18 May 2016

Burberry Group plc

Preliminary results for the year ended 31 March 2016

Burberry announces revenue of £2.5bn and adjusted PBT of £421m; details ambitious three year plan to drive revenue growth, improve productivity and deliver at least £100m of cost savings as challenging external environment continues

- Initiatives identified to deliver enhanced revenue growth and improved productivity
  - Strong brand with significant opportunities by channel, product and region
  - Plan to outperform sector growth over time
    - Revenue initiatives focus on key products, retail productivity and e-commerce
  - In-depth review of ways of working results in plan to reduce complexity and simplify processes to enable future growth
    - Programme to deliver annualised cost savings of at least £100m by FY 2019

- FY 2016 performance
  - Revenue £2.5bn, down 1% underlying
  - Comparable sales down 1%; up 3% excluding Hong Kong and Macau
  - Adjusted profit before tax down £35m to £421m, down 10% underlying
    - Licensing profit down £19m, as planned, as Japanese licences expire
  - Reported profit before tax £416m (2015: £445m)
  - Net cash up £108m to £660m

- Further operational progress in FY 2016
  - Tight management of discretionary costs saved over £25m against plan
  - Move to one label and runway show evolution
  - Digital innovation: new social media collaborations, single pool of inventory
  - Product innovation: Scarf Bar, runway rucksacks, Mr Burberry fragrance
  - Good progress in Japan transformation; retail revenue doubled
  - Store openings in flagship cities including New York, Seoul and Tokyo

- Enhanced capital returns to shareholders
  - Full year dividend 37p, up 5%; payout ratio reaches target of around 50%
  - Progressive dividend policy; FY 2017 dividend at least in line with FY 2016
  - Share buyback of up to £150m starting in FY 2017

Christopher Bailey, Chief Creative and Chief Executive Officer, commented:
“While we expect the challenging environment for the luxury sector to continue in the near term, we are firmly committed to making the changes needed to drive Burberry's future outperformance, underpinned by strong brand and business fundamentals.

We continue to see significant opportunities ahead of us and have put ambitious plans in place to increase future revenue, enhance productivity and create a more efficient organisation. In addition, the capital allocation framework announced today prioritises the investment needs of the business and regular dividend payments to our shareholders, while balancing capital efficiency and flexibility.”

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 (2015: £14.9m)
- Put option liability finance income of £9.9m in reported net finance income relating to the third party 15% economic interest in the Chinese business (2015: income of £3.7m)

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 on foreign currency procurement and sales through the Group's UK supply chain.

Certain financial data within this announcement have been rounded.

Enquiries

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- 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 listen only 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 13 July 2016
- The AGM will be held on 14 July 2016

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 £2,515m, down 1% underlying, unchanged at reported FX

Adjusted profit before tax £421m, down 10% underlying, down 8% at reported FX. Reported profit before tax £416m (2015: £445m)

Retail/wholesale revenue unchanged underlying; adjusted operating profit down 8% underlying. Year-on-year reduction of about £65m in performance-related pay charge and increase of £35m in store impairment and onerous lease charges. Adjusted operating margin of 15.4% (2015: 16.3%)

Adjusted diluted EPS down 9% to 69.9p (2015: 76.9p); reported diluted EPS down 8%. Tax rate on adjusted profit before tax of 24.7% (2015: 23.4%)

Full year dividend per share up 5% to 37.0p (2015: 35.2p); payout of 53% in line with our target ratio of about 50% based on adjusted diluted EPS

Year-end net cash increased by £108m to £660m; capital expenditure of £138m lower than planned; inventory increase of £50m, largely current season stock; £158m dividend payment

£ million	Year to 31 March 2016	2015	*% change reported FX*	*underlying*
Revenue	2,514.7	2,523.2	-	*(1)*
Cost of sales	(752.0)	(757.7)	*1*	
Gross margin	1,762.7	1,765.5	-	
Operating expenses*	(1,344.9)	(1,310.3)	*(3)*	
Adjusted operating profit	**417.8**	**455.2**	***(8)***	***(11)***
Net finance credit*	2.8	0.6	-	
Adjusted profit before taxation	**420.6**	**455.8**	***(8)***	***(10)***
Adjusting items	(5.0)	(11.2)		
Profit before taxation	**415.6**	**444.6**	***(7)***	
Taxation	(101.0)	(103.5)		
Non-controlling interest	(5.1)	(4.8)		
Attributable profit	309.5	336.3		
Adjusted EPS (pence)˜	**69.9**	**76.9**	***(9)***	
EPS (pence)˜	69.4	75.1	*(8)*	
Weighted average number of ordinary shares (millions)˜	446.1	447.8		

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

BUSINESS AND FINANCIAL REVIEW

With revenue broadly unchanged year-on-year and adjusted profit before tax down 10% underlying, Burberry's performance in FY 2016 reflected a difficult period for the luxury sector as a whole as demand slowed in many markets for both cyclical and structural reasons. Against this backdrop, brand momentum remained strong and innovation around product, digital and marketing continued, while discretionary costs were tightly controlled.

Since the start of FY 2017, the external environment has remained challenging and underlying cost inflation pressures persist. In this context, and as discussed in the Third Quarter Trading Update in January 2016, we have been accelerating our productivity and efficiency agenda, especially looking at our ways of working. We have also been addressing how to optimise future organic revenue growth opportunities, the resulting investment plans and our capital structure.

The key output from this work is summarised below.

<u>Context</u>

Global luxury demand to remain subdued
Since 2010, the personal luxury goods market has grown on average by about 7% per annum at constant exchange rates, largely driven by the emergence of the Chinese luxury consumer, space growth and price increases (part mix, part inflation).

Looking forward for the next five years

- The luxury market is expected to grow on average by a low single-digit percentage per annum at constant exchange rates
  - With accessories marginally outperforming apparel and beauty
  - And continued double-digit percentage growth in e-commerce
- The majority of sector growth is expected to come from new and existing Chinese consumers, both when travelling and, increasingly, at home
  - With some growth from other nationalities
  - And intensification of wealth in key cities
- While luxury customer behaviours are also changing
  - Seeking experiences, newness, greater authenticity and story-telling
  - Desiring more service-driven personalised contact
  - With greater use of technology, particularly mobile

Our brand is strong
Our brand strength is driven by a blend of heritage and innovation, expressed through our iconic products and fashion newness

- We have over 40m followers on social media, demonstrating the extent of our brand reach
- Based on customer research, Burberry is among the top five luxury brands globally for unaided awareness
- For the Chinese consumer, our research shows brand recognition and desirability entirely consistent with our core luxury peers

Looking ahead, we see opportunity to enhance this existing brand strength through greater consistency and clarity across customer groups and markets, including, for example, the United States.

Driving future growth and productivity in existing areas

Against this background, we have identified significant growth opportunities across our existing channels, products and regions. Central to our ambitions are plans to enhance growth and improve productivity in

- Product
- Retail, including targeting omni-channel excellence, and
- Process, including changing our ways of working

Financial ambition to FY 2019

Looking forward, we believe that our initiatives will enable Burberry to again outperform sector growth in the £200bn global luxury market, creating further shareholder value.

We expect our product and retail initiatives, described in more detail below, to deliver strong organic growth, with outperformance accelerating over time

- Improvements in mainline retail productivity are expected to drive about half the revenue growth over the three year period
- E-commerce initiatives are expected to account for about another third
- We will continue to improve the quality of our business, further rationalising traditional wholesale distribution while growing with key partners, reducing the weight of outlet stores
- To drive this outperformance, we will invest about £10m in FY 2017 and then about £20-25m per annum for the next two years through the P&L in retail, digital and enhancing critical capabilities

We have also identified a programme of actions to deliver at least £100m of annualised cost savings by FY 2019. This is equivalent to about 10% of our operating expenses excluding fixed rent and depreciation

- Broadly half is expected to come from significant changes in our ways of working, by reducing complexity, simplifying processes and eliminating duplication
- We plan to deliver around £20m of cost savings in FY 2017
- The associated one-off costs, which are largely cash, are expected to total around £60m across the first two years

Assuming we meet our ambitious targets for growth, we will also start to rebuild the charge for new performance-related pay, at a cost of about £20m, in addition to the existing charge of about £20m in FY 2017.

