability and reduced delivery times, enhancing the customer shopping experience. Burberry plans to implement this model of integrating online and offline inventory within both the UK and US in the current financial year.

We continued to optimise our assortments to drive productivity. Further reductions in the size of our assortments supported increased procurement in key products, while the roll-out of our store profiling initiative further aligned our merchandising globally. This initiative builds assortments by fixture rather than store size, while also taking into account the climate and customer profile of each location. This delivers a more customer-centric range by store, driving revenue and conversion.

During the year, we initiated a project to upgrade our core IT systems, based around SAP which was first introduced into the business in FY 2007. Since then, revenue has nearly trebled and this investment will enable future growth and productivity initiatives.

Build our culture

As it continues to promote fair and sustainable employment practices, Burberry has recently become an accredited UK Living Wage employer. We extended our commitment to pay the living wage to all directly-employed, sub-contracted and third party staff working at sites across the UK.

Burberry is committed to acting responsibly in all its activities, minimising its environmental impact and promoting sustainable practices across all areas of its business. We completed the first year of a sustainable cotton farming initiative in Peru and increased our procurement of green tariff electricity to over 35% of our operating space. We also extended our ethical trading activities to include Beauty and key raw material suppliers.

Burberry believes that it is important to be a socially responsible business. We continued to donate 1% of Group adjusted profit before tax to charitable causes around the world, principally to those helping young people realise their full potential. Over 2,300 employees in 82 cities dedicated time to impactful community projects during the year.

Revenue analysis

Revenue by channel

£ million	Year to 31 March 2015	2014	% change reported FX	underlying
Retail	1,807.4	1,622.6	*11*	*14*
Wholesale	648.1	628.0	*3*	*6*
Licensing	67.7	79.2	*(14)*	-
Revenue	**2,523.2**	**2,329.8**	***8***	***11***

Retail

71% of revenue (2014: 70%); with 214 mainline stores, 213 concessions within department stores, digital commerce and 57 outlets

- Retail sales up 14% underlying, up 11% at reported FX
- Comparable sales up 9% (H1: 10%; H2: 9%)
- New space contributed the balance of growth (5%)
- Digital outperformed in all regions

The 9% comparable sales growth was broadly evenly balanced between halves, but reflected differing regional trends. Americas delivered consistent double-digit percentage growth throughout the year, while growth in EMEIA improved in the second half and Asia Pacific slowed, impacted by the disruption in Hong Kong.

In store, footfall declined but was offset by improved conversion and higher average transaction values. Online, mobile doubled its share of revenue in the year, following the launch of an upgraded mobile platform in the second half.

In mainline retail, comparable sales growth was relatively balanced between womens, mens and accessories. Replenishment product outperformed, with strength from the heritage trench coat and cashmere scarves.

Asia Pacific

With retail accounting for over 85% of revenue in Asia Pacific, comparable sales growth was mid single-digit percentage for the year. Within this, China and South Korea grew by a high and mid single-digit percentage respectively and our directly-operated stores in Japan delivered about 30% growth. Hong Kong, a high margin market, while positive for the year, decelerated to a mid single-digit percentage decline in the second half as footfall was significantly impacted by the disruption in the third quarter.

A net 14 mainline stores and concessions were closed during the year (13 openings and 27 closures), reflecting continued evolution of the store portfolio, particularly in China and South Korea.

Europe, Middle East, India and Africa (EMEIA)
Retail accounted for over 65% of revenue with double-digit percentage comparable sales growth for the year, strengthening in the second half in major markets. For the year, growth was robust in France, Germany and Italy. About half of mainline transactions in EMEIA were to travelling luxury customers and we saw growth from both this group and domestic customers.

A net two stores and concessions were added during the year (12 openings, ten closures), including six openings in key European airports (Barcelona, two in London, Madrid, Milan and Rome) and four concessions in the Middle East as we elevate the store portfolio there.

Americas
About 65% of Americas revenue came from retail, with double-digit comparable sales growth during the year evenly balanced between halves. Domestic customers still account for about 90% of transactions.

The number of mainline stores in the Americas was unchanged year-on-year at 78. Openings included a flagship in Rodeo Drive, Los Angeles and a store in the Miami Design District, while we also refurbished our San Francisco store.

Wholesale
26% of revenue (2014: 27%); generated from sales of apparel and accessories to department stores, multi-brand specialty accounts, franchise stores and travel retail; as well as Beauty to around 80 distributors worldwide

- Wholesale revenue up 6% underlying, up 3% at reported FX
- Excluding Beauty, wholesale revenue up 1% underlying, down 2% at reported FX
- Beauty wholesale revenue was £175m, up 25% underlying, in line with guidance
- At 31 March 2015, Burberry had 67 franchise stores globally, a net decrease of three during the year

The first half of the year saw wholesale revenue, excluding Beauty, increase by 5% underlying. This was led by strong growth in Asia Pacific, specifically travel retail, partly offset by the impact of ongoing strategic initiatives, such as conversion from wholesale to retail and account rationalisation concentrated in Europe and in North America.

In the second half, revenue was down 3% underlying, reflecting cautious ordering from customers selling to the European consumer and in Asian travel retail markets. Revenue in the Americas was broadly unchanged.

The regional comments below exclude Beauty.

Asia Pacific
Asia Pacific, which is predominantly travel retail, saw mid single-digit percentage underlying revenue growth for the year. Growth was weighted to the first half, with a mid single-digit percentage underlying decline in the second half.

Europe, Middle East, India and Africa
EMEIA is the group's largest wholesale region at around 45% of the group total. Revenue for the year was unchanged underlying with account rationalisation and the termination of our Russian franchise operation (closing five franchise stores as we move to direct operation) offsetting growth from key strategic accounts.

Americas
We continued to refine our wholesale presence in the Americas with the conversion of the Holt Renfrew business in Canada to retail concessions in February 2014 and the withdrawal of menswear from brand inappropriate locations in the United States. Excluding these factors, there was mid single-digit percentage growth underlying, with a strong brand performance on our wholesale partners' digital commerce sites.

Beauty
Beauty wholesale revenue increased by 25% underlying, in line with guidance (up 21% at reported FX). My Burberry, our iconic womens fragrance, was successfully launched in September. The marketing campaign also featured our heritage trench coats, providing a halo benefit to the wider business and further reinforcing the brand message.

Licensing
3% of revenue (2014: 3%); of which about 80% is from Japan, with the balance from global product licences (eyewear and watches) and European wholesale childrenswear

- Licensing revenue unchanged underlying, down 14% at reported FX
- In line with full year guidance

Royalty income from Japan was £53m, broadly unchanged year-on-year underlying. Income from the main apparel licence increased slightly reflecting higher minimum payments, offset by the planned downsizing of the remaining short-term licences.

Combined, income from eyewear and watches was broadly unchanged underlying, reflecting phasing and the elevation of watch distribution. The launch of the Trench eyewear collection in September, planned to coincide with the My Burberry and heritage launch, was our most successful to date.

Operating profit analysis

Adjusted operating profit

£ million	Year to 31 March 2015	2014	% change reported FX	underlying
Retail/wholesale	399.2	393.5	*1*	*8*
Licensing	56.0	66.8	*(16)*	*1*
Adjusted operating profit	**455.2**	**460.3**	***(1)***	***7***
Adjusted operating margin	*18.0%*	*19.8%*		

Adjusted operating profit increased by 7% underlying, down 1% at reported FX, including a £38m adverse exchange rate impact.

Adjusted retail/wholesale operating profit

£ million	Year to 31 March 2015	2014	% change reported FX
Revenue	2,455.5	2,250.6	*9*
Cost of sales	(757.7)	(671.3)	*(13)*
Gross margin	1,697.8	1,579.3	*8*
Gross margin	*69.2%*	*70.2%*	
Operating expenses	(1,298.6)	(1,185.8)	*(10)*
Adjusted operating profit	**399.2**	**393.5**	***1***
Operating expenses as % of revenue	*52.9%*	*52.7%*	
Adjusted operating margin	*16.3%*	*17.5%*	

Adjusted retail/wholesale operating profit was £399m in FY 2015, up 8% at constant exchange rates and 1% at reported FX. The adverse impact of exchange rate movements reduced revenue by £60m and profit by £26m in the year. Operating margin was 16.3%, or 16.9% at constant exchange rates.

