

16 May 2018

Burberry Group plc **Preliminary results for the year ended 31 March 2018**

Execution of plan on track with comparable sales +3% and growth in profit and cash flow

In November 2017, we set out our multi-year plan to re-energise our product, our communication and the experiences customers have of our brand to deliver sustainable long-term value. We have made good initial progress, our plans are on track and we are seeing positive early signs from our retail and wholesale customers.

£ million			% change	
Twelve months to 31 March	2018	2017	reported FX	CER#
Revenue	2,733	2,766	(1)	(1)
Revenue ex. Beauty wholesale*	2,660	2,595	2	2
<i>Retail comparable store sales*</i>	<i>3%</i>	<i>1%</i>		
Adjusted operating profit*	467	459	2	5
Adjusted operating profit margin	17.1%	16.6%		
Reported operating profit	410	394	4	
Adjusted Diluted EPS (pence)*	82.1	77.4	6	10
Diluted EPS (pence)	68.4	64.9	5	
Free cash flow	484	465	4	
Dividend (pence)	41.3	38.9	6	

*See page 12 for definitions of alternative performance measures

- Riccardo Tisci appointed as Chief Creative Officer from March 2018
- Strategic acquisition to create centre of excellence for luxury leather goods
- Collections resonated with new customers and top-tier clients
- Retail excellence programme supported increased conversion in all regions
- Started evolution of distribution including strategic retail store closures as planned
- Launched collaboration with Farfetch, expanded reach to over 150 countries
- Cumulative cost savings of £64m, ahead of plan; Burberry Business Services live
- Successfully completed transfer of Beauty to Coty strategic partnership as planned

FY 2019 outlook

- Trading in line with guidance
- On track to deliver cumulative cost savings of £100m
- New share buyback of £150m announced

“In a year of transition, we are pleased with our performance as we began to execute our strategy. While the task of transforming Burberry is still before us, the first steps we implemented to re-energise our brand are showing promising early signs. With Riccardo Tisci now on board and a strong leadership team in place, we are excited about the year ahead and remain fully focused on our strategy to deliver long-term sustainable value.”
Marco Gobbetti, Chief Executive Officer

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

Constant exchange rates (CER) removes the effect of changes in exchange rates compared to the prior period. This takes into account both the impact of the movement in exchange rates on the translation of overseas subsidiaries' results and also on foreign currency procurement and sales through the Group's UK supply chain.

The following alternative performance measures are presented in this announcement: adjusted performance measures, comparable sales, revenue excluding Beauty wholesale, free cash flow, cash conversion and lease-adjusted net debt. The definition of these alternative performance measures are set out in the Appendix on page 12.

Cumulative cost savings are savings compared to FY 2016 operating expenses.

Certain financial data within this announcement have been rounded.

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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 11 July 2018
- The AGM will be held on 12 July 2018

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.

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GROUP FINANCIAL HIGHLIGHTS

- Revenue +2% at CER and reported, excluding Beauty wholesale revenue
 - Growth led by retail, comparable store sales +3% (H1: +4%, H2 +2%)
 - Total Revenue £2,733m, -1% at CER and reported
- Adjusted operating profit £467m, +5% at CER, +2% reported
 - Benefited from positive retail performance, £44m incremental cost savings (cumulative total now £64m) and improved Beauty profitability due to reduced marketing and inventory charges
- Adjusted operating margin +110bps at CER, +50bps reported to 17.1%
- Reported operating profit £410m, +4% after adjusting operating items of £57m (2017: £65m) principally relating to restructuring
- Adjusted diluted EPS 82.1p, +10% at CER, +6% reported supported by the repurchase of 20m shares and a 70bps reduction in the effective tax rate. Reported diluted EPS 68.4p, +5%
- Free cash flow of £484m (2017: £465m). Net cash of £892m at 31 March 2018 after returning £524m cash to shareholders through a combination of dividends (£169m) and share buybacks (£355m)
- Full year dividend per share up 6% to 41.3p (2017: 38.9p), in line with progressive dividend policy