In terms of capital structure

- We have increased the FY 2016 dividend by 5%, a payout ratio of 53%
- Having reached our dividend payout target, we are now moving to a progressive dividend policy and, as such, plan to hold the FY 2017 dividend per share at least in line with FY 2016
- In addition, we are commencing a share buyback programme of up to £150m starting in FY 2017, with future returns to be kept under regular review

Further detail on our key initiatives is set out below.

PRODUCT: We have clear opportunity in product
Great product is the foundation of our growth and productivity goals. Today, we have a broad product offer, with strength in both heritage and fashion, across genders and age groups. However, our assortment is generally wider than our peers and we have an opportunity to simplify this to give greater visibility to fashion and newness, while tailoring our offer more effectively for local needs.

To address this, we are fundamentally changing our ways of working by introducing end-to-end category management for key products

- From design to retail sell-out
- Delivering narrower and better balanced assortments, more centrally-directed, improving both global consistency and local relevance
- And rebalancing marketing from brand towards key products

Following the successful relaunch of our heritage trench coat and cashmere scarves, the next area of focus is bags, where we are under-penetrated compared to our peers. In FY 2017, we will

- Introduce the new category management approach
- Re-invent the collection around a new pillar and shape strategy
- Reduce the number of options
- Target marketing around the patchwork and banner bags and the rucksack, ahead of major new product launches in FY 2018

Beyond bags, we have a phased approach to other core categories.

RETAIL: We will drive retail productivity online and offline
In recent years, we have evolved our business model from licensing to wholesale to retail, which now accounts for 73% of group revenue. We still see significant opportunity to improve our end-to-end retail disciplines as part of a broader push towards omni-channel excellence as the next stage in our evolution. This will build on the shift to retail we have achieved and leverage our digital advantage to better respond to changing customer expectations.

Within this, we will have a greater focus on local customers than before, driving loyalty by leveraging our customer insight capabilities, with investment prioritised in selected cities. Improving sales densities, conversion and customer retention will be among the key measures of success.

Priority initiatives include

Retail excellence
We have very recently begun the implementation of a major retail excellence programme centred on four main workstreams

- Service and training
- Customer cultivation and retention
- In-store operations, both front and back of house
- Product, offering the right product in the right place to the right customer

This is a multi-year initiative, involving many functions around the world. For FY 2017, we have prioritised those initiatives which will have the biggest near term impact in our top stores, including

- Increasing investment in training throughout the year
- Developing an improved digital selling tool for sales associates
- Increasing by 20% the number of private client sales associates, whose productivity is significantly above the average

Extending digital prowess into e-commerce leadership

Recognised as a digital leader in the luxury sector, we plan to ensure that digital remains the clear point of differentiation for Burberry but have scope to be even more ambitious commercially. We will

- Grow burberry.com through increasing conversion, especially on mobile, driving the penetration of e-commerce particularly in Asia, while integrating and improving customer experiences across online and offline
- Actively grow with third party digital players, while always retaining control over our brand. The majority of e-commerce growth for the sector is expected to come from these physical retailers, pure play etailers and, increasingly, new channels such as social commerce

The main priorities for FY 2017 are

- The relaunch of burberry.com (improving content and functionality)
- The introduction of a customer app (facilitating among other things mobile checkout and customer connectivity)
- Further investment in localisation of sites in Asia, following the China relaunch in April 2016

<u>PROCESS: Improving efficiency through changes in ways of working</u>

As we seek to capitalise on the opportunities above, we plan to change our ways of working, our processes and our cost base. We have undertaken an in-depth review of our operating model, including benchmarking, to ensure the organisation is fit to deliver our ambitious plans and can fund growth. We will

- Reduce complexity and inefficiency by simplifying processes
- Improve both global consistency and local insight, by removing duplication across functions and between regions and corporate
- Prioritise investment behind our biggest growth opportunities

Overall, we expect to deliver at least £100m of annualised cost savings by FY 2019

- Broadly half is expected to come from significant changes in our ways of working
- With the balance coming from reducing operating expenses and increasing the efficiency of spend in areas such as non-stock procurement and marketing

We will update investors regularly on our progress against these plans.

Capital structure

Our capital allocation framework prioritises the investment needs of the business and regular dividend payments. It then considers additional returns to shareholders, balancing capital efficiency with financial flexibility in what is a cyclical sector.

In FY 2016, we have increased the dividend by 5%, resulting in a payout ratio of 53% based on adjusted EPS, reaching our target ratio. In FY 2017 and beyond, we now intend to move to a progressive dividend policy and, as such, plan to hold the FY 2017 dividend per share at least in line with FY 2016.

Beyond this, we have reviewed our

- Future cash generation, reflecting our growth, productivity and investment plans, taking into consideration the current challenging external environment
- Relevant financial parameters, both historical and projected, including net cash, lease-adjusted net debt and measures covering balance sheet strength and fixed charge cover

Balancing these factors, we are commencing a share buyback programme of up to £150m starting in FY 2017. Additional capital returns to shareholders will be kept under regular review reflecting the factors discussed above.

FY 2016 REVIEW

A review of progress in FY 2016 against our core strategies is given on page 13.

Total revenue in FY 2016 was £2,515m**,** down 1% underlying, unchanged at reported FX. Further detail on revenue by channel and region is given on page 15.

Operating profit analysis

Adjusted operating profit

£ million	Year to 31 March 2016	2015	*% change reported FX*	*underlying*
Retail/wholesale	380.9	399.2	*(5)*	*(8)*
Licensing	36.9	56.0	*(34)*	*(29)*
Adjusted operating profit	**417.8**	**455.2**	***(8)***	***(11)***
Adjusted operating margin	*16.6%*	*18.0%*		

Adjusted retail/wholesale operating profit decreased by 8% underlying. With the Japanese Burberry licences expiring as planned, total adjusted operating profit declined by 11% underlying.

Adjusted retail/wholesale operating profit

£ million	Year to 31 March 2016	2015	*% change reported FX*
Revenue	2,472.3	2,455.5	*1*
Cost of sales	(752.0)	(757.7)	*1*
Gross margin	1,720.3	1,697.8	*1*
Gross margin	*69.6%*	*69.2%*	
Operating expenses	(1,339.4)	(1,298.6)	*(3)*
Adjusted operating profit	**380.9**	**399.2**	***(5)***
Operating expenses as % of revenue	*54.2%*	*52.9%*	
Adjusted operating margin	*15.4%*	*16.3%*	

Adjusted retail/wholesale operating profit was £381m in FY 2016, down 8% underlying and down 5% at reported FX, which included a £14m positive impact from exchange rate movements. Operating margin was 15.4% or 14.9% at constant exchange rates.

Gross margin was 69.6% up 40 basis points. This reflects a 70 basis point benefit from exchange rates, partly offset by a 30 basis point underlying decline.

Compared to FY 2015 operating expenses of £1,299m, there was a mid single-digit percentage underlying increase in FY 2016

- With over half of the increase from net new space
- And the balance from inflation and some investment in marketing and IT
- It also includes savings of over £25m compared to plan as management took swift action during the year to tightly manage discretionary costs, including headcount and travel and expenses

In addition

- The performance-related pay charge was about £65m lower year-on-year as the business did not achieve its targets
- And there was a £35m increase in the charge relating to store impairments and onerous leases to £45m, reflecting more challenging conditions in certain markets

Licensing operating profit

£ million	Year to 31 March 2016	2015	*% change reported FX*
Revenue	42.4	67.7	*(37)*
Cost of sales	-	-	-
Gross margin	42.4	67.7	*(37)*
Gross margin	*100%*	*100%*	
Operating expenses	(5.5)	(11.7)	*53*
Operating profit	**36.9**	**56.0**	***(34)***
Operating margin	*87.0%*	*82.7%*	

Licensing revenue decreased by 33% underlying, down 37% at reported FX, primarily reflecting the expiry of the Japanese Burberry licences. With lower allocated operating expenses, licensing profit was £36.9m, down 29% underlying (down 34% at reported FX including an adverse exchange rate impact of £3m).

Adjusting items

£ million	Year to 31 March 2016	2015
Amortisation of fragrance and beauty licence intangible	(14.9)	(14.9)
China put option liability finance income	9.9	3.7
	(5.0)	(11.2)

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 is being amortised on a straight line basis over the period 1 April 2013 to 31 December 2017.

The China put option liability finance income of £9.9m 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 2016 was 24.7% (2015: 23.4%), higher than guided due to a change in the transfer pricing approach by an overseas tax authority.