Gross margin was 69.2%, down 100 basis points. This reflects the negative impact of exchange rate movements, the one-off inventory cost discussed at the interim results relating to a previous fragrance launch, as well as various mix and other factors, including an adverse regional mix shift in the second half, reflecting the slowdown in Hong Kong, a high margin market.

The operating expense to sales ratio was 52.9%, up 20 basis points compared to the prior year. A modest benefit from operating leverage and tight cost control was more than offset by the adverse impact of exchange rate movements. About half of the underlying absolute increase in expenses came from general inflation and net new space, with the balance including volume-related costs and increased investment in areas such as marketing and technology, which supported revenue growth.

Licensing operating profit

£ million	Year to 31 March 2015	2014	*% change reported FX*
Revenue	67.7	79.2	*(14)*
Cost of sales	-	-	-
Gross margin	67.7	79.2	*(14)*
Gross margin	*100%*	*100%*	
Operating expenses	(11.7)	(12.4)	*6*
Operating profit	**56.0**	**66.8**	***(16)***
Operating margin	*82.7%*	*84.3%*	

The effective yen rate moved from £1:Yen137 in FY 2014 to £1:Yen164 in FY 2015, reducing reported licensing operating profit by £11.5m. With a small decrease in allocated operating expenses, licensing profit was £56.0m, broadly unchanged underlying, down 16% at reported FX.

Adjusting items

£ million	Year to 31 March 2015	2014
Amortisation of fragrance and beauty licence intangible	(14.9)	(14.9)
China put option liability finance income/(charge)	3.7	(1.7)
	(11.2)	(16.6)

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

The China put option liability finance income of £3.7m relates to fair value movements, including the discount unwind, on the put option liability over the non-controlling interest in the acquired Chinese business.

Taxation
The tax rate on adjusted profit in FY 2015 was 23.4% (2014: 24.7%), largely reflecting the lower UK corporation tax rate.

The tax charge of £103.5m (2014: £112.1m) resulted in an effective tax rate on reported profit of 23.3% (2014: 25.2%). Tax on exceptional items has been recognised as appropriate.

Net cash
Cash generated from operating activities was £568m, 6% higher than last year, reflecting tight control of working capital. Capital expenditure was £156m, lower than guidance, largely reflecting the phasing of new projects. Other major outflows were tax of £114m and dividends of £145m.

Net cash at 31 March 2015 was £552m, an increase of £150m year-on-year. Taking into account our lease commitments, our lease-adjusted net debt, which we calculate as five times the annual minimum lease charge less net cash, increased slightly during the year to £402m (2014: £380m). At constant exchange rates, inventory was broadly unchanged year-on-year, compared to 14% retail and 6% wholesale revenue growth. Inventory at 31 March 2015 was £437m (2014: £420m).

Outlook
Retail: In FY 2016, net new space is expected to contribute low single-digit percentage growth to total retail revenue, with 15-20 mainline store openings and a similar number of closures.

Wholesale: Burberry expects total wholesale revenue at constant exchange rates to be broadly unchanged in the six months to 30 September 2015 (2014: £317m). Excluding Beauty, we expect wholesale revenue to be down by a low single-digit percentage. For Beauty, wholesale revenue in FY 2016 is expected to grow by 10-15% at constant exchange rates, with additional contributions from retail and digital channels.

Retail/wholesale profit: In FY 2016, if exchange rates* remain at current levels, our latest expectations for FY 2016 reported retail/wholesale profit would be about £10m higher than at FY 2015 rates. This is a decrease of about £40m since the guidance given at the Second Half Trading Update in April 2015, reflecting the movement in exchange rates.

For FY 2016 retail/wholesale operating margin, we currently expect the benefit from FX and tight cost control to be offset by geographic and channel mix and continued investment in the business.

Licensing: Total licensing revenue for FY 2016 is planned to be down by about 40% at constant exchange rates (2015: £68m), due to the expiry of the Japanese licences. For FY 2016, we expect double-digit percentage growth from the global product licences and about £25m revenue from Japan, as previously guided. The latter comprises income from the existing licences, including the orderly transition and exit of local licensed product and the first income from the new Blue/Black Label licence.

At current exchange rates*, the impact of the movement in the sterling/yen rate on reported licensing revenue in FY 2016 is not expected to be material.

Group adjusted PBT: In FY 2016, we expect group adjusted PBT at constant exchange rates to be more second-half weighted than in FY 2015.

Tax rate: The tax rate on adjusted profit for FY 2016 is currently expected to be about 23%.

Capital expenditure: Spend of about £180m is planned in FY 2016.

* Effective rates as at 14 May 2015, taking into account the current hedged positions

APPENDIX

Exchange rates

	Effective rates for FY 2016		Average exchange rates	
£1=	14 May 2015	31 March 2015	FY 2015	FY 2014
Euro	1.39	1.38	1.28	1.19
US Dollar	1.57	1.48	1.60	1.59
Chinese Yuan Renminbi	9.73	9.21	9.94	9.78
Hong Kong Dollar	12.17	11.51	12.42	12.38
Korean Won	1,711	1,646	1,709	1,734
Yen*	176	176	164	137

* Taking into account the hedged positions

Retail/wholesale revenue by destination

£ million	Year to 31 March 2015	2014	% change reported FX	underlying
Asia Pacific	938.1	870.3	*8*	*9*
EMEIA	869.0	811.5	*7*	*12*
Americas	648.4	568.8	*14*	*16*
	2,455.5	2,250.6	*9*	*12*

Retail/wholesale revenue by product division

£ million	Year to 31 March 2015	2014	% change reported FX	underlying
Accessories	892.5	816.1	*9*	*12*
Womens	743.0	684.0	*9*	*11*
Mens	557.5	520.8	*7*	*10*
Childrens	77.7	78.4	*(1)*	*1*
Beauty*	184.8	151.3	*22*	*26*
	2,455.5	2,250.6	*9*	*12*

* FY 2015 Beauty revenue is £174.7m of wholesale revenue and £10.1m in retail (2014: £144.1m; £7.2m)

Store portfolio

	Directly-operated stores				
	Stores	Concessions	Outlets	Total	*Franchise stores*
At 31 March 2014	215	227	55	497	*70*
Additions	16	12	3	31	*5*
Closures	(17)	(26)	(1)	(44)	*(8)*
At 31 March 2015	214	213	57	484	*67*

Store portfolio by region

	Directly-operated stores				
At 31 March 2015	Stores	Concessions	Outlets	Total	*Franchise stores*
Asia Pacific	63	143	13	219	*12*
EMEIA	73	62	24	159	*49*
Americas	78	8	20	106	*6*
Total	214	213	57	484	*67*

Group Income Statement

	Note	**Year to 31 March 2015 £m**	Year to 31 March 2014 £m
Continuing operations			
Revenue	4	**2,523.2**	2,329.8
Cost of sales		**(757.7)**	(671.3)
Gross profit		**1,765.5**	1,658.5
Net operating expenses	5	**(1,325.2)**	(1,213.1)
Operating profit		**440.3**	445.4
Financing			
Finance income		**4.4**	3.9
Finance expense		**(3.8)**	(3.2)
Other financing income/(charges)		**3.7**	(1.7)
Net finance income/(charge)	8	**4.3**	(1.0)
Profit before taxation	6	**444.6**	444.4
Taxation	9	**(103.5)**	(112.1)
Profit for the year		**341.1**	332.3
Attributable to:			
Owners of the Company		**336.3**	322.5
Non-controlling interest		**4.8**	9.8
Profit for the year		**341.1**	332.3
Earnings per share			
Basic	10	**76.4p**	73.6p
Diluted	10	**75.1p**	72.1p
		£m	£m
Reconciliation of adjusted profit before taxation:			
Profit before taxation		**444.6**	444.4
Adjusting items:			
Amortisation of the fragrance and beauty licence intangible in operating expenses	7	**14.9**	14.9
Put option liability finance (income)/charge	7	**(3.7)**	1.7
Adjusted profit before taxation – non-GAAP measure		**455.8**	461.0
Adjusted earnings per share – non-GAAP measure			
Basic	10	**78.3p**	77.0p
Diluted	10	**76.9p**	75.4p
Dividends per share			
Interim	11	**9.70p**	8.80p
Proposed final (not recognised as a liability at 31 March)	11	**25.50p**	23.20p