Summary income statement

£ million	Year to 31 March		% change	
	2018	2017	reported	FX CER
Revenue	2,733	2,766	(1)	(1)
Cost of sales	(836)	(833)	-	
Gross profit	1,897	1,933	(2)	
Gross margin%	69.4%	69.9%		
Operating expenses*	(1,430)	(1,474)	(3)	
Opex as a % of sales	52.3%	53.3%		
Adjusted operating profit*	467	459	2	5
Adjusted operating margin	17.1%	16.6%		
Adjusting operating items	(57)	(65)		
Operating profit	410	394	4	
Net finance credit**	3	1		
Profit before taxation	413	395	5	
Taxation~	(119)	(107)		
Non-controlling interest	-	(1)		
Attributable profit	294	287		
Adjusted profit before taxation	471	462	2	5
Adjusted EPS (pence)*^	82.1	77.4	6	10
EPS (pence)^	68.4	64.9	5	
Weighted average number of ordinary shares (millions)^	429.4	442.2		

*Excludes adjusting items. For detail, see Appendix. ** Includes adjusting finance charge of £2m (2017: £3m).

~Includes adjusting tax charge of £12m (2017: nil) ^EPS is presented on a diluted basis

BUSINESS AND FINANCIAL REVIEW

In November 2017, we set out our multi-year plan to re-energise our product, our communication and the experiences customers have of our brand. The plan is underpinned by our operational excellence and people strategies.

We have made good initial progress and are on track to achieve our goal of positioning Burberry in the most rewarding and enduring part of the luxury industry, where we can deliver sustainable long-term value.

Throughout the year, we have focused on building the team to develop and deliver our strategy. This has included promoting internal talent and bringing in fresh expertise from outside Burberry, including most recently Gavin Haig as Chief Commercial Officer.

We also welcomed Riccardo Tisci as Chief Creative Officer on 12 March 2018. Riccardo's creative vision will reinforce our ambitions in reshaping our product offer and sharpening our brand positioning. His first collection will be shown in September 2018.

While we are in the early stages of the implementation of our strategy, during the second half of the year we saw:

- Progress in the evolution of our product with tighter, more productive collections attracting new customers as well as current top-tier clients
- The start of the transformation of our leather goods with new handbag launches from Spring 2018 and a roadmap of launches to come
- Progress on our retail excellence programme and the roll out of our new digital clienteling tool, supporting increased conversion
- Our refreshed digital platforms, with more curated and editorialised content, generating increased engagement
- Our wholesale partners responding positively to our strategy and we started the evolution of our distribution, making some strategic retail store closures.

Consistent with our plans to transform our leather goods offer, we announced on 14 May, that we have signed an agreement to acquire a luxury leather goods business from a longstanding Italian partner, CF&P. This will create a centre of excellence for our leather goods, covering all activities from prototyping, product innovation and engineering to the coordination of production. It will give us greater control over quality, cost, delivery and sustainability in this strategically important category.

In FY 2018 we have demonstrated our commitment to exercising financial discipline. Costs have been tightly controlled and we have delivered incremental savings ahead of plan of £44m, bringing the total cumulative savings to £64m. Applying our capital allocation framework, we returned £524m of cash to shareholders through a combination of dividends and buybacks.

Revenue analysis

Revenue by channel

£ million	Year to 31 March		% change	
	2018	2017	reported FX	CER
Retail	2,177	2,127	2	3
<i>Retail comparable store sales</i>	3%	1%		
Wholesale ex Beauty	453	443	2	-
Licensing	30	25	21	21
Revenue ex Beauty wholesale	2,660	2,595	2	2
Beauty wholesale	73	171	(57)	(59)
Group revenue	2,733	2,766	(1)	(1)

Retail

- Retail sales +3% at CER, +2% reported
- Comparable sales + 3% (H1: +4%; H2: +2%)
- No net space impact on revenue, as guided

Full year comparable store sales +3% with improved conversion in all regions supported by our retail excellence programme. By region:

- Asia Pacific: Mid-single digit percentage growth with stronger tourist trends in the second half
 - Mainland China delivered high single digit percentage growth, slowing to mid-single digits in the second half due to the annualisation of strong prior year trends
 - Hong Kong improved through the year, delivering high single digit percentage growth in the second half
 - Korea declined but showed improvement in the second half
- EMEA: Broadly stable year-on-year with a decline in the second half with the annualisation of exceptional performance of the UK in the prior year
 - The UK delivered low single digit percentage growth, with growth in the first half offset by a decline in the second as expected
 - Continental Europe declined marginally with tourist spend softer in the second half
 - The Middle East remained challenging, impacted by the macro-environment
- Americas: Low single digit percentage growth with an improved performance in the second half
 - In the US, improved traffic trends coupled with increased year-on-year conversion underpinned a return to growth in the second half

By product, mainline store customers responded positively to seasonal updates and innovation

- A more complete wardrobe offer and full look merchandising drove strength in tops, skirts and trousers in the second half
- Innovation in core categories such as the car coat and tropical gabardine performed well
- Continued strength in small leather goods and new handbag launches started from Spring 2018

Store footprint: net closure of 20 stores (12 mainline, two concessions and six outlets) as started evolution of store network. Closures weighted towards the end of the year with seven in the final week of the year.

Digital: Direct-to-consumer continued to deliver good growth with particular strength in Asia

- Mobile transactions represented 40% of direct-to-consumer revenue
- Collaboration with Farfetch launched, extending our reach to more customers and over 150 countries

Wholesale

- Excluding Beauty, wholesale revenue was unchanged at CER (+2% reported), slightly better than our expectations due to higher in-season orders
 - Growth in Asia Pacific was offset by a high single digit percentage decline in the US as we initiated actions to shift customer perception in the market
- In October, Beauty successfully transitioned to a strategic partnership with Coty, moving from a wholesale to licensed business model. Reflecting this change in operation in the second half, full year total wholesale revenue declined by 16% at CER (down 14% reported)

Licensing

Licensing revenue of £30m, +21% at CER and reported, in line with guidance benefiting from Beauty transitioning from a wholesale to licensed business model, while other royalties declined.

Operating profit analysis

Adjusted operating profit

£ million	Year to 31 March		% change	
	2018	2017	reported FX	CER
Retail/wholesale	441	437	1	4
Licensing	26	22	19	20
Adjusted operating profit	467	459	2	5
<i>Adjusted operating margin</i>	17.1%	16.6%		

Adjusted operating profit grew 5% and margin increased by 110 basis points at CER. This reflects retail growth, an incremental £44m of cost savings (ahead of plan of £40m) and improved Beauty profitability, partly offset by continued inflationary pressure on costs, strategic investments and inventory charges.

Including a £14m headwind from currency, adjusted operating profit grew 2% at reported rates and margin increased by 50 basis points.

After a net finance credit of £4m, adjusted profit before tax was £471m up 5% at CER and 2% at reported rates.

Adjusting items*

Adjusting items were £59m (2017: £68m). The most significant item was restructuring costs of £54m relating to our cost and efficiency programme, below original guidance for the year due to phasing. There is no change to the total estimated one-off costs associated with the programme of c.£110m and our target of cumulative annualised cost savings of £120m in FY 2020.

* For detail on adjusting items see Appendix and note 8 of the Financial Statements

Taxation

The effective tax rate on adjusted profit in FY 2018 reduced to 25.1% (2017: 25.8%), as we move towards a range of 23%-24% by FY 2020. This was below the effective tax rate on reported profit of 28.8% (2017: 27.1%), due to certain adjusting items which are not subject to tax and an adjusting tax charge of £12m* relating to the reduction of the US federal income tax rate (in line with guidance). The total tax charge was £119m (2017: £107m).

* See note 8 of the Financial Statements

Cash flow

Free cash flow generated in FY 2018 grew 4% to £484m (2017: £465m) with strong cash conversion at 128% (2017: 129%). The free cash flow reflected the growth in adjusted operating profit, a cash inflow from working capital and re-phased capital expenditure.