After taking into account tax on adjusting items, the tax charge of £101m (2015: £104m) resulted in an effective tax rate on reported profit of 24.3% (2015: 23.3%).

Net cash
Cash generated from operating activities in FY 2016 was £503m (2015: £568m). Reflecting lower than expected revenue growth in the second half, inventory was £487m, up 10% at constant exchange rates, with most of the increase being current season. Capital expenditure was below guidance at £138m (2015: £156m), reflecting some phasing and tight control over project spend. Other major outflows were dividends of £158m and tax of £95m.

Net cash at 31 March 2016 was £660m, an increase of £108m year-on-year. Lease-adjusted net debt was £416m at 31 March 2016, an increase of £46m year-on-year. This is defined as five times minimum lease payments less net cash, with minimum lease payments now excluding expenses relating to onerous lease provisions.

OUTLOOK

Retail: In FY 2017, net new space is expected to contribute low single-digit percentage growth to total retail revenue. Around 15 mainline store openings are planned, with a similar number of closures.

Wholesale: Burberry expects total wholesale revenue at constant exchange rates in the six months to 30 September 2016 to be down by around 10% on the same period last year (H1 2015: £305m). This reflects significantly tighter inventory control by US wholesale customers, continued cautious ordering in other regions and the elevation of Beauty distribution in key markets.

FX impact on retail/wholesale adjusted profit: In FY 2017, if exchange rates* remain at current levels, we expect FY 2017 reported adjusted retail/wholesale profit to benefit by about £50m compared to FY 2016 rates. This compares to an expected benefit of about £60m at the time of the Second Half Trading Update based on 31 March 2016 effective rates.

Licensing: Total licensing revenue for FY 2017 is planned to be down by about £20m at constant exchange rates (FY 2016: £42m), primarily reflecting the expiry of the Japanese Burberry licences.

FY 2017 adjusted PBT: Since the Second Half Trading Update in April 2016

- The external environment has remained challenging and underlying cost inflation pressures persist
- The benefit from exchange rates is about £10m lower
- We expect to deliver around £20m of cost savings and invest about £10m
- We are planning on a new performance-related pay charge of about £20m in addition to the existing charge of about £20m

As a result, we currently expect FY 2017 adjusted profit before tax to be towards the bottom of the range of analysts' expectations and more second-half weighted than in FY 2016.

In addition, to deliver the savings, about £20-30m of one-off costs in FY 2017 are expected which will be excluded from adjusted profit.

Tax rate: The tax rate on adjusted profit for FY 2017 is currently expected to be about 24%.

Capital expenditure: Spend of about £150m is planned in FY 2017.

* See Appendix

FY 2016 REVIEW

Core strategies

During FY 2016, we continued to execute against our six core strategies, with key highlights as below.

Inspire with the brand

Digital innovation and partnerships increased brand reach and engagement. We continued to partner with digital leaders, including Google, Apple and DreamWorks for interactive and personalised marketing campaigns. We created bespoke content for our social media platforms, including shooting and publishing the Spring/Summer 2016 main advertising campaign live through Snapchat. These activities supported an increase of about 30% in our followers globally to over 40 million across all our social media platforms. Burberry has also been recognised for its digital innovation by global luxury think tank - L2. Their ranking system measures metrics relating to website, e-commerce, digital marketing, social media, mobile and tablet. It places Burberry top of their Digital IQ Index: Fashion in the US, and top global luxury brand in Digital IQ for Luxury in China.

In February, we announced changes to our runway format. The runway collections, which are about 5% of our retail revenue, will be available to purchase in store and online directly following the show, responding to our customers' desire for newness and immediacy. From September 2016, we will move from four runway shows a year to two. These shows will be in September and February in London, combining both our womenswear and menswear collections. They will be seasonless, designed with a global audience in mind, as about one third of our stores are now in hot climates.

Realise product potential

We launched the Scarf Bar initiative both online and in store in September 2015, asserting our category ownership**.** The Scarf Bar offers over 30 colours across both signature and lightweight cashmere scarves, both solid and check, all available for monogramming online. This initiative was supported by new presentations in store and online and a dedicated marketing campaign at launch, including personalised customer emails with an image of their own monogrammed scarf. In mainline retail, scarves outperformed other accessories, posting double-digit percentage growth.

In Beauty, we continued to focus on building our fragrance pillars, including product extensions for My Burberry throughout the year. In April 2016, we launched Mr Burberry, a new male fragrance, with the marketing campaign also highlighting mens tailoring and outerwear. The halo effect from this alignment of fashion and Beauty marketing was a key driver for bringing Beauty in-house.

Optimise channels

Globally, Burberry opened 18 mainline stores and closed 17 during the year. Openings included stores in Dubai, London, Moscow, New York, Seoul and Tokyo.

In China, we continued to evolve and elevate the store portfolio, closing a net five stores (opening three and closing eight), ending the year with 63 stores and a net reduction in average space of around 6%. Looking ahead to FY 2017, we are planning about a net three openings in China, with square footage remaining broadly flat. There is a particular focus on Beijing, our largest market in China, where we are relocating stores.

Digital outperformed during the year, delivering growth in all regions. In the second half of the year, we rolled out the single pool of inventory model, tested in China in FY 2015, to stores across the United States and EMEIA. This allows digital transactions in all 44 online countries to draw on inventory in regional distribution centres and then store networks, with 75 stores now live. The roll-out of this fulfilment approach has improved stock availability by c.5% and contributed to digital growth.

Unlock market opportunity

We continue to focus on engaging with and improving the service offering to the Chinese luxury consumer, both at home and when travelling. In mainland China, which accounts for about half the retail spend of our Chinese customers, we saw growth for the year weighted towards the second half. Conversion improved as we invested in sales associate training to improve service in store. To celebrate Lunar New Year and Golden Week, we launched festive campaigns and bespoke product assortments in mainland China, in key Chinese tourist destinations and on burberry.com. These were supported by social media initiatives including an exclusive WeChat messaging experience with the highest level of engagement on the platform for a Burberry campaign to date.

With the expiry of the Japanese Burberry licences in June, we continued to integrate this important luxury market. During the year, we opened our sixth freestanding store in Shinjuku, Tokyo, a further seven department store concessions, bringing the total to 20 and we assumed operation of ten childrenswear concessions. The business serves a predominantly domestic customer base and doubled its revenue in the year off a small base. Leveraging our global expertise, we are using Beauty and social media to build brand awareness in Japan. We launched My Burberry in partnership with Shiseido in June, opened a pop-up Beauty shop in March in Tokyo and extended our collaboration with leading social media platform, LINE.

Pursue operational excellence

To reduce complexity for our customers and internally, we are unifying our Prorsum, London and Brit collections under a new single Burberry label. The single collection will be introduced into our own stores and those of our wholesale customers worldwide by the end of calendar year 2016. This move will offer customers a more consistent and intuitive experience across our existing assortments, while reducing internal complexity across product and processes.

As announced in November, Burberry plans to develop a new state-of-the-art manufacturing and weaving facility in Yorkshire, England. The initial investment will be over £50m, with a current completion date of 2019. The facility, which will bring all manufacturing employees together under one roof, will offer increased capacity for trench coat production, more sustainable and efficient ways of manufacturing and the potential to produce other outerwear categories.

Build our culture

Burberry was included for the first time in the 2015 Dow Jones Sustainability Indices, being recognised as one of the top companies globally in our sector for corporate sustainability. This reflects the focus, importance and integrated approach that we place on driving positive environmental and social change globally.

Revenue analysis

Revenue by channel

£ million	Year to 31 March 2016	2015	*% change reported FX*	*underlying*
Retail	1,837.7	1,807.4	*2*	*1*
Wholesale	634.6	648.1	*(2)*	*(2)*
Licensing	42.4	67.7	*(37)*	*(33)*
Revenue	**2,514.7**	**2,523.2**	***-***	***(1)***

Retail
73% of revenue (2015: 71%); with 215 mainline stores, 214 concessions within department stores, digital commerce and 58 outlets

- Retail sales up 1% underlying
- Comparable sales down 1% (H1: up 1%; H2: down 2%) but up 3% excluding Hong Kong and Macau
- New space contributed the balance of growth at 2%
- Digital grew in all regions

Following a strong first quarter of the year (with comparable sales growth of 6%), the luxury sector became more difficult during the balance of the year, although with different regional trends as explained below. In mainline globally, footfall in store continued to decline, only partly offset by improved conversion and modest growth in average selling price.