Group Statement of Comprehensive Income

	Note	**Year to 31 March 2015 £m**	Year to 31 March 2014 £m
Profit for the year		**341.1**	332.3
Other comprehensive income[1]:			
Cash flow hedges	20	**(7.4)**	(5.0)
Foreign currency translation differences		**52.0**	(54.6)
Tax on other comprehensive income:			
Cash flow hedges		**1.5**	1.3
Foreign currency translation differences		**(4.4)**	4.6
Other comprehensive income/(expense) for the year, net of tax		**41.7**	(53.7)
Total comprehensive income for the year		**382.8**	278.6
Total comprehensive income attributable to:			
Owners of the Company		**372.5**	272.5
Non-controlling interest		**10.3**	6.1
		382.8	278.6

1 All items included in other comprehensive income may subsequently be reclassified to profit and loss in a future period.

Group Balance Sheet

	Note	As at 31 March 2015 £m	As at 31 March 2014 £m
ASSETS			
Non-current assets			
Intangible assets	12	**193.5**	195.4
Property, plant and equipment	13	**436.5**	398.4
Investment properties		**2.2**	2.6
Deferred tax assets		**145.0**	116.0
Trade and other receivables	14	**60.5**	42.3
Derivative financial assets		**1.5**	0.5
		839.2	755.2
Current assets			
Inventories	15	**436.6**	419.8
Trade and other receivables	14	**260.3**	231.4
Derivative financial assets		**8.4**	4.6
Income tax receivables		**11.3**	9.0
Cash and cash equivalents	16	**617.4**	545.5
		1,334.0	1,210.3
Total assets		**2,173.2**	1,965.5
LIABILITIES			
Non-current liabilities			
Trade and other payables	17	**(117.1)**	(107.4)
Deferred tax liabilities		**(0.9)**	(1.0)
Derivative financial liabilities		**–**	(0.9)
Retirement benefit obligations		**(0.7)**	(0.6)
Provisions for other liabilities and charges	18	**(22.2)**	(15.9)
		(140.9)	(125.8)
Current liabilities			
Bank overdrafts and borrowings	19	**(65.2)**	(143.0)
Derivative financial liabilities		**(12.5)**	(1.6)
Trade and other payables	17	**(406.0)**	(399.8)
Provisions for other liabilities and charges	18	**(10.3)**	(10.7)
Income tax liabilities		**(86.8)**	(76.6)
		(580.8)	(631.7)
Total liabilities		**(721.7)**	(757.5)
Net assets		**1,451.5**	1,208.0
EQUITY			
Capital and reserves attributable to owners of the Company			
Ordinary share capital	20	**0.2**	0.2
Share premium account		**207.6**	204.8
Capital reserve	20	**45.3**	40.0
Hedging reserve	20	**(0.3)**	5.6
Foreign currency translation reserve	20	**147.3**	104.7
Retained earnings		**1,000.8**	810.1
Equity attributable to owners of the Company		**1,400.9**	1,165.4
Non-controlling interest in equity		**50.6**	42.6
Total equity		**1,451.5**	1,208.0

Group Statement of Changes in Equity

	Note	Attributable to owners of the Company						
		Ordinary share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling interest £m	Total equity £m
Balance as at 31 March 2013		**0.2**	**203.6**	**197.3**	**615.9**	**1,017.0**	**35.8**	**1,052.8**
Profit for the year		–	–	–	322.5	322.5	9.8	332.3
Other comprehensive income:								
Cash flow hedges	20	–	–	(5.0)	–	(5.0)	–	(5.0)
Foreign currency translation differences		–	–	(50.9)	–	(50.9)	(3.7)	(54.6)
Tax on other comprehensive income		–	–	5.9	–	5.9	–	5.9
Total comprehensive income for the year		–	–	(50.0)	322.5	272.5	6.1	278.6
Transfer between reserves		–	–	3.0	(3.0)	–	–	–
Transactions with owners:								
Employee share incentive schemes								
Value of share options granted		–	–	–	25.4	25.4	–	25.4
Value of share options transferred to liabilities		–	–	–	(0.8)	(0.8)	–	(0.8)
Tax on share options granted		–	–	–	3.8	3.8	–	3.8
Exercise of share options		–	1.2	–	–	1.2	–	1.2
Sale of own shares by ESOP trusts		–	–	–	1.7	1.7	–	1.7
Purchase of own shares by ESOP trusts		–	–	–	(24.7)	(24.7)	–	(24.7)
Capital contribution by non-controlling interest		–	–	–	–	–	0.7	0.7
Dividends paid in the year		–	–	–	(130.7)	(130.7)	–	(130.7)
Balance as at 31 March 2014		**0.2**	**204.8**	**150.3**	**810.1**	**1,165.4**	**42.6**	**1,208.0**
Profit for the year		–	–	–	336.3	336.3	4.8	341.1
Other comprehensive income:								
Cash flow hedges	20	–	–	(7.4)	–	(7.4)	–	(7.4)
Foreign currency translation differences		–	–	46.5	–	46.5	5.5	52.0
Tax on other comprehensive income		–	–	(2.9)	–	(2.9)	–	(2.9)
Total comprehensive income for the year		–	–	36.2	336.3	372.5	10.3	382.8
Transfer between reserves		–	–	5.8	(5.8)	–	–	–
Transactions with owners:								
Employee share incentive schemes								
Value of share options granted		–	–	–	21.0	21.0	–	21.0
Value of share options transferred to liabilities		–	–	–	(0.8)	(0.8)	–	(0.8)
Tax on share options granted		–	–	–	5.2	5.2	–	5.2
Exercise of share options		–	2.8	–	–	2.8	–	2.8
Purchase of own shares by ESOP trusts		–	–	–	(19.2)	(19.2)	–	(19.2)
Acquisition of additional interest in subsidiary from non-controlling interest		–	–	–	(1.1)	(1.1)	(2.3)	(3.4)
Capital contribution by non-controlling interest		–	–	–	–	–	0.4	0.4
Dividends paid in the year		–	–	–	(144.9)	(144.9)	(0.4)	(145.3)
Balance as at 31 March 2015		**0.2**	**207.6**	**192.3**	**1,000.8**	**1,400.9**	**50.6**	**1,451.5**