- Inventory was down £94m year-on-year with about 60% of the reduction from Beauty. Fashion inventory was down 5% excluding the impact of foreign exchange on translation of inventory balances
- Working capital and free cash flow benefited from a one-off inflow relating to Beauty receivables of £63m
- Capital expenditure of £106m (2017: £104m), was below original guidance due to phasing between FY 2018 and FY 2019
- Tax paid of £118m (2017: £132m)

Net cash at 31 March 2018 was £892m (2017: £809m) with a £150m net inflow from the Beauty transaction and £524m returned to shareholders (dividends of £169m and share buyback of £355m). Lease adjusted net debt at 31 March 2018 was £327m (2017: £388m).

Summary outlook

There is no change to the guidance given at our strategic update in November 2017 of broadly stable revenue and operating profit margin at CER in FY 2019 and FY 2020.

We are focused on sharpening the positioning of our brand to deliver sustainable long-term value. Our financial ambition is to deliver high-single digit revenue growth coupled with meaningful operating margin expansion over time.

We expect to remain strongly cash generative and are committed to our progressive dividend policy and capital allocation framework. We will initiate a new share buyback programme of £150m to be completed in FY 2019.

For detailed outlook, see Appendix.

Disclosure

In line with its on-going simplification initiatives, Burberry is modifying its financial reporting periods to a retail calendar. This change aligns all functions across the business to a single calendar enabling more streamlined ways of working and improved performance analysis.

With effect from 1 April 2018, Burberry will prepare its full year consolidated financial statements to the Saturday nearest to the 31 March.

- For FY 2019, there will be no material difference between the comparability of the prior year and current year income statement
- On a reported basis in FY 2019, there will be some phasing impact on quarterly revenues resulting from a difference in trading days under the new and old calendars. We have summarised these impacts in the table below
- To aid with comparability, in FY 2019, any revenue differences arising from the changes in reporting calendar will be split out separately
- Burberry will continue to report four times per annum

	Quarter 1	Quarter 2	Quarter 3	Quarter 4	FY
FY 2018	1 April- 30 June	1 July- 30 Sept	1 Oct- 31 Dec	1 Jan- 31 Mar	1 April- 31 Mar
FY 2019	1 April- 30 June	1 July- 29 Sept	30 Sept- 29 Dec	30 Dec- 30 Mar	1 April- 30 Mar
Variance in days	0	(1)	(1)	1	(1)

APPENDIX

Adjusting items*

£ million	Year to 31 March	
	2018	2017
Beauty licence intangible charges	-	(26)
Disposal of Beauty business	-	(15)
Restructuring costs	(54)	(21)
Goodwill impairment	(7)	-
BME deferred consideration income/ (charges)	4	(3)
Adjusting operating items	(57)	(65)
Adjusting financing items	(2)	(3)
Adjusting items	(59)	(68)

* For additional detail on adjusting items note 8 of the Financial Statements

Disposal of Beauty business

As expected, directly attributable costs of £25m associated with the disposal of our Beauty business to Coty in October 2017 and £5m of costs relating to the Beauty transaction, were offset by £30m of the upfront payment, which was deemed as proceeds relating to the disposal.

Restructuring costs

Restructuring costs of £54m were incurred relating to our cost and efficiency programme, below original guidance for the year due to phasing. There is no change to the total estimated one-off costs of the programme of c.£110m.

Goodwill impairment

The £7m goodwill impairment charge relates to our Saudi Arabian business due to challenging macroeconomic conditions.

Burberry Middle East (BME) deferred consideration

The £4m income principally reflects foreign exchange rate movements for the BME transaction.

Adjusting finance charge

The £2m charge relates to the discount unwind on the deferred consideration for the BME transaction.

Outlook*

In-line with the guidance given at our strategic update in November 2017, at constant exchange rates, we currently expect:

FY 2019

Broadly stable revenue and adjusted operating margin. This includes the impact of the Beauty transition

- Retail: Net space reduction to impact retail revenue by -1%. Planning to continue our programme of store rationalisation and relocation
- Wholesale (excluding Beauty): Revenue down by a low single digit percentage due to anticipated growth from luxury accounts offsetting rationalisation activity (FY 2018: £526m of which £73m Beauty)
- Licensing: Revenue up £15m including Beauty partly offset by the non-renewal of the watch licence
- Cumulative cost savings: £100m, an incremental £36m on FY 2018