Digital outperformed during the year, with growth in all three regions. Following investment in our mobile platform in late 2014, mobile accounted for half of our digital traffic in the year. Conversion increased in both mobile and desktop, facilitated by the roll out of the single pool of inventory model, payment and checkout improvements and ongoing website optimisation projects.

Accessories outperformed apparel in mainline during the year. This was underpinned by a strong performance from the Scarf Bar initiative and associated marketing. New fashion categories such as ponchos, dresses and the runway rucksack also saw good growth.

Asia Pacific
With retail accounting for over 85% of revenue in the region, Asia Pacific saw a mid single-digit percentage decline in comparable sales during the year.

Hong Kong, which accounted for 9% of our global retail/wholesale revenue, remained a challenging market throughout the period affected by significantly lower footfall. An intense focus on the local customer coupled with cost reduction initiatives ensured that all stores in Hong Kong remained profitable. Excluding Hong Kong and Macau, Asia Pacific delivered a low to mid single-digit percentage increase in comparable sales.

Mainland China and Korea both showed positive comparable growth during the year, improving in the second half. Japan performed strongly off a small base and is now over 2% of group retail/wholesale revenue.

During the year, we opened seven mainline stores and closed seven, while opening 20 concessions and closing 20. Flagship stores were opened in Seoul, Korea and Shinjuku, Tokyo, an additional 17 concessions were opened in Japan, while the store portfolio was further upgraded in mainland China and Korea.

Europe, Middle East, India and Africa (EMEIA)
Retail accounted for two-thirds of EMEIA revenue. Comparable sales for the year increased by a mid single-digit percentage, although slowing progressively throughout the year. The United Kingdom and the Middle East, which together accounted for over 40% of EMEIA's total retail revenue, were difficult across the period for both domestic and travelling luxury customers. Continental Europe delivered double-digit percentage comparable growth in the first three quarters of the year but declined in the fourth quarter, as tourist spend, especially by Chinese travellers, reduced. This was partly offset by continued growth from domestic customers.

During the year, we opened 13 mainline stores and concessions and closed 11, led by investment in the Middle East and Russia, both markets with long-term growth opportunities. In April 2016, we took full economic control of our business in the Middle East, with a payment in FY 2017 of approximately £16m, plus deferred payments through to 2023.

Americas
Comparable sales in the Americas were unchanged year-on-year, with retail accounting for nearly 70% of regional revenue. Together, Canada, Brazil and Mexico, which contributed over 15% of Americas total retail revenue, delivered double-digit percentage comparable growth during the year, as customers shopped in their home markets. In the US, domestic demand was uneven throughout the period and tourist spend was weak. Digital as a percentage of sales in the Americas was more than twice the global average and showed good growth.

The store portfolio in the Americas was relatively stable during the year, with two mainline openings and three closures and our first concession opening in Mexico bringing the total number of stores in that country to five.

Wholesale
25% of revenue (2015: 26%); generated from sales of apparel and accessories to department stores, multi-brand specialty accounts, franchise stores and travel retail; as well as Beauty to over 80 distributors worldwide

- Wholesale revenue down 2% underlying
  - Excluding Beauty, down 6% underlying
  - Beauty up 8% underlying
- 62 franchise stores globally at 31 March 2016, a net decrease of five during the year

The regional comments below exclude Beauty.

Asia Pacific
Asia Pacific is our smallest wholesale region - accounting for about 20% of the group total. Underlying revenue was down by a double-digit percentage in both the first and second halves, reflecting cautious ordering from travel retail customers.

Europe, Middle East, India and Africa
EMEIA accounts for about 45% of group wholesale revenue, selling to over 500 customers throughout the region. Revenue for the year was broadly unchanged reflecting continued account rationalisation, offset by growth from existing strategic accounts, higher in-season orders and the benefit from the transition of childrenswear in Europe to direct operation, following the licence expiry in December 2015.

Americas
Wholesale in the Americas accounts for about 35% of group wholesale revenue (equivalent to about 7% of group retail/wholesale revenue). Revenue was down by a mid single-digit percentage in the year, largely reflecting a more difficult consumer environment for department store customers in the United States, leading to cautious ordering.

Beauty
Beauty wholesale revenue of £191m grew by 8% underlying, driven in part by the sell-in of Mr Burberry, our new male fragrance pillar, which launched in April 2016. Make-up doubled year-on-year off a small base, boosted by our partnership with Sephora globally, both in store and online.

Licensing
2% of revenue (2015: 3%); of which nearly 60% is from Japan, with the balance mainly from global product licences (eyewear and watches)

- Licensing revenue down 33% underlying, slightly better than guidance
- Decline due to planned expiry of Japanese Burberry licences

Licensing revenue from Japan declined, as planned, from £53m in FY 2015 to £24m in FY 2016. This included income from the original licences, which expired in June 2015 and the first income from the new Crestbridge label licence, partly offset by a £3m adverse FX impact.

Revenue from our global product licences increased by a double-digit percentage during the year, including some phasing benefits. As part of our focus on core categories, and as already announced in January, our watch licence will not be renewed in December 2017.

APPENDIX

Exchange rates

£1=	Forecast full year effective rates for FY 2017 30 April 2016	31 March 2016	Average exchange rates for FY 2016	FY 2015
Euro	1.29	1.26	1.36	1.28
US Dollar	1.46	1.44	1.50	1.60
Chinese Yuan Renminbi	9.44	9.29	9.57	9.94
Hong Kong Dollar	11.33	11.16	11.67	12.42
Korean Won	1,661	1,640	1,740	1,709
Yen˜	172	174	177	164

˜ For licensing revenue, taking into account the current hedged positions

Retail/wholesale revenue by destination

£ million	Year to 31 March 2016	2015	*% change reported FX*	*underlying*
Asia Pacific	932.9	938.1	*(1)*	*(2)*
EMEIA	878.5	869.0	*1*	*5*
Americas	660.9	648.4	*2*	*(2)*
	2,472.3	2,455.5	*1*	*-*

Retail/wholesale revenue by product division

£ million	Year to 31 March 2016	2015	*% change reported FX*	*underlying*
Accessories	901.7	892.5	*1*	*1*
Womens	729.0	743.0	*(2)*	*(2)*
Mens	548.4	557.5	*(2)*	*(2)*
Childrens	90.7	77.7	*17*	*15*
Beauty	202.5	184.8	*10*	*8*
	2,472.3	2,455.5	*1*	*-*

Store portfolio

	Directly-operated stores				
	Stores	Concessions	Outlets	Total	*Franchise stores*
At 31 March 2015	214	213	57	484	*67*
Additions	18	25	1	44	*6*
Closures	(17)	(24)	-	(41)	*(11)*
At 31 March 2016	215	214	58	487	*62*

Store portfolio by region

	Directly-operated stores				
At 31 March 2016	Stores	Concessions	Outlets	Total	*Franchise stores*
Asia Pacific	63	143	14	220	*8*
EMEIA	75	62	24	161	*47*
Americas	77	9	20	106	*7*
Total	215	214	58	487	*62*

Group income statement

	Note	**Year to 31 March 2016 £m**	Year to 31 March 2015 £m
Continuing operations			
Revenue	4	**2,514.7**	2,523.2
Cost of sales		**(752.0)**	(757.7)
Gross profit		**1,762.7**	1,765.5
Net operating expenses	5	**(1,359.8)**	(1,325.2)
Operating profit		**402.9**	440.3
Financing			
Finance income		**5.1**	4.4
Finance expense		**(2.3)**	(3.8)
Other financing income		**9.9**	3.7
Net finance income	8	**12.7**	4.3
Profit before taxation	6	**415.6**	444.6
Taxation	9	**(101.0)**	(103.5)
Profit for the year		**314.6**	341.1
Attributable to:			
Owners of the Company		**309.5**	336.3
Non-controlling interest		**5.1**	4.8
Profit for the year		**314.6**	341.1