Group Statement of Cash Flows

	Note	**Year to 31 March 2015 £m**	Year to 31 March 2014 £m
Cash flows from operating activities			
Operating profit		**440.3**	445.4
Depreciation		**104.0**	105.6
Amortisation		**34.6**	33.0
Net impairment charges		**4.1**	12.3
Loss/(profit) on disposal of property, plant and equipment and intangible assets		**2.1**	(1.3)
Gain on derivative instruments		**(2.0)**	(3.8)
Charges in respect of employee share incentive schemes		**21.0**	25.4
(Payment)/proceeds from settlement of equity swap contracts		**(0.2)**	15.7
Increase in inventories		**(15.1)**	(68.2)
Increase in receivables		**(43.8)**	(73.8)
Increase in payables		**23.1**	45.2
Cash generated from operating activities		**568.1**	535.5
Interest received		**3.8**	3.4
Interest paid		**(2.6)**	(2.6)
Taxation paid		**(114.4)**	(111.1)
Net cash generated from operating activities		**454.9**	425.2
Cash flows from investing activities			
Purchase of property, plant and equipment		**(127.8)**	(129.5)
Purchase of intangible assets		**(27.9)**	(24.5)
Proceeds from sale of property, plant and equipment		**–**	3.0
Proceeds from sale of intangible assets		**1.3**	–
Acquisition of subsidiaries, net of cash acquired		**–**	(2.6)
Net cash outflow from investing activities		**(154.4)**	(153.6)
Cash flows from financing activities			
Dividends paid in the year	11	**(144.9)**	(130.7)
Dividends paid to non-controlling interest		**(0.4)**	–
Capital contributions by non-controlling interest		**0.4**	0.7
Payment to acquire additional interest in subsidiary from non-controlling interest		**(3.4)**	–
Issue of ordinary share capital		**2.8**	1.2
Sale of own shares by ESOP trusts		**–**	1.7
Purchase of own shares by ESOP trusts		**(19.2)**	(24.7)
Net cash outflow from financing activities		**(164.7)**	(151.8)
Net increase in cash and cash equivalents		**135.8**	119.8
Effect of exchange rate changes		**13.9**	(13.9)
Cash and cash equivalents at beginning of year		**402.5**	296.6
Cash and cash equivalents at end of year		**552.2**	402.5

Analysis of Net Cash

	Note	**As at 31 March 2015 £m**	As at 31 March 2014 £m
Cash and cash equivalents as per the Balance Sheet	16	**617.4**	545.5
Bank overdrafts	19	**(65.2)**	(143.0)
Net cash		**552.2**	402.5

Notes to the Financial Information

1. Basis of preparation

The financial information contained within this report has been prepared in accordance with the European Union endorsed International Financial Reporting Standards (IFRSs), IFRS Interpretations Committee (IFRS IC) interpretations and parts of the Companies Act 2006 applicable to companies reporting under IFRS. This financial information does not constitute the Burberry Group's (the Group) Annual Report and Accounts within the meaning of Section 435 of the Companies Act 2006.

Statutory accounts for the year ended 31 March 2014 have been filed with the Registrar of Companies, and those for 2015 will be delivered in due course. The reports of the auditors on those statutory accounts for the years ended 31 March 2014 and 31 March 2015 were unqualified, did not contain an emphasis of matter paragraph and did not contain a statement under either section 400(2) or section 498(3) of the Companies Act 2006.

The principal accounting policies applied in the preparation of the consolidated financial statements are consistent with those set out in the statutory accounts for the year ended 31 March 2014, with the exception of the adoption of the amendment to IAS 32: Financial instruments: Presentation, which was adopted for the first time by the Group from 1 April 2014. This has not had a material impact on the financial statements of the Group.

2. Translation of the results of overseas businesses

The results of overseas subsidiaries are translated into the Group's presentation currency of Sterling each month at the weighted average exchange rate for the month according to the phasing of the Group's trading results. The weighted average exchange rate is used, as it is considered to approximate the actual exchange rates on the date of the transactions. The assets and liabilities of such undertakings are translated at the year end exchange rates. Differences arising on the retranslation of the opening net investment in subsidiary companies, and on the translation of their results, are taken directly to the foreign currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

The principal exchange rates used were as follows:

	Average rate		Closing rate	
	Year to 31 March 2015	Year to 31 March 2014	**As at 31 March 2015**	As at 31 March 2014
Euro	**1.28**	1.19	**1.38**	1.21
US Dollar	**1.60**	1.59	**1.48**	1.67
Chinese Yuan Renminbi	**9.94**	9.78	**9.21**	10.34
Hong Kong Dollar	**12.42**	12.38	**11.51**	12.94
Korean Won	**1,709**	1,734	**1,646**	1,771

The average exchange rate achieved by the Group on its Yen royalty income, taking into account its use of Yen forward foreign exchange contracts executed on a monthly basis approximately 12 months in advance of royalty receipts, was Yen 164.2: £1 in the year to 31 March 2015 (2014: Yen 137.0: £1).

3. Adjusted profit before taxation

In order to provide additional consideration of the underlying performance of the Group's ongoing business, the Group's results include a presentation of Adjusted Profit before Taxation ('adjusted PBT'). Adjusted PBT is defined as profit before taxation and before adjusting items. Adjusting items are those items which, in the opinion of the directors, should be excluded in order to provide a consistent and comparable view of the underlying performance of the Group's ongoing business. Generally this will include those items that are largely one-off and material in nature and any fair value movements on options over equity interests held for non-speculative purposes. Adjusting items are identified and presented on a consistent basis each year and a reconciliation of adjusted PBT to profit before tax is included in the financial statements. Adjusting items and their related tax impacts are added back/deducted from profit attributable to owners of the Company to arrive at adjusted earnings per share.

Notes to the Financial Information

4. Segmental analysis

The Chief Operating Decision Maker has been identified as the Board of Directors. The Board reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on the reports used by the Board.

The Board considers the Group's business through its two channels to market, being retail/wholesale and licensing.

Retail/wholesale revenues are generated by the sale of luxury goods through Burberry mainline stores, concessions, outlets and digital commerce as well as Burberry franchisees, prestige department stores globally and multi-brand specialty accounts. The flow of global product between retail and wholesale channels and across our regions is monitored and optimised at a corporate level and implemented via the Group's inventory hubs situated in Asia, Europe and the USA.

Licensing revenues are generated through the receipt of royalties from the Group's partners in Japan and global licensees of eyewear, timepieces and European childrenswear.

The Board assesses channel performance based on a measure of adjusted operating profit. This measurement basis excludes the effects of adjusting items. The measure of earnings for each operating segment that is reviewed by the Board includes an allocation of corporate and central costs. Interest income and charges are not included in the result for each operating segment that is reviewed by the Board.

	Retail/Wholesale		Licensing		Total	
	Year to 31 March 2015 £m	Year to 31 March 2014 £m	**Year to 31 March 2015 £m**	Year to 31 March 2014 £m	**Year to 31 March 2015 £m**	Year to 31 March 2014 £m
Retail	**1,807.4**	1,622.6	–	–	**1,807.4**	1,622.6
Wholesale	**648.1**	628.0	–	–	**648.1**	628.0
Licensing	**–**	–	**70.1**	81.6	**70.1**	81.6
Total segment revenue	**2,455.5**	2,250.6	**70.1**	81.6	**2,525.6**	2,332.2
Inter-segment revenue[1]	**–**	–	**(2.4)**	(2.4)	**(2.4)**	(2.4)
Revenue from external customers	**2,455.5**	2,250.6	**67.7**	79.2	**2,523.2**	2,329.8
Depreciation and amortisation	**138.7**	138.6	–	–	**138.7**	138.6
Net impairment charges	**4.1**	12.3	–	–	**4.1**	12.3
Other non-cash expenses:						
Share based payments	**17.8**	21.6	**3.2**	3.8	**21.0**	25.4
Adjusted operating profit	**399.2**	393.5	**56.0**	66.8	**455.2**	460.3
Adjusting items[2]					**(11.2)**	(16.6)
Finance income					**4.4**	3.9
Finance expense					**(3.8)**	(3.2)
Profit before taxation					**444.6**	444.4

1 Inter-segment transfers or transactions are entered into under the normal commercial terms and conditions that would be available to unrelated third parties.