Currency: At 30 April spot rates[~], the expected impact of year-on-year exchange rate movements on reported adjusted operating profit is c.£40m adverse. This is an adverse movement of c.£15m due to sterling appreciating since our guidance of a £25m headwind was given in January 2018. The headwind to revenue is expected to be c.£45m

Currency sensitivity: In FY 2018, a +/-5% move in sterling would have resulted in a -/+£45-50m impact on the adjusted operating profit of £467m

Adjusting items: No change to total expected one-off costs of c.£110m. In FY 2019 £35m of one-off restructuring costs expected due to phasing between FY 2018 and FY 2019

£m year ended March	2017	2018	2019F	2020F	Total
Guidance November 2017	21	75	14	-	110
Change		(21)	21		-
Revised guidance	21	54	35	-	110

Cumulative cost savings	20	64	100	120*
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*annualised

Tax rate: A c.100bps reduction to about 24% as we move towards a range of 23%-24% by FY 2020

Capital expenditure: £160m-£170m, higher than originally guided due to phasing between FY 2018 and FY 2019

Buyback: £150m to be completed in FY 2019

FY 2020

Broadly stable revenue and adjusted operating margin

- Cumulative annualised cost savings: £120m

*Guidance assumes constant exchange rates, a stable economic environment and current tax legislation unless otherwise stated

[~]see Exchange rates in Appendix

Retail/wholesale revenue by destination*				
£ million	Year to 31 March		% change	
	2018	2017	reported FX	CER
Asia Pacific (c.90% retail)	1,081	1,037	4	5
EMEIA (>75% retail)	938	903	4	1
Americas (c.80% retail)	611	630	(3)	(1)
Total excluding Beauty wholesale	2,630	2,570	2	2
Beauty wholesale	73	171		
	2,703	2,741	(1)	(2)

* For detail on retail/wholesale revenue by destination including Beauty wholesale see note 4 in the Financial Statements

Retail/wholesale revenue by product division*				
£ million	Year to 31 March		% change	
	2018	2017	reported FX	CER
Accessories	1,046	1,032	1	1
Womens	808	792	2	2
Mens	647	624	4	4
Childrens	117	108	8	8
Beauty	12	14	(26)	(26)
Total excluding Beauty wholesale	2,630	2,570	2	2
Beauty wholesale	73	171		
	2,703	2,741	(1)	(2)

* For detail on retail/wholesale revenue by product division including Beauty wholesale see note 4 in the Financial Statements

Store portfolio					
	Directly-operated stores				Franchise stores
	Stores	Concessions	Outlets	Total	
At 31 March 2017	252*	157*	60	469	48
Additions	5	8	1	14	-
Closures	(17)	(10)	(7)	(34)	(2)
At 31 March 2018	240	155	54	449	46

Store portfolio by region					
	Directly-operated stores				Franchise stores
	Stores	Concessions	Outlets	Total	
At 31 March 2018					
Asia Pacific	99*	90*	15	204	6
EMEIA	70	59	21	150	40
Americas	71*	6*	18	95	-
Total	240	155	54	449	46

* 41 directly operated stores in Asia Pacific and 2 in Americas reclassified as mainline from concession to better reflect the operations of the stores

Exchange rates			
£1=	Spot rates	Average exchange rates	
	30 April 2018	FY 2018	FY 2017
Euro	1.14	1.13	1.19
US Dollar	1.38	1.33	1.30
Chinese Yuan Renminbi	8.71	8.79	8.73
Hong Kong Dollar	10.81	10.37	10.11
Korean Won	1,473	1,473	1,487

Alternative performance measures

The following alternative performance measures are used to describe the Group's financial performance. These non-GAAP measures are used for internal budgeting, performance monitoring, management remuneration and for external reporting purposes.

The definition of adjusting items is contained in note 3 of the Financial Statements and details are shown on page 9.

Constant exchange rates (CER) removes the effect of changes in exchange rates compared to the prior period. This takes into account both the impact of the movement in exchange rates on the translation of overseas subsidiaries' results and also on foreign currency procurement and sales through the Group's UK supply chain.

Comparable sales is the year-on-year change in sales from stores trading over equivalent time periods and measured at constant foreign exchange rates. It also includes online sales.