Earnings per share			
Basic	10	**70.0p**	76.4p
Diluted	10	**69.4p**	75.1p

		£m	£m
Reconciliation of adjusted profit before taxation:			
Profit before taxation		**415.6**	444.6
Adjusting items:			
Amortisation of the fragrance and beauty licence intangible in operating expenses	7	**14.9**	14.9
Put option liability finance income	7	**(9.9)**	(3.7)
Adjusted profit before taxation – non-GAAP measure		**420.6**	455.8
Adjusted earnings per share – non-GAAP measure			
Basic	10	**70.5p**	78.3p
Diluted	10	**69.9p**	76.9p

Dividends per share			
Interim	11	**10.2p**	9.7p
Proposed final (not recognised as a liability at 31 March)	11	**26.8p**	25.5p

Group statement of comprehensive income

	Note	**Year to 31 March 2016 £m**	Year to 31 March 2015 £m
Profit for the year		**314.6**	341.1
Other comprehensive income[1]:			
Cash flow hedges	20	**10.8**	(7.4)
Net investment hedges		**(0.8)**	–
Foreign currency translation differences		**20.4**	52.0
Tax on other comprehensive income:			
Cash flow hedges		**(2.2)**	1.5
Net investment hedges		**0.6**	–
Foreign currency translation differences		**(1.9)**	(4.4)
Other comprehensive income for the year, net of tax		**26.9**	41.7
Total comprehensive income for the year		**341.5**	382.8
Total comprehensive income attributable to:			
Owners of the Company		**335.5**	372.5
Non-controlling interest		**6.0**	10.3
		341.5	382.8

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 2016 £m**	As at 31 March 2015 £m
ASSETS			
Non-current assets			
Intangible assets	12	**189.6**	193.5
Property, plant and equipment	13	**426.2**	436.5
Investment properties		**2.4**	2.2
Deferred tax assets		**134.4**	145.0
Trade and other receivables	14	**66.5**	60.5
Derivative financial assets		**0.3**	1.5
		819.4	839.2
Current assets			
Inventories	15	**486.7**	436.6
Trade and other receivables	14	**285.4**	260.3
Derivative financial assets		**8.0**	8.4
Income tax receivables		**3.0**	11.3
Cash and cash equivalents	16	**711.8**	617.4
		1,494.9	1,334.0
Total assets		**2,314.3**	2,173.2
LIABILITIES			
Non-current liabilities			
Trade and other payables	17	**(114.7)**	(117.1)
Deferred tax liabilities		**(0.6)**	(0.9)
Retirement benefit obligations		**(0.7)**	(0.7)
Provisions for other liabilities and charges	18	**(38.4)**	(22.2)
		(154.4)	(140.9)
Current liabilities			
Bank overdrafts and borrowings	19	**(51.5)**	(65.2)
Derivative financial liabilities		**(2.3)**	(12.5)
Trade and other payables	17	**(387.2)**	(406.0)
Provisions for other liabilities and charges	18	**(17.6)**	(10.3)
Income tax liabilities		**(80.4)**	(86.8)
		(539.0)	(580.8)
Total liabilities		**(693.4)**	(721.7)
Net assets		**1,620.9**	1,451.5
EQUITY			
Capital and reserves attributable to owners of the Company			
Ordinary share capital	20	**0.2**	0.2
Share premium account		**209.8**	207.6
Capital reserve	20	**41.1**	45.3
Hedging reserve	20	**8.1**	(0.3)
Foreign currency translation reserve	20	**164.9**	147.3
Retained earnings		**1,140.9**	1,000.8
Equity attributable to owners of the Company		**1,565.0**	1,400.9
Non-controlling interest in equity		**55.9**	50.6
Total equity		**1,620.9**	1,451.5

Group statement of changes in equity

	Note	Ordinary share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling interest £m	Total equity £m
		Attributable to owners of the Company						
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**
Profit for the year		–	–	–	309.5	309.5	5.1	314.6
Other comprehensive income:								
Cash flow hedges	20	–	–	10.8	–	10.8	–	10.8
Net investment hedge		–	–	(0.8)	–	(0.8)	–	(0.8)
Foreign currency translation differences		–	–	19.5	–	19.5	0.9	20.4
Tax on other comprehensive income		–	–	(3.5)	–	(3.5)	–	(3.5)
Total comprehensive income for the year		–	–	26.0	309.5	335.5	6.0	341.5
Disposal of subsidiaries		–	–	(6.2)	6.2	–	–	–
Transfer between reserves		–	–	2.0	(2.0)	–	–	–
Transactions with owners:								
Employee share incentive schemes								
Value of share options granted		–	–	–	(0.3)	(0.3)	–	(0.3)
Value of share options transferred to liabilities		–	–	–	(0.2)	(0.2)	–	(0.2)
Tax on share options granted		–	–	–	(4.5)	(4.5)	–	(4.5)
Exercise of share options		–	2.2	–	–	2.2	–	2.2
Purchase of own shares by ESOP trusts		–	–	–	(10.9)	(10.9)	–	(10.9)
Dividends paid in the year		–	–	–	(157.7)	(157.7)	(0.7)	(158.4)
Balance as at 31 March 2016		**0.2**	**209.8**	**214.1**	**1,140.9**	**1,565.0**	**55.9**	**1,620.9**

Group statement of cash flows

	Note	Year to 31 March 2016 £m	Year to 31 March 2015 £m
Cash flows from operating activities			
Operating profit		**402.9**	440.3
Depreciation		**111.9**	104.0
Amortisation		**35.2**	34.6
Net impairment charges		**26.5**	4.1
Loss on disposal of property, plant and equipment and intangible assets		**1.2**	2.1
Loss/(gain) on derivative instruments		**3.1**	(2.0)
(Credit)/charge in respect of employee share incentive schemes		**(0.3)**	21.0
Payment from settlement of equity swap contracts		**(1.6)**	(0.2)
Increase in inventories		**(49.3)**	(15.1)
Increase in receivables		**(31.7)**	(43.8)
Increase in payables and provisions		**5.1**	23.1
Cash generated from operating activities		**503.0**	568.1
Interest received		**4.8**	3.8
Interest paid		**(1.7)**	(2.6)
Taxation paid		**(94.8)**	(114.4)
Net cash generated from operating activities		**411.3**	454.9
Cash flows from investing activities			
Purchase of property, plant and equipment		**(107.3)**	(127.8)
Purchase of intangible assets		**(30.7)**	(27.9)
Proceeds from sale of property, plant and equipment		**0.5**	–
Proceeds from sale of intangible assets		**–**	1.3
Net cash outflow from investing activities		**(137.5)**	(154.4)
Cash flows from financing activities			
Dividends paid in the year	11	**(157.7)**	(144.9)
Dividends paid to non-controlling interest		**(0.7)**	(0.4)
Capital contributions by non-controlling interest		**–**	0.4
Payment to acquire additional interest in subsidiary from non-controlling interest		**–**	(3.4)
Issue of ordinary share capital		**2.2**	2.8
Purchase of own shares by ESOP trusts		**(10.9)**	(19.2)
Net cash outflow from financing activities		**(167.1)**	(164.7)
Net increase in cash and cash equivalents		**106.7**	135.8
Effect of exchange rate changes		**1.4**	13.9
Cash and cash equivalents at beginning of year		**552.2**	402.5
Cash and cash equivalents at end of year		**660.3**	552.2

Analysis of net cash

	Note	As at 31 March 2016 £m	As at 31 March 2015 £m
Cash and cash equivalents as per the Balance Sheet	16	**711.8**	617.4
Bank overdrafts	19	**(51.5)**	(65.2)
Net cash		**660.3**	552.2

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 2015 have been filed with the Registrar of Companies, and those for 2016 will be delivered in due course. The reports of the auditors on those statutory accounts for the years ended 31 March 2015 and 31 March 2016 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 2015.

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 2016	Year to 31 March 2015	As at 31 March 2016	As at 31 March 2015
Euro	1.36	1.28	1.26	1.38
US Dollar	1.50	1.60	1.44	1.48
Chinese Yuan Renminbi	9.57	9.94	9.29	9.21
Hong Kong Dollar	11.67	12.42	11.16	11.51
Korean Won	1,740	1,709	1,640	1,646

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 177.1: £1 in the year to 31 March 2016 (2015: Yen 164.2: £1).

Notes to the financial information

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 to/deducted from profit attributable to owners of the Company to arrive at adjusted earnings per share.