2 Refer to note 7 for details of adjusting items.

Notes to the Financial Information

4. Segmental analysis (continued)

Segmental asset analysis

	Retail/Wholesale		Licensing		Total	
	Year to 31 March 2015 £m	Year to 31 March 2014 £m	**Year to 31 March 2015 £m**	Year to 31 March 2014 £m	**Year to 31 March 2015 £m**	Year to 31 March 2014 £m
Additions to non-current assets	**157.1**	160.9	**–**	–	**157.1**	160.9
Total segment assets	**1,300.6**	1,200.4	**2.6**	5.8	**1,303.2**	1,206.2
Goodwill					**88.8**	80.2
Cash and cash equivalents					**617.4**	545.5
Taxation					**156.3**	125.0
Assets relating to discontinued Spanish operations					**7.5**	8.6
Total assets per Balance Sheet					**2,173.2**	1,965.5

Additional revenue analysis

Revenue by product division	**Year to 31 March 2015 £m**	Year to 31 March 2014 £m
Accessories	**892.5**	816.1
Womens	**743.0**	684.0
Mens	**557.5**	520.8
Childrens/Other	**77.7**	78.4
Beauty	**184.8**	151.3
Retail/Wholesale	**2,455.5**	2,250.6
Licensing	**67.7**	79.2
Total	**2,523.2**	2,329.8

Revenue by destination	**Year to 31 March 2015 £m**	Year to 31 March 2014 £m
Asia Pacific	**938.1**	870.3
EMEIA[1]	**869.0**	811.5
Americas	**648.4**	568.8
Retail/Wholesale	**2,455.5**	2,250.6
Licensing	**67.7**	79.2
Total	**2,523.2**	2,329.8

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

Entity-wide disclosures

Revenue derived from external customers in the UK totalled £233.3m for the year to 31 March 2015 (2014: £213.2m).

Revenue derived from external customers in foreign countries totalled £2,289.9m for the year to 31 March 2015 (2014: £2,116.6m).This amount includes £551.6m of external revenues derived from customers in the USA (2014: £493.8m) and £346.2m of external revenues derived from customers in China (2014: £318.2m).

The total of non-current assets other than financial instruments and deferred tax assets located in the UK is £197.7m (2014: £213.7m). The remaining £455.4m of non-current assets are located in other countries (2014: £394.0m), with £174.9m located in the USA (2014: £136.9m) and £87.8m located in China (2014: £84.3m).

Notes to the Financial Information

5. Net operating expenses

	Note	**Year to 31 March 2015 £m**	Year to 31 March 2014 £m
Selling and distribution costs		**762.9**	673.6
Administrative expenses		**547.4**	524.6
Adjusting items			
Amortisation of the fragrance and beauty licence intangible asset	7	**14.9**	14.9
Total		**1,325.2**	1,213.1

6. Profit before taxation

	Note	**Year to 31 March 2015 £m**	Year to 31 March 2014 £m
Adjusted profit before taxation is stated after charging/(crediting):			
Depreciation of property, plant and equipment			
Within cost of sales		**1.0**	0.8
Within selling and distribution costs		**88.8**	88.7
Within administrative expenses		**14.2**	16.1
Amortisation of intangible assets			
Within selling and distribution costs		**1.7**	2.2
Within administrative expenses		**18.0**	15.9
Loss/(profit) on disposal of property, plant and equipment and intangible assets		**2.1**	(1.3)
Net impairment charge relating to retail assets		**4.1**	12.3
Employee costs		**468.1**	441.3
Operating lease rentals			
Minimum lease payments		**190.9**	156.5
Contingent rents		**87.5**	83.2
Net exchange (gain)/loss on revaluation of monetary assets and liabilities		**(1.4)**	11.5
Net exchange gain on derivatives held for trading for the year		**(1.4)**	(4.2)
Trade receivables net impairment charge/(reversal)		**0.1**	(1.5)
Adjusting items			
Amortisation of the fragrance and beauty licence intangible	7	**14.9**	14.9
Put option liability finance (income)/charges	7	**(3.7)**	1.7

7. Adjusting items

Amortisation of the fragrance and beauty licence intangible asset

During the year ended 31 March 2013, an intangible asset of £70.9m was recognised on the Balance Sheet, relating to the present value of the anticipated incremental income to be earned by the Group as a result of selling Beauty products through retail and wholesale channels rather than under licence, following the termination of the existing licence relationship with Interparfums SA. This asset is amortised on a straight-line basis over the period 1 April 2013 to 31 December 2017. The amortisation is presented as an adjusting item, which is consistent with the treatment of the cost recognised on termination of the licence relationship in the year ended 31 March 2013. The amortisation expense recognised for the year ended 31 March 2015 is £14.9m (2014: £14.9m) (refer to note 12). A related tax credit of £3.1m (2014: £1.9m) has also been recognised in the current period.

Notes to the Financial Information

7. Adjusting items (continued)

Put option liability finance income/charge

The financing income of £3.7m for the year ended 31 March 2015 (2014: charge of £1.7m) relates to fair value movements and the unwinding of the discount on the put option liability over the non-controlling interest in Burberry (Shanghai) Trading Co., Ltd. Refer to note 17 for further details of the carrying value of the put option liability. No tax has been recognised on this item, as it is not considered to be deductible for tax purposes.

8. Financing

	Note	**Year to 31 March 2015 £m**	Year to 31 March 2014 £m
Bank interest income		**3.7**	2.9
Other finance income		**0.7**	1.0
Finance income		**4.4**	3.9
Interest expense on bank loans and overdrafts		**(1.8)**	(1.6)
Bank charges		**(1.8)**	(1.4)
Other finance expense		**(0.2)**	(0.2)
Finance expense		**(3.8)**	(3.2)
Other financing income/(charges) – put option liability	7	**3.7**	(1.7)
Net finance income/(charge)		**4.3**	(1.0)

9. Taxation

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

	Year to 31 March 2015 £m	Year to 31 March 2014 £m
Current tax		
UK corporation tax		
Current tax on income for the year to 31 March 2015 at 21% (2014: 23%)	**58.8**	69.1
Double taxation relief	**(0.7)**	(0.8)
Adjustments in respect of prior years	**(2.4)**	(3.8)
	55.7	64.5
Foreign tax		
Current tax on income for the year	**60.9**	50.9
Adjustments in respect of prior years	**6.9**	6.2
Total current tax	**123.5**	121.6
Deferred tax		
UK deferred tax		
Origination and reversal of temporary differences	**2.1**	2.3
Impact of changes to tax rates	**–**	4.1
Adjustments in respect of prior years	**0.9**	0.2
	3.0	6.6
Foreign deferred tax		
Origination and reversal of temporary differences	**(21.3)**	(16.9)
Adjustments in respect of prior years	**(1.7)**	0.8
Total deferred tax	**(20.0)**	(9.5)
Total tax charge on profit	**103.5**	112.1

Notes to the Financial Information

9. Taxation (continued)

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

	Year to 31 March 2015 £m	Year to 31 March 2014 £m
Current tax		
Recognised in other comprehensive income		
Current tax charge/(credit) on exchange differences on loans (foreign currency translation reserve)	**4.4**	(4.6)
Total current tax recognised in other comprehensive income	**4.4**	(4.6)
Recognised in equity		
Current tax credit on share options (retained earnings)	**(5.6)**	(9.6)
Total current tax recognised directly in equity	**(5.6)**	(9.6)
Deferred tax		
Recognised in other comprehensive income		
Deferred tax (credit)/charge on cash flow hedges deferred in equity (hedging reserve)	**(1.3)**	0.9
Deferred tax credit on cash flow hedges transferred to income (hedging reserve)	**(0.2)**	(2.2)
Total deferred tax recognised in other comprehensive income	**(1.5)**	(1.3)
Recognised in equity		
Deferred tax charge on share options (retained earnings)	**0.4**	5.8
Total deferred tax recognised directly in equity	**0.4**	5.8

The tax rate applicable on profit varied from the standard rate of corporation tax in the UK due to the following factors:

	Year to 31 March 2015 £m	Year to 31 March 2014 £m
Profit before taxation	**444.6**	444.4
Tax at 21% (2014: 23%) on profit before taxation	**93.4**	102.2
Rate adjustments relating to overseas profits	**1.8**	(2.9)
Permanent differences	**5.6**	3.4
Current year tax losses not recognised	**2.4**	1.9
Prior year tax losses recognised in the year	**(3.4)**	–
Adjustments in respect of prior years	**3.7**	3.4
Adjustments to deferred tax relating to changes in tax rates	**–**	4.1
Total taxation charge	**103.5**	112.1

Total taxation recognised in the Group Income Statement arises on:

	Year to 31 March 2015 £m	Year to 31 March 2014 £m
Adjusted profit before taxation	**106.6**	114.0
Adjusting items	**(3.1)**	(1.9)
Total taxation charge	**103.5**	112.1

Notes to the Financial Information

10. Earnings per share

The calculation of basic earnings per share is based on profit or loss attributable to owners of the Company for the year divided by the weighted average number of ordinary shares in issue during the year. Basic and diluted earnings per share based on adjusted profit before taxation are also disclosed to indicate the underlying profitability of the Group.