Revenue excluding Beauty wholesale is presented to exclude Beauty wholesale revenue of £73m (2017: £171m) from total revenue to provide an understanding of the revenue of the business following the disposal of the Beauty business in October 2017.

Free cash flow is defined as net cash generated from operating activities, £678m (2017: £561m), less capital expenditure plus cash inflows from disposal of fixed assets, £105m (2017: £96m) and excluding the one-off cash inflow for deferred income of £100m (2017: nil) arising from the Beauty licence and associated cash outflow for costs relating to the Beauty disposal of £11m (2017: £nil) (see notes 7 and 8 of the Financial Statements). FY 2018 free cash flow £484m (2017: £465m).

Cash conversion is defined as free cash flow pre tax/ adjusted profit before tax. Adjusted profit before tax £471m (2017: £462m).

Lease-adjusted net debt is defined as five times minimum lease payments, adjusted for charges and utilisation of onerous lease provisions, less net cash. This is considered to be a reasonable estimate of operating lease debt which is currently off balance sheet. See note 6 of the Financial Statements.

GROUP INCOME STATEMENT

	Note	Year to 31 March 2018 £m	Year to 31 March 2017 £m
Revenue	4	2,732.8	2,766.0
Cost of sales		(835.4)	(832.9)
Gross profit		1,897.4	1,933.1
Net operating expenses	5	(1,487.1)	(1,538.8)
Operating profit		410.3	394.3
Financing			
Finance income		7.8	5.5
Finance expense		(3.5)	(1.8)
Other financing charge		(2.0)	(3.2)
Net finance income	9	2.3	0.5
Profit before taxation	6	412.6	394.8
Taxation	10	(119.0)	(107.1)
Profit for the year		293.6	287.7
Attributable to:			
Owners of the Company		293.5	286.8
Non-controlling interest		0.1	0.9
Profit for the year		293.6	287.7
Earnings per share			
Basic	11	68.9p	65.3p
Diluted	11	68.4p	64.9p
Reconciliation of adjusted profit before taxation:			
		£m	£m
Profit before taxation		412.6	394.8
Adjusting items:			
Adjusting operating items	8	56.3	64.4
Adjusting financing items	8	2.0	3.2
Adjusted profit before taxation – non-GAAP measure		470.9	462.4
Adjusted earnings per share – non-GAAP measure			
Basic	11	82.8p	77.9p
Diluted	11	82.1p	77.4p
Dividends per share			
Interim	12	11.0p	10.5p
Proposed final (not recognised as a liability at 31 March)	12	30.3p	28.4p

GROUP STATEMENT OF COMPREHENSIVE INCOME

	Note	Year to 31 March 2018 £m	Year to 31 March 2017 £m
Profit for the year		293.6	287.7
Other comprehensive income ¹ :			
Cash flow hedges	21	(10.0)	4.7
Net investment hedges	21	2.3	(2.3)
Foreign currency translation differences		(50.2)	103.1
Tax on other comprehensive income:			
Cash flow hedges	10	1.9	(1.0)
Net investment hedges	10	(0.4)	0.5
Foreign currency translation differences	10	3.6	(5.4)
Other comprehensive income for the year, net of tax		(52.8)	99.6
Total comprehensive income for the year		240.8	387.3
Total comprehensive income attributable to:			
Owners of the Company		241.2	384.6
Non-controlling interest		(0.4)	2.7
		240.8	387.3