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 2016 £m	Year to 31 March 2015 £m	**Year to 31 March 2016 £m**	Year to 31 March 2015 £m	**Year to 31 March 2016 £m**	Year to 31 March 2015 £m
Retail	**1,837.7**	1,807.4	**–**	–	**1,837.7**	1,807.4
Wholesale	**634.6**	648.1	**–**	–	**634.6**	648.1
Licensing	**–**	–	**44.7**	70.1	**44.7**	70.1
Total segment revenue	**2,472.3**	2,455.5	**44.7**	70.1	**2,517.0**	2,525.6
Inter-segment revenue[1]	**–**	–	**(2.3)**	(2.4)	**(2.3)**	(2.4)
Revenue from external customers	**2,472.3**	2,455.5	**42.4**	67.7	**2,514.7**	2,523.2
Depreciation and amortisation[2]	**132.2**	123.8	**–**	–	**132.2**	123.8
Net impairment charges	**26.5**	4.1	**–**	–	**26.5**	4.1
Other non-cash items:						
Share based payments	**(0.3)**	17.8	**–**	3.2	**(0.3)**	21.0
Adjusted operating profit	**380.9**	399.2	**36.9**	56.0	**417.8**	455.2
Adjusting items[3]					**(5.0)**	(11.2)
Finance income					**5.1**	4.4
Finance expense					**(2.3)**	(3.8)
Profit before taxation					**415.6**	444.6

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 Amortisation of £14.9m relating to the fragrance and beauty licence intangible asset is presented as an adjusting item and excluded from the segmental analysis.

3 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 2016 £m	Year to 31 March 2015 £m	**Year to 31 March 2016 £m**	Year to 31 March 2015 £m	**Year to 31 March 2016 £m**	Year to 31 March 2015 £m
Additions to non-current assets	**146.2**	157.1	**–**	–	**146.2**	157.1
Total segment assets	**1,365.5**	1,300.6	**3.5**	2.6	**1,369.0**	1,303.2
Goodwill					**88.8**	88.8
Cash and cash equivalents					**711.8**	617.4
Taxation					**137.4**	156.3
Assets relating to discontinued Spanish operations					**7.3**	7.5
Total assets per Balance Sheet					**2,314.3**	2,173.2

Additional revenue analysis

Revenue by product division	**Year to 31 March 2016 £m**	Year to 31 March 2015 £m
Accessories	**901.7**	892.5
Womens	**729.0**	743.0
Mens	**548.4**	557.5
Childrens/Other	**90.7**	77.7
Beauty	**202.5**	184.8
Retail/Wholesale	**2,472.3**	2,455.5
Licensing	**42.4**	67.7
Total	**2,514.7**	2,523.2

Revenue by destination	**Year to 31 March 2016 £m**	Year to 31 March 2015 £m
Asia Pacific	**932.9**	938.1
EMEIA[1]	**878.5**	869.0
Americas	**660.9**	648.4
Retail/Wholesale	**2,472.3**	2,455.5
Licensing	**42.4**	67.7
Total	**2,514.7**	2,523.2

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

Entity-wide disclosures

Revenue derived from external customers in the UK totalled £250.2m for the year to 31 March 2016 (2015: £233.3m).

Revenue derived from external customers in foreign countries totalled £2,264.5m for the year to 31 March 2016 (2015: £2,289.9m). This amount includes £562.1m of external revenues derived from customers in the USA (2015: £551.6m) and £350.9m of external revenues derived from customers in China (2015: £346.2m).

The total of non-current assets other than financial instruments and deferred tax assets located in the UK is £194.6m (2015: £197.7m). The remaining £452.6m of non-current assets are located in other countries (2015: £455.4m), with £153.1m located in the USA (2015: £174.9m) and £82.0m located in China (2015: £87.8m).

Notes to the financial information

5. Net operating expenses

	Note	Year to 31 March 2016 £m	Year to 31 March 2015 £m
Selling and distribution costs		**816.7**	762.9
Administrative expenses		**528.2**	547.4
Adjusting items			
Amortisation of the fragrance and beauty licence intangible asset	7	**14.9**	14.9
Total		**1,359.8**	1,325.2

6. Profit before taxation

	Note	Year to 31 March 2016 £m	Year to 31 March 2015 £m
Adjusted profit before taxation is stated after charging/(crediting):			
Depreciation of property, plant and equipment			
Within cost of sales		**1.4**	1.0
Within selling and distribution costs		**98.7**	88.8
Within administrative expenses		**11.8**	14.2
Amortisation of intangible assets			
Within selling and distribution costs		**1.8**	1.7
Within administrative expenses		**18.5**	18.0
Loss on disposal of property, plant and equipment and intangible assets		**1.2**	2.1
Net impairment charge	13	**26.5**	4.1
Employee costs		**396.4**	468.1
Operating lease rentals			
Minimum lease payments[1]		**235.3**	190.9
Contingent rents		**86.1**	87.5
Net exchange gain on revaluation of monetary assets and liabilities		**(1.6)**	(1.4)
Net exchange loss/(gain) on derivatives held for trading for the year		**5.8**	(1.4)
Trade receivables net impairment charge		**3.1**	0.1
Adjusting items			
Amortisation of the fragrance and beauty licence intangible asset	7	**14.9**	14.9
Put option liability finance income	7	**(9.9)**	(3.7)

1 Included within minimum lease payments are amounts of £20.1m (2015: £6.5m) relating to net charges for onerous lease provisions (refer to note 18).

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 2016 is £14.9m (2015: £14.9m) (refer to note 12). A related tax credit of £2.8m (2015: £3.1m) has also been recognised in the current period.

Notes to the financial information

7. Adjusting items (continued)

Put option liability finance income

The financing income of £9.9m for the year ended 31 March 2016 (2015: £3.7m) 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 the value of the option on exercise is not considered to be deductible for tax purposes.

8. Financing

	Note	**Year to 31 March 2016 £m**	Year to 31 March 2015 £m
Bank interest income		**4.6**	3.7
Other finance income		**0.5**	0.7
Finance income		**5.1**	4.4
Interest expense on bank loans and overdrafts		**(1.5)**	(1.8)
Bank charges		**(0.7)**	(1.8)
Other finance expense		**(0.1)**	(0.2)
Finance expense		**(2.3)**	(3.8)
Other financing income – put option liability	7	**9.9**	3.7
Net finance income		**12.7**	4.3

9. Taxation

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

	Year to 31 March 2016 £m	Year to 31 March 2015 £m
Current tax		
UK corporation tax		
Current tax on income for the year to 31 March 2016 at 20% (2015: 21%)	**52.8**	58.8
Double taxation relief	**(0.8)**	(0.7)
Adjustments in respect of prior years	**(3.1)**	(2.4)
	48.9	55.7
Foreign tax		
Current tax on income for the year	**49.1**	60.9
Adjustments in respect of prior years	**(2.0)**	6.9
Total current tax	**96.0**	123.5
Deferred tax		
UK deferred tax		
Origination and reversal of temporary differences	**9.9**	2.1
Impact of changes to tax rates	**1.3**	–
Adjustments in respect of prior years	**(0.7)**	0.9
	10.5	3.0
Foreign deferred tax		
Origination and reversal of temporary differences	**(13.1)**	(21.3)
Adjustments in respect of prior years	**7.6**	(1.7)
Total deferred tax	**5.0**	(20.0)
Total tax charge on profit	**101.0**	103.5

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 2016 £m	Year to 31 March 2015 £m
Current tax		
Recognised in other comprehensive income		
Current tax charge on exchange differences on loans (foreign currency translation reserve)	**1.9**	4.4
Total current tax recognised in other comprehensive income	**1.9**	4.4
Recognised in equity		
Current tax credit on share options (retained earnings)	**(2.0)**	(5.6)
Total current tax recognised directly in equity	**(2.0)**	(5.6)
Deferred tax		
Recognised in other comprehensive income		
Deferred tax charge/(credit) on cash flow hedges deferred in equity (hedging reserve)	**1.5**	(1.3)
Deferred tax charge/(credit) on cash flow hedges transferred to income (hedging reserve)	**0.7**	(0.2)
Deferred tax credit on net investment hedges deferred in equity (hedging reserve)	**(0.1)**	–
Deferred tax credit on net investment hedges transferred to income (hedging reserve)	**(0.5)**	–
Total deferred tax recognised in other comprehensive income	**1.6**	(1.5)
Recognised in equity		
Deferred tax charge on share options (retained earnings)	**6.5**	0.4
Total deferred tax recognised directly in equity	**6.5**	0.4