	Year to 31 March 2015 £m	Year to 31 March 2014 £m
Attributable profit for the year before adjusting items[1]	**344.4**	337.2
Effect of adjusting items[1] (after taxation)	**(8.1)**	(14.7)
Attributable profit for the year	**336.3**	322.5

1 Refer to note 7 for details of adjusting items.

The weighted average number of ordinary shares represents the weighted average number of Burberry Group plc ordinary shares in issue throughout the year, excluding ordinary shares held in the Group's ESOP trusts.

Diluted earnings per share is based on the weighted average number of ordinary shares in issue during the year. In addition, account is taken of any options and awards made under the employee share incentive schemes, which will have a dilutive effect when exercised.

	Year to 31 March 2015 Millions	Year to 31 March 2014 Millions
Weighted average number of ordinary shares in issue during the year	**440.0**	437.9
Dilutive effect of the employee share incentive schemes	**7.8**	9.4
Diluted weighted average number of ordinary shares in issue during the year	**447.8**	447.3

11. Dividends paid to owners of the Company

	Year to 31 March 2015 £m	Year to 31 March 2014 £m
Prior year final dividend paid 23.20p per share (2014: 21.00p)	**102.1**	92.1
Interim dividend paid 9.70p per share (2014: 8.80p)	**42.8**	38.6
Total	**144.9**	130.7

A final dividend in respect of the year to 31 March 2015 of 25.50p (2014: 23.20p) per share, amounting to £112.4m, has been proposed for approval by the shareholders at the Annual General Meeting subsequent to the balance sheet date. The final dividend to Burberry Group plc shareholders has not been recognised as a liability at the year end and will be paid on 31 July 2015 to shareholders on the register at the close of business on 3 July 2015.

Notes to the Financial Information

12. Intangible assets

Cost	Goodwill £m	Trade marks, licences and other intangible assets £m	Computer software £m	Intangible assets in the course of construction £m	Total £m
As at 31 March 2013	86.3	99.0	77.9	5.8	269.0
Effect of foreign exchange rate changes	(6.8)	(0.4)	(1.6)	–	(8.8)
Additions	–	0.3	17.3	8.4	26.0
Reclassifications from assets in the course of construction	–	–	4.9	(4.9)	–
Business combinations	0.7	–	–	–	0.7
As at 31 March 2014	80.2	98.9	98.5	9.3	286.9
Effect of foreign exchange rate changes	8.6	(1.1)	0.8	–	8.3
Additions	–	1.8	16.6	8.9	27.3
Disposals	–	(12.6)	(0.1)	(0.8)	(13.5)
Reclassifications from assets in the course of construction	–	–	5.2	(5.2)	–
As at 31 March 2015	**88.8**	**87.0**	**121.0**	**12.2**	**309.0**
Accumulated amortisation and impairment					
As at 31 March 2013	–	14.4	44.4	–	58.8
Effect of foreign exchange rate changes	–	(0.3)	(1.0)	–	(1.3)
Charge for the year	–	17.2	15.8	–	33.0
Net impairment charge on assets (note 13)	–	1.0	–	–	1.0
As at 31 March 2014	–	32.3	59.2	–	91.5
Effect of foreign exchange rate changes	–	(0.7)	1.1	–	0.4
Charge for the year	–	16.4	18.2	–	34.6
Net impairment charge on assets (note 13)	–	0.2	–	–	0.2
Disposals	–	(11.1)	(0.1)	–	(11.2)
As at 31 March 2015	**–**	**37.1**	**78.4**	**–**	**115.5**
Net book value					
As at 31 March 2015	**88.8**	**49.9**	**42.6**	**12.2**	**193.5**
As at 31 March 2014	80.2	66.6	39.3	9.3	195.4

Fragrance and beauty licence intangible asset

During the year ended 31 March 2013, an intangible asset of £70.9m was recognised on the Balance Sheet, relating to the present value of the anticipated incremental income to be earned by the Group as a result of selling Beauty products through retail and wholesale channels rather than under licence following the termination of the existing licence relationship with Interparfums SA. This asset is presented within the intangible asset category 'trade mark, licences and other intangible assets', and is being amortised on a straight-line basis over the period 1 April 2013 to 31 December 2017. The carrying value of the Beauty intangible at 31 March 2015 is £41.1m (2014: £56.0m). No impairment has been recorded in the current period. Management has considered the impact of a decrease in the future revenue estimates used in the latest value-in-use calculation. Based on this sensitivity, a decrease of 12% in future revenue projections, with no change in operating profit margin, would imply an impairment of £10m as at 31 March 2015.

Notes to the Financial Information

12. Intangible assets (continued)

Impairment testing of goodwill

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

	As at 31 March 2015 £m	As at 31 March 2014 £m
China[1]	**45.8**	40.7
Korea	**25.1**	23.3
Other	**17.9**	16.2
Total	**88.8**	80.2

1 The goodwill reported for China does not include any goodwill attributable to the non-controlling interest.

The Group tests goodwill for impairment annually or where there is an indication that goodwill might be impaired. The recoverable amount of all cash generating units has been determined on a value-in-use basis. Value-in-use calculations for each cash generating unit are based on projected three year pre-tax discounted cash flows together with a discounted terminal value. The cash flows have been discounted at pre-tax rates reflecting the Group's weighted average cost of capital adjusted for country-specific tax rates and risks. Where the cash generating unit has a non-controlling interest which was recognised at a value equal to its proportionate interest in the net identifiable assets of the acquired subsidiary at the acquisition date, the carrying amount of the goodwill has been grossed up, to include the goodwill attributable to the non-controlling interest, for the purpose of impairment testing the goodwill attributable to the cash generating unit. The key assumptions contained in the value-in-use calculations include the future revenues, the margins achieved, the assumed life of the business and the discount rates applied.

The value-in-use calculations have been prepared using management's approved financial plans for the three years ending 31 March 2018. These plans contain management's best view of the expected performance for the year ending 31 March 2016 and the expected growth rates for the two years ending 31 March 2017 and 31 March 2018. The plans are based on the performance achieved in the current year and management's knowledge of the market environment and future business plans. A terminal value has been included in the value-in-use calculation based on the cash flows for the year ending 31 March 2018 incorporating the assumption that there is no growth beyond 31 March 2018.

For the material goodwill balances of China and Korea, a sensitivity analysis has been performed on the value-in-use calculations by assuming no growth beyond the year ending 31 March 2016. This sensitivity analysis indicated significant headroom between the recoverable amount under this scenario and the carrying value of goodwill and therefore management considered no further detailed sensitivity analysis was required.

The pre-tax discount rates for China and Korea were 16.8% and 14.3% respectively (2014: 17.2%; 14.6%).

No impairment has been recognised in respect of the carrying value of the goodwill balance in the year as, for each cash generating unit, the recoverable amount of goodwill exceeds its carrying value.