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 2018 £m	As at 31 March 2017 £m
ASSETS			
Non-current assets			
Intangible assets	13	180.1	170.1
Property, plant and equipment	14	313.6	399.6
Investment properties		2.6	2.6
Deferred tax assets		115.5	125.0
Trade and other receivables	15	69.2	76.4
Derivative financial assets		0.3	1.1
		681.3	774.8
Current assets			
Inventories	16	411.8	505.3
Trade and other receivables	15	206.3	275.6
Derivative financial assets		1.6	5.0
Income tax receivables		6.7	9.2
Cash and cash equivalents	17	915.3	843.5
		1,541.7	1,638.6
Total assets		2,223.0	2,413.4
LIABILITIES			
Non-current liabilities			
Trade and other payables	18	(168.1)	(101.9)
Deferred tax liabilities		(4.2)	(0.4)
Derivative financial liabilities		(0.1)	–
Retirement benefit obligations		(0.9)	(0.9)
Provisions for other liabilities and charges	19	(71.4)	(47.3)
		(244.7)	(150.5)
Current liabilities			
Bank overdrafts	20	(23.2)	(34.3)
Derivative financial liabilities		(3.8)	(3.5)
Trade and other payables	18	(460.9)	(459.1)
Provisions for other liabilities and charges	19	(32.1)	(18.1)
Income tax liabilities		(32.9)	(50.1)
		(552.9)	(565.1)
Total liabilities		(797.6)	(715.6)
Net assets		1,425.4	1,697.8
EQUITY			
Capital and reserves attributable to owners of the Company			
Ordinary share capital	21	0.2	0.2
Share premium account		214.6	211.4
Capital reserve	21	41.1	41.1
Hedging reserve	21	3.8	10.0
Foreign currency translation reserve	21	214.7	260.8
Retained earnings		946.1	1,169.0
Equity attributable to owners of the Company		1,420.5	1,692.5
Non-controlling interest in equity		4.9	5.3
Total equity		1,425.4	1,697.8

GROUP STATEMENT OF CHANGES IN EQUITY

		ATTRIBUTABLE TO THE OWNERS OF THE COMPANY						
	Note	Ordinary share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Total £m	Non- controlling interest £m	Total equity £m
Balance as at 31 March 2016		0.2	209.8	214.1	1,140.9	1,565.0	55.9	1,620.9
Profit for the year		–	–	–	286.8	286.8	0.9	287.7
Other comprehensive income:								
Cash flow hedges	21	–	–	4.7	–	4.7	–	4.7
Net investment hedges	21	–	–	(2.3)	–	(2.3)	–	(2.3)
Foreign currency translation differences	21	–	–	101.3	–	101.3	1.8	103.1
Tax on other comprehensive income	21	–	–	(5.9)	–	(5.9)	–	(5.9)
Total comprehensive income for the year		–	–	97.8	286.8	384.6	2.7	387.3
Transactions with owners:								
Employee share incentive schemes								
Value of share options granted		–	–	–	13.1	13.1	–	13.1
Value of share options transferred to liabilities		–	–	–	(0.4)	(0.4)	–	(0.4)
Tax on share options granted		–	–	–	0.9	0.9	–	0.9
Exercise of share options		–	1.6	–	–	1.6	–	1.6
Purchase of own shares								
Share buy-back		–	–	–	(100.5)	(100.5)	–	(100.5)
Held by ESOP trusts		–	–	–	(13.3)	(13.3)	–	(13.3)
Expiry of put option over non-controlling interest		–	–	–	51.0	51.0	–	51.0
Acquisition of additional interest in subsidiary		–	–	–	(45.1)	(45.1)	(53.2)	(98.3)
Dividends paid in the year		–	–	–	(164.4)	(164.4)	(0.1)	(164.5)
Balance as at 31 March 2017		0.2	211.4	311.9	1,169.0	1,692.5	5.3	1,697.8
Profit for the year		–	–	–	293.5	293.5	0.1	293.6
Other comprehensive income:								
Cash flow hedges	21	–	–	(10.0)	–	(10.0)	–	(10.0)
Net investment hedges	21	–	–	2.3	–	2.3	–	2.3
Foreign currency translation differences	21	–	–	(49.7)	–	(49.7)	(0.5)	(50.2)
Tax on other comprehensive income	21	–	–	5.1	–	5.1	–	5.1
Total comprehensive income for the year		–	–	(52.3)	293.5	241.2	(0.4)	240.8
Transactions with owners:								
Employee share incentive schemes								
Value of share options granted		–	–	–	17.1	17.1	–	17.1
Value of share options transferred to liabilities		–	–	–	(0.4)	(0.4)	–	(0.4)
Tax on share options granted		–	–	–	(0.1)	(0.1)	–	(0.1)
Exercise of share options		–	3.2	–	–	3.2	–	3.2
Purchase of own shares								
Share buy-back		–	–	–	(351.7)	(351.7)	–	(351.7)
Held by ESOP trusts		–	–	–	(11.9)	(11.9)	–	(11.9)
Dividends paid in the year		–	–	–	(169.4)	(169.4)	–	(169.4)
Balance as at 31 March 2018		0.2	214.6	259.6	946.1	1,420.5	4.9	1,425.4