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 2016 £m	Year to 31 March 2015 £m
Profit before taxation	**415.6**	444.6
Tax at 20% (2015: 21%) on profit before taxation	**83.1**	93.4
Rate adjustments relating to overseas profits	**3.4**	1.8
Permanent differences	**5.5**	5.6
Tax on dividends not creditable	**1.6**	–
Current year tax losses not recognised	**4.7**	2.4
Prior year tax losses recognised in the year	**(0.4)**	(3.4)
Adjustments in respect of prior years	**1.8**	3.7
Adjustments to deferred tax relating to changes in tax rates	**1.3**	–
Total taxation charge	**101.0**	103.5

Total taxation recognised in the Group Income Statement arises on:

	Year to 31 March 2016 £m	Year to 31 March 2015 £m
Adjusted profit before taxation	**103.8**	106.6
Adjusting items	**(2.8)**	(3.1)
Total taxation charge	**101.0**	103.5

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 2016 £m	Year to 31 March 2015 £m
Attributable profit for the year before adjusting items[1]	**311.7**	344.4
Effect of adjusting items[1] (after taxation)	**(2.2)**	(8.1)
Attributable profit for the year	**309.5**	336.3

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 2016 Millions	Year to 31 March 2015 Millions
Weighted average number of ordinary shares in issue during the year	**441.9**	440.0
Dilutive effect of the employee share incentive schemes	**4.2**	7.8
Diluted weighted average number of ordinary shares in issue during the year	**446.1**	447.8

11. Dividends paid to owners of the Company

	Year to 31 March 2016 £m	Year to 31 March 2015 £m
Prior year final dividend paid 25.5p per share (2015: 23.2p)	**112.5**	102.1
Interim dividend paid 10.2p per share (2015: 9.7p)	**45.2**	42.8
Total	**157.7**	144.9

A final dividend in respect of the year to 31 March 2016 of 26.8p (2015: 25.5p) per share, amounting to £118.5m, 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 5 August 2016 to shareholders on the register at the close of business on 8 July 2016.

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 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
Effect of foreign exchange rate changes	–	0.5	0.2	–	0.7
Additions	–	0.6	9.0	21.6	31.2
Disposals	–	(0.2)	(7.3)	–	(7.5)
Reclassifications from assets in the course of construction	–	–	10.8	(10.8)	–
As at 31 March 2016	**88.8**	**87.9**	**133.7**	**23.0**	**333.4**
Accumulated amortisation and impairment					
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
Effect of foreign exchange rate changes	–	0.3	0.3	–	0.6
Charge for the year	–	16.0	19.2	–	35.2
Disposals	–	(0.2)	(7.3)	–	(7.5)
As at 31 March 2016	**–**	**53.2**	**90.6**	**–**	**143.8**
Net book value					
As at 31 March 2016	**88.8**	**34.7**	**43.1**	**23.0**	**189.6**
As at 31 March 2015	88.8	49.9	42.6	12.2	193.5

Notes to the financial information

12. Intangible assets (continued)

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 2016 is £26.1m (2015: £41.1m). 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 14% in future revenue projections, with no change in operating profit margin, would imply an impairment of £10m as at 31 March 2016.

Impairment testing of goodwill

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

	As at 31 March 2016 £m	As at 31 March 2015 £m
China[1]	**45.4**	45.8
Korea	**25.1**	25.1
Other	**18.3**	17.9
Total	**88.8**	88.8

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 2019. These plans contain management’s best view of the expected performance for the year ending 31 March 2017 and the expected growth rates for the two years ending 31 March 2018 and 31 March 2019. 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 2019 incorporating the assumption that there is no growth beyond 31 March 2019.

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 2017. 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 16.1% and 13.6% respectively (2015: 16.8%; 14.3%).

The other goodwill balance of £18.3m (2015: £17.9m) consists of amounts relating to eight cash generating units, none of which have goodwill balances exceeding £10m as at 31 March 2016.

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 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
Effect of foreign exchange rate changes	6.2	11.7	15.3	(0.5)	32.7
Additions	15.3	49.5	41.7	8.5	115.0
Disposals	–	(12.6)	(26.7)	(0.5)	(39.8)
Reclassification from assets in the course of construction	–	8.2	17.7	(25.9)	–
As at 31 March 2016	**159.0**	**418.3**	**491.5**	**9.4**	**1,078.2**
Accumulated depreciation and impairment					
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
Effect of foreign exchange rate changes	2.8	4.9	10.7	–	18.4
Charge for the year	3.3	45.9	62.7	–	111.9
Disposals	-	(12.4)	(26.2)	–	(38.6)
Net impairment charge on assets	2.3	13.7	10.5	–	26.5
As at 31 March 2016	**56.6**	**233.4**	**362.0**	**–**	**652.0**
Net book value					
As at 31 March 2016	**102.4**	**184.9**	**129.5**	**9.4**	**426.2**
As at 31 March 2015	89.3	180.2	139.2	27.8	436.5

1 Included in fixtures, fittings and equipment are finance lease assets with a net book value of £1.7m (2015: £2.3m).

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 2016, a net impairment charge of £45.3m (2015: £10.8m) was recorded as a result of the annual review of impairment of retail store assets. A charge of £24.2m (2015: £3.9m) was recognised against property, plant and equipment, £nil (2015: £0.2m) was charged against intangible assets and £21.1m (2015: £6.7m) was charged in relation to onerous lease provisions. Refer to note 12 and note 18 for further details of intangible assets and onerous lease provisions respectively.

Where indicators of impairment were identified, the impairment review compared the value-in-use of the cash generating units to the carrying values at 31 March 2016. 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 11.4% and 19.7% (2015: between 12.1% and 18.3%), based on the Group's weighted average cost of capital adjusted for country-specific tax rates and risks. Where the value-in-use was less than the carrying value of the cash generating unit, an impairment of property, plant and equipment was recorded. Where the value-in-use was negative, onerous lease provisions were assessed in relation to the future contracted minimum lease payments. Potential alternative uses for property, such as subletting of leasehold or sale of freehold, were considered in estimating both the value for impairment charges and onerous lease provisions.

Notes to the financial information

13. Property, plant and equipment (continued)

Management has considered the potential impact of changes in assumptions on the total recorded as a result of the review for impairment of retail store assets and consideration of onerous lease provisions. The most significant estimate is the future level of revenues achieved by the retail stores. It is estimated that, for the stores subject to an impairment or onerous lease provision in the year, a 5% decrease/increase in revenue assumptions for the year ending 31 March 2017, with no change to subsequent forecast revenue growth rate assumptions, would result in a £7m increase/£6m decrease in the charge in the year ended 31 March 2016.

The impairment charge recorded in property, plant and equipment relates to 32 retail cash generating units (2015: 22 retail cash generating units) for which the total recoverable amount at the balance sheet date is £18.2m (2015: £6.5m). Impairment charges of £2.3m (2015: £nil) arose relating to other assets in the year.

14. Trade and other receivables

	As at 31 March 2016 £m	As at 31 March 2015 £m
Non-current		
Deposits and other financial receivables	**37.5**	39.6
Other non-financial receivables	**2.8**	2.7
Prepayments	**26.2**	18.2
Total non-current trade and other receivables	**66.5**	60.5
Current		
Trade receivables	**205.1**	193.6
Provision for doubtful debts	**(7.2)**	(4.6)
Net trade receivables	**197.9**	189.0
Other financial receivables	**20.9**	16.3
Other non-financial receivables	**27.5**	23.9
Prepayments	**35.4**	28.1
Accrued income	**3.7**	3.0
Total current trade and other receivables	**285.4**	260.3
Total trade and other receivables	**351.9**	320.8

Included in total trade and other receivables are non-financial assets of £91.9m (2015: £72.9m).