Notes to the Financial Information

13. Property, plant and equipment

Cost	Freehold land and buildings £m	Leasehold improvements £m	Fixtures, fittings and equipment[1] £m	Assets in the course of construction £m	Total £m
As at 31 March 2013	104.2	303.1	366.3	23.2	796.8
Effect of foreign exchange rate changes	(6.6)	(25.4)	(20.7)	(1.7)	(54.4)
Additions	1.0	55.4	60.4	18.1	134.9
Disposals	(2.3)	(13.7)	(12.0)	(0.1)	(28.1)
Reclassification from assets in the course of construction	–	10.2	10.3	(20.5)	–
Business combination	–	–	0.1	–	0.1
As at 31 March 2014	96.3	329.6	404.4	19.0	849.3
Effect of foreign exchange rate changes	3.3	23.2	3.7	1.0	31.2
Additions	7.0	48.7	48.1	26.0	129.8
Disposals	–	(18.3)	(20.7)	(1.0)	(40.0)
Reclassification from assets in the course of construction	1.1	8.1	8.0	(17.2)	–
Reclassification[2]	29.8	(29.8)	–	–	–
As at 31 March 2015	**137.5**	**361.5**	**443.5**	**27.8**	**970.3**
Accumulated depreciation and impairment					
As at 31 March 2013	39.2	141.2	207.3	–	387.7
Effect of foreign exchange rate changes	(2.0)	(12.8)	(12.5)	–	(27.3)
Charge for the year	1.5	36.0	68.1	–	105.6
Disposals	(2.0)	(12.5)	(11.9)	–	(26.4)
Net impairment charge on assets	–	5.7	5.6	–	11.3
As at 31 March 2014	36.7	157.6	256.6	–	450.9
Effect of foreign exchange rate changes	(0.5)	11.5	2.4	–	13.4
Charge for the year	2.8	37.5	63.7	–	104.0
Disposals	–	(18.0)	(20.4)	–	(38.4)
Net impairment charge on assets	–	1.9	2.0	–	3.9
Reclassification[2]	9.2	(9.2)	–	–	–
As at 31 March 2015	**48.2**	**181.3**	**304.3**	**–**	**533.8**
Net book value					
As at 31 March 2015	**89.3**	**180.2**	**139.2**	**27.8**	**436.5**
As at 31 March 2014	59.6	172.0	147.8	19.0	398.4

1 Included in fixtures, fittings and equipment are finance lease assets with a net book value of £2.3m (2014: £2.8m).

2 During the year ended 31 March 2015, £20.6m of assets were reclassified from leasehold improvements to freehold land and buildings as this was more representative of the nature of the assets.

During the year to 31 March 2015, a net impairment charge of £4.1m (2014: £12.3m) was identified as part of the annual impairment review of the retail store assets, £3.9m (2014: £11.3m) charged against property, plant and equipment and £0.2m (2014: £1.0m) charged against intangible assets. The impairment charge relates to 22 retail cash generating units (2014: 29 retail cash generating units) for which the total recoverable amount at the balance sheet date is £6.5m (2014: £10.0m).

Where indicators of impairment were identified, the impairment review compared the value-in-use of the assets to the carrying values at 31 March 2015. The pre-tax cash flow projections were based on financial plans of expected revenues and costs of each retail cash generating unit, as approved by management, and extrapolated beyond the budget year to the lease exit dates using growth rates and inflation rates appropriate to each store's location. The pre-tax discount rates used in these calculations were between 12.1% and 18.3% (2014: between 12.4% and 18.3%), based on the Group's weighted average cost of capital adjusted for country-specific tax rates and risks.

Notes to the Financial Information

14. Trade and other receivables

	As at 31 March 2015 £m	As at 31 March 2014 £m
Non-current		
Deposits and other financial receivables	**39.6**	31.0
Other non-financial receivables	**2.7**	–
Prepayments	**18.2**	11.3
Total non-current trade and other receivables	**60.5**	42.3
Current		
Trade receivables	**193.6**	171.2
Provision for doubtful debts	**(4.6)**	(5.3)
Net trade receivables	**189.0**	165.9
Other financial receivables	**16.3**	14.1
Other non-financial receivables	**23.9**	20.3
Prepayments	**28.1**	27.5
Accrued income	**3.0**	3.6
Total current trade and other receivables	**260.3**	231.4
Total trade and other receivables	**320.8**	273.7

Included in total trade and other receivables are non-financial assets of £72.9m (2014: £59.1m).

The individually impaired receivables relate to balances with trading parties which have passed their payment due dates or where uncertainty exists over recoverability. As at 31 March 2015, trade receivables of £13.6m (2014: £14.1m) were impaired. The amount of the provision against these receivables was £4.6m as at 31 March 2015 (2014: £5.3m). It was assessed that a portion of the receivables is expected to be recovered. The ageing of the impaired trade receivables is as follows:

	As at 31 March 2015 £m	As at 31 March 2014 £m
Current	**0.1**	–
Less than one month overdue	**8.8**	9.7
One to three months overdue	**1.5**	0.7
Over three months overdue	**3.2**	3.7
	13.6	14.1

Notes to the Financial Information

14. Trade and other receivables (continued)

As at 31 March 2015, trade receivables of £7.5m (2014: £12.8m) were overdue but not impaired. The ageing of these overdue receivables is as follows:

	As at 31 March 2015 £m	As at 31 March 2014 £m
Less than one month overdue	**4.5**	7.6
One to three months overdue	**2.3**	4.5
Over three months overdue	**0.7**	0.7
	7.5	12.8

Movement in the provision for doubtful debts is as follows:

	Year to 31 March 2015 £m	Year to 31 March 2014 £m
As at 1 April	**5.3**	7.3
Increase/(decrease) in provision for doubtful debts	**0.1**	(1.5)
Receivables written off during the year as uncollectable	**(0.8)**	(0.5)
As at 31 March	**4.6**	5.3

As at 31 March 2015 there were £nil impaired receivables within other receivables (2014: £nil).

The carrying amounts of the Group's non-derivative financial assets excluding cash and cash equivalents by customer geographical location are:

	Year to 31 March 2015 £m	Year to 31 March 2014 £m
Asia Pacific	**105.0**	88.2
EMEIA	**78.2**	70.8
Americas	**64.7**	55.6
	247.9	214.6

15. Inventories

	As at 31 March 2015 £m	As at 31 March 2014 £m
Raw materials	**29.2**	36.3
Work in progress	**2.2**	2.7
Finished goods	**405.2**	380.8
Total inventories	**436.6**	419.8

The cost of inventories recognised as an expense and included in cost of sales amounted to £730.1m (2014: £646.2m). The net movement in inventory provisions included in cost of sales for the year ended 31 March 2015 was a cost of £31.3m (2014: £13.3m).

The cost of finished goods physically destroyed in the year is £19.7m (2014: £11.0m).

Notes to the Financial Information

16. Cash and cash equivalents

	As at 31 March 2015 £m	As at 31 March 2014 £m
Cash at bank and in hand	**252.3**	275.4
Short-term deposits	**365.1**	270.1
Total	**617.4**	545.5

17. Trade and other payables

	As at 31 March 2015 £m	As at 31 March 2014[1] £m
Non-current		
Put option liability over non-controlling interest	**54.4**	51.3
Other payables	**3.7**	4.4
Deferred income and non-financial accruals	**59.0**	51.7
Total non-current trade and other payables	**117.1**	107.4
Current		
Trade payables	**159.8**	174.3
Other taxes and social security costs	**61.0**	66.6
Other payables	**4.5**	5.7
Accruals	**164.0**	140.1
Deferred income and non-financial accruals	**16.7**	13.1
Total current trade and other payables	**406.0**	399.8
Total trade and other payables	**523.1**	507.2

1 As at 31 March 2014, £18.1m was reclassified from current deferred income and non-financial accruals to other taxes and social security costs, as this was more reflective of the nature of these liabilities.

Included in total trade and other payables are non-financial liabilities of £136.7m (2014: £131.4m).

Put option liability over non-controlling interest
Following the acquisition of the Burberry retail and distribution business in China, Sparkle Roll Holdings Limited, a non-Group company, retains a 15% economic interest in the Group's business in China. Put and call options exist over this interest stake which are exercisable after 1 September 2015 in the case of the call option, and after 1 September 2020 in the case of the put option. The net present value of the put option liability has been recognised as a non-current financial liability under IAS 39. The present value of any payment under the call option would be different should Burberry decide to exercise the call option.