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 2016, trade receivables of £18.2m (2015: £13.6m) were impaired. The amount of the provision against these receivables was £7.2m as at 31 March 2016 (2015: £4.6m). 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 2016 £m	As at 31 March 2015 £m
Current	**3.7**	0.1
Less than one month overdue	**11.5**	8.8
One to three months overdue	**1.5**	1.5
Over three months overdue	**1.5**	3.2
	18.2	13.6

Notes to the financial information

14. Trade and other receivables (continued)

As at 31 March 2016, trade receivables of £9.3m (2015: £7.5m) were overdue but not impaired. The ageing of these overdue receivables is as follows:

	As at 31 March 2016 £m	As at 31 March 2015 £m
Less than one month overdue	**4.3**	4.5
One to three months overdue	**4.1**	2.3
Over three months overdue	**0.9**	0.7
	9.3	7.5

Movement in the provision for doubtful debts is as follows:

	Year to 31 March 2016 £m	Year to 31 March 2015 £m
As at 1 April	**4.6**	5.3
Increase in provision for doubtful debts	**3.1**	0.1
Receivables written off during the year as uncollectable	**(0.5)**	(0.8)
As at 31 March	**7.2**	4.6

As at 31 March 2016 there were £1.5m impaired receivables within other receivables (2015: £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 2016 £m	Year to 31 March 2015 £m
Asia Pacific	**99.3**	105.0
EMEIA	**89.1**	78.2
Americas	**71.6**	64.7
	260.0	247.9

15. Inventories

	As at 31 March 2016 £m	As at 31 March 2015 £m
Raw materials	**38.3**	29.2
Work in progress	**1.3**	2.2
Finished goods	**447.1**	405.2
Total inventories	**486.7**	436.6

The cost of inventories recognised as an expense and included in cost of sales amounted to £723.3m (2015: £730.1m). The net movement in inventory provisions included in cost of sales for the year ended 31 March 2016 was a cost of £24.9m (2015: £31.3m).

The cost of finished goods physically destroyed in the year is £18.8m (2015: £19.7m).

16. Cash and cash equivalents

	As at 31 March 2016 £m	As at 31 March 2015 £m
Cash at bank and in hand	**282.1**	252.3
Short-term deposits	**429.7**	365.1
Total	**711.8**	617.4

Notes to the financial information

17. Trade and other payables

	As at 31 March 2016 £m	As at 31 March 2015 £m
Non-current		
Put option liability over non-controlling interest	**45.8**	54.4
Other payables	**3.0**	3.7
Deferred income and non-financial accruals	**65.9**	59.0
Total non-current trade and other payables	**114.7**	117.1
Current		
Trade payables	**167.2**	159.8
Other taxes and social security costs	**58.3**	61.0
Other payables	**3.9**	4.5
Accruals	**132.4**	164.0
Deferred income and non-financial accruals	**25.4**	16.7
Total current trade and other payables	**387.2**	406.0
Total trade and other payables	**501.9**	523.1

Included in total trade and other payables are non-financial liabilities of £149.6m (2015: £136.7m).

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. The call option is currently exercisable and the put option is exercisable after 1 September 2020. 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 before 1 September 2020 would be different should Burberry decide to exercise the call option due to the difference between estimated risk adjusted discount rates and estimated growth in business performance in China over the period to 1 September 2020.

The value of the put option liability is £45.8m at 31 March 2016 (2015: £54.4m). The movement in the liability for the period includes a decrease of £9.9m relating to unrealised fair value movements, as described in note 7, offset by the impact of translation of the put option 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 £4.6m increase/decrease in the carrying value of the put option liability at 31 March 2016 (2015: £5.4m), and a corresponding £4.6m loss/gain in the profit before taxation for the year ended 31 March 2016 (2015: £5.4m).

A 1% increase/decrease in the risk adjusted discount rate for China would result in a £2.0m decrease/£2.1m increase in the carrying value of the put option liability at 31 March 2016 (2015: £2.9m decrease/£3.0m increase), and a corresponding £2.0m gain/£2.1m loss in the profit before taxation for the year ended 31 March 2016 (2015: £2.9m gain/£3.0m 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 2016 is £79.7m (2015: £109.0m).

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 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
Effect of foreign exchange rate changes	1.0	–	0.1	1.1
Created during the year	30.8	–	2.2	33.0
Discount unwind	0.1	–	–	0.1
Utilised during the year	(5.8)	(0.1)	(0.2)	(6.1)
Released during the year	(3.7)	(0.7)	(0.2)	(4.6)
Balance as at 31 March 2016	**51.8**	**–**	**4.2**	**56.0**

Within property obligations are amounts of £27.0m (2015: £12.1m) relating to onerous lease obligations. See note 13 for details relating to impairment of assets and onerous lease provisions for retail cash generating units.

The net charge in the year for onerous lease obligations is £20.1m (2015: £6.5m). This includes amounts of £21.1m (2015: £6.7m) relating to retail stores (refer to note 13) and a credit of £1.0m (2015: £0.2m) relating to other properties.

	As at 31 March 2016 £m	As at 31 March 2015 £m
Analysis of total provisions:		
Non-current	**38.4**	22.2
Current	**17.6**	10.3
Total	**56.0**	32.5

The non-current provisions relate to provisions for onerous leases and property reinstatement costs which are expected to be utilised within 20 years (2015: 21 years).

19. Bank overdrafts and borrowings

Included within bank overdrafts is £44.9m (2015: £60.9m) 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 2016, the Group held bank overdrafts of £6.6m (2015: £4.3m) 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 2016, there were £nil outstanding drawings (2015: £nil). During the year the Group exercised an option to extend the maturity of the facility to November 2020, after receiving consent from all members of the syndicate. The agreement contains another option, exercisable in 2016, which allows the Group to extend for an additional one year, at the consent of the syndicate. The Group is in compliance with the financial and other covenants within this facility and has been in compliance throughout the financial year.

The fair value of borrowings and overdrafts approximate 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 (2015: 0.05p) each		
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
Allotted on exercise of options during the year	293,187	–
As at 31 March 2016	**445,037,254**	**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 2016, no ordinary shares were repurchased by the Company under this authority (2015: nil).

The cost of purchasing 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 2016 the amounts offset against this reserve are £39.9m (2015: £57.0m). As at 31 March 2016, the ESOP trusts held 3.1m shares (2015: 4.1m) in the Company, with a market value of £42.7m (2015: £71.9m). In the year to 31 March 2016 the ESOP trusts have waived their entitlement to dividends of £1.2m (2015: £1.2m).

During the year profits of £2.0m (2015: £5.3m) have been transferred to capital reserves due to statutory requirements of subsidiaries. Due to the disposal and merger of subsidiaries, £6.2m (2015: £nil) has been transferred from capital reserves to retained earnings. The capital reserve consists of non-distributable reserves and the capital redemption reserve arising on the purchase of own shares.

Other Reserves in the statement of changes in equity consists of the capital reserve, the foreign currency translation reserve, and the hedging reserves. The hedging reserves consist of the cash flow hedge reserve and the net investment hedge reserve.

		Hedging reserves			
	Capital reserve £m	Cash flow hedges £m	Net investment hedge £m	Foreign currency translation reserve £m	Total £m
Balance as at 31 March 2014	40.0	1.5	4.1	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)/income 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	(4.4)	4.1	147.3	192.3
Other comprehensive income:					
Cash flow hedges – gains deferred in equity	–	7.3	–	–	7.3
Cash flow hedges – losses transferred to income	–	3.5	–	–	3.5
Net investment hedges – losses deferred in equity	–	–	(0.8)	–	(0.8)
Foreign currency translation differences	–	–	–	19.5	19.5
Tax on other comprehensive income	–	(2.2)	0.6	(1.9)	(3.5)
Total comprehensive income/(expense) for the year	–	8.6	(0.2)	17.6	26.0
Disposal of subsidiaries	(6.2)	–	–	–	(6.2)
Transfer between reserves	2.0	–	–	–	2.0
Balance as at 31 March 2016	**41.1**	**4.2**	**3.9**	**164.9**	**214.1**

Notes to the financial information

21. Capital commitments

	As at 31 March 2016 £m	As at 31 March 2015 £m
Capital commitments contracted but not provided for:		
Property, plant and equipment	**15.2**	36.3
Intangible assets	**1.6**	1.0
Total	**16.8**	37.3

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 2016 £m	Year to 31 March 2015 £m
Salaries, short-term benefits and social security costs	**9.1**	17.6
Post-employment benefits	**0.1**	0.1
Share based compensation (all awards and options settled in shares)	**0.5**	9.5
Total	**9.7**	27.2

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

23. Contingent liabilities

In a number of jurisdictions the Group is subject to claims against it and to tax audits. These typically relate to valued added taxes, sales taxes, customs duties, corporate taxes, transfer pricing, payroll taxes, various contractual claims and other matters. 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