The value of the put option liability is £54.4m at 31 March 2015 (2014: £51.3m). The movement in the liability for the period includes a decrease of £3.7m relating to unrealised fair value movements, as described in note 7, offset by the impact of translation of the put liability to the Group's presentational currency.

The key inputs applied in arriving at the value of the put option liability are the future performance of the Group's business in China; the average historical Burberry Group plc multiple; and the risk adjusted discount rate for China, taking into account the risk-free rate in China. The future performance of the business is estimated by using management's business plans together with long-term observable growth forecasts.

The carrying value of the put option liability is dependent on assumptions applied in determining these key inputs, and is subject to change in the event that there is a change in any of those assumptions. The valuation is updated at every reporting period or more often if a significant change to any input is observed.

A 10% increase/decrease in the future performance of the Group's business in China at the put option exercise date would result in a £5.4m increase/decrease in the carrying value of the put option liability at 31 March 2015 (2014: £5.1m), and a corresponding £5.4m loss/gain in the profit before taxation for the year ended 31 March 2015 (2014: £5.1m).

A 1% increase/decrease in the risk adjusted discount rate for China would result in a £2.9m decrease/£3.0m increase in the carrying value of the put option liability at 31 March 2015 (2014: £3.0m decrease/£3.1m increase), and a corresponding £2.9m gain/£3.0m loss in the profit before taxation for the year ended 31 March 2015 (2014: £3.0m gain/£3.1m loss).

Ultimately, the put option liability is subject to a contractual cap of £200m. The undiscounted value of the put option liability at 31 March 2015 is £109.0m (2014: £115.3m).

Notes to the Financial Information

18. Provisions for other liabilities and charges

	Property obligations £m	Restructuring costs £m	Other costs £m	Total £m
Balance as at 31 March 2013	25.8	1.9	5.0	32.7
Effect of foreign exchange rate changes	(1.6)	–	–	(1.6)
Created during the year	6.3	–	0.2	6.5
Discount unwind	0.2	–	–	0.2
Utilised during the year	(3.4)	(0.4)	(0.9)	(4.7)
Released during the year	(4.4)	–	(2.1)	(6.5)
Balance as at 31 March 2014	22.9	1.5	2.2	26.6
Effect of foreign exchange rate changes	0.7	(0.1)	(0.1)	0.5
Created during the year	12.3	–	0.6	12.9
Discount unwind	0.2	–	–	0.2
Utilised during the year	(5.4)	(0.6)	(0.2)	(6.2)
Released during the year	(1.3)	–	(0.2)	(1.5)
Balance as at 31 March 2015	**29.4**	**0.8**	**2.3**	**32.5**

	As at 31 March 2015 £m	As at 31 March 2014 £m
Analysis of total provisions:		
Non-current	**22.2**	15.9
Current	**10.3**	10.7
Total	**32.5**	26.6

The non-current provisions relate to provisions for onerous leases and property reinstatement costs which are expected to be utilised within 21 years (2014: 22 years).

19. Bank overdrafts and borrowings

Included within bank overdrafts is £60.9m (2014: £140.9m) representing balances on cash pooling arrangements in the Group.

The Group has a number of uncommitted overdraft and borrowing facilities agreed with third-party banks. At 31 March 2015, the Group held bank overdrafts of £4.3m (2014: £2.1m) excluding balances on cash pooling arrangements.

On 25 November 2014, the Group entered into a £300m multi-currency revolving credit facility with a syndicate of third-party banks. This replaced the previous facility which would have matured on 30 June 2016. At 31 March 2015, there were £nil outstanding drawings (2014: £nil). 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.

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

Notes to the Financial Information

20. Share capital and reserves

Allotted, called up and fully paid share capital	Number	£m
Ordinary shares of 0.05p (2014: 0.05p) each		
As at 31 March 2013	442,160,331	0.2
Allotted on exercise of options during the year	1,481,959	–
As at 31 March 2014	443,642,290	0.2
Allotted on exercise of options during the year	1,101,777	–
As at 31 March 2015	**444,744,067**	**0.2**

The Company has a general authority from shareholders, renewed at each Annual General Meeting, to repurchase a maximum of 10% of its issued share capital. During the year to 31 March 2015, no ordinary shares were repurchased by the Company under this authority (2014: nil).

The cost of own shares held by the Group has been offset against retained earnings, as the amounts paid reduce the profits available for distribution by the Company. As at 31 March 2015 the amounts offset against this reserve are £57.0m (2014: £69.7m). As at 31 March 2015, the ESOP trusts held 4.1m shares (2014: 5.2m) in the Company, with a market value of £71.9m (2014: £72.5m). In the year to 31 March 2015 the Burberry Group plc ESOP trust has waived its entitlement to dividends of £1.2m (2014: £1.3m).

During the year profits of £5.3m (2014: £3.0m) have been transferred to capital reserves due to statutory requirements of subsidiaries. The capital reserve consists of non-distributable reserves and the capital redemption reserve arising on the purchase of own shares.

	Other Reserves			
	Capital reserve £m	Hedging reserve £m	Foreign currency translation reserve £m	Total £m
Balance as at 31 March 2013	37.0	9.3	151.0	197.3
Other comprehensive income:				
Cash flow hedges – gains deferred in equity	–	4.2	–	4.2
Cash flow hedges – gains transferred to income	–	(9.2)	–	(9.2)
Foreign currency translation differences	–	–	(50.9)	(50.9)
Tax on other comprehensive income	–	1.3	4.6	5.9
Total comprehensive expense for the year	–	(3.7)	(46.3)	(50.0)
Transfer between reserves	3.0	–	–	3.0
Balance as at 31 March 2014	40.0	5.6	104.7	150.3
Other comprehensive income:				
Cash flow hedges – losses deferred in equity	–	(6.1)	–	(6.1)
Cash flow hedges – gains transferred to income	–	(1.3)	–	(1.3)
Foreign currency translation differences	–	–	46.5	46.5
Tax on other comprehensive income	–	1.5	(4.4)	(2.9)
Total comprehensive expense for the year	–	(5.9)	42.1	36.2
Transfer between reserves	5.3	–	0.5	5.8
Balance as at 31 March 2015	**45.3**	**(0.3)**	**147.3**	**192.3**

Notes to the Financial Information

21. Capital commitments

	As at 31 March 2015 £m	As at 31 March 2014 £m
Capital commitments contracted but not provided for:		
Property, plant and equipment	**36.3**	26.1
Intangible assets	**1.0**	2.2
Total	**37.3**	28.3

Contracted capital commitments represent contracts entered into by the year end and future work in respect of major capital expenditure projects where activity has commenced by the year end relating to property, plant and equipment and intangible assets.

22. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Total compensation in respect of key management, who are defined as the Board of Directors and certain members of senior management, is considered to be a related party transaction.

The total compensation in respect of key management for the year was as follows:

	Year to 31 March 2015 £m	Year to 31 March 2014 £m
Salaries and short-term benefits	**17.6**	15.0
Post-employment benefits	**0.1**	0.2
Share based compensation	**9.5**	3.0
Total	**27.2**	18.2

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

23. Contingent Liabilities

In a number of jurisdictions the Group is subject to tax audits and claims against it covering, inter alia, valued added taxes, sales taxes, customs duties, corporate taxes and payroll taxes. Included in these claims is a dispute with the Spanish tax authorities regarding the tax treatment of interest paid during the year ended 31 March 2005 arising in respect of debt that was put in place after the Group had taken specialist external advice. The group is looking to resolve this dispute by all reasonable means. Where appropriate, the estimated cost of known obligations have been provided in these financial statements in accordance with the Group's accounting policies but these matters are inherently difficult to quantify. While changes to the amounts that may be payable could be material to the results or cash flows of the Group in the period in which they are recognised the Group does not currently expect the outcome of these contingent liabilities to have a material effect on the Group's financial condition.