GROUP STATEMENT OF CASH FLOWS

Note	Year to 31 March 2018 £m	Year to 31 March 2017 £m
Cash flows from operating activities		
	410.3	394.3
	105.8	121.3
	25.5	30.2
13	6.5	33.0
14	10.7	15.9
	2.7	3.5
7	(5.2)	–
	(3.5)	5.6
	17.1	13.1
	0.5	–
	37.2	8.4
	68.1	19.7
	115.5	43.6
	791.2	688.6
	7.2	5.2
	(1.6)	(1.5)
	(118.4)	(131.6)
	678.4	560.7
Cash flows from investing activities		
	(57.5)	(71.3)
	(48.5)	(32.8)
	–	8.5
7	61.1	–
	(44.9)	(95.6)
Cash flows from financing activities		
12	(169.4)	(164.4)
	–	(0.1)
18	(3.0)	(68.8)
	3.2	1.6
21	(355.0)	(97.2)
	(11.9)	(13.3)
	(536.1)	(342.2)
	97.4	122.9
	(14.5)	26.0
	809.2	660.3
	892.1	809.2
Cash and cash equivalents at end of year		
	97.4	122.9
	(14.5)	26.0
	809.2	660.3
	892.1	809.2
Cash and cash equivalents at end of year		
Note	As at 31 March 2018 £m	As at 31 March 2017 £m
17	915.3	843.5
20	(23.2)	(34.3)
	892.1	809.2

NOTES TO THE FINANCIAL STATEMENTS

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 2017 have been filed with the Registrar of Companies, and those for 2018 will be delivered in due course. The reports of the auditors on those statutory accounts for the years ended 31 March 2017 and 31 March 2018 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 2017.

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 closing 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 2018	Year to 31 March 2017	As at 31 March 2018	As at 31 March 2017
Euro	1.13	1.19	1.14	1.17
US Dollar	1.33	1.30	1.40	1.25
Chinese Yuan Renminbi	8.79	8.73	8.83	8.62
Hong Kong Dollar	10.37	10.11	11.01	9.74
Korean Won	1,473	1,487	1,489	1,402

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 operating profit and 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 performance of the Group's ongoing business. Generally, this will include those items that are largely one-off and material in nature as well as income or expenses relating to acquisitions or disposals of businesses or other transactions of a similar nature, including the impact of changes in fair value of expected future payments or receipts relating to these transactions. 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, as well as adjusting taxation items, are added back to/deducted from profit attributable to owners of the Company to arrive at adjusted earnings per share. Refer to note 8 for further details of adjusting items.

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 global licensees of beauty, eyewear, timepieces, and from licences relating to the use of non-Burberry trade marks in Japan.

NOTES TO THE FINANCIAL STATEMENTS

4. SEGMENTAL ANALYSIS (CONTINUED)

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 2018 £m	Year to 31 March 2017 £m	Year to 31 March 2018 £m	Year to 31 March 2017 £m	Year to 31 March 2018 £m	Year to 31 March 2017 £m
Retail	2,176.3	2,127.2	–	–	2,176.3	2,127.2
Wholesale	526.4	613.9	–	–	526.4	613.9
Licensing	–	–	31.9	27.1	31.9	27.1
Total segment revenue	2,702.7	2,741.1	31.9	27.1	2,734.6	2,768.2
Inter-segment revenue ¹	–	–	(1.8)	(2.2)	(1.8)	(2.2)
Revenue from external customers	2,702.7	2,741.1	30.1	24.9	2,732.8	2,766.0
Depreciation and amortisation ²	124.0	144.0	–	–	124.0	144.0
Net impairment of intangible assets ³	–	7.1	–	–	–	7.1
Net impairment of property, plant and equipment	10.7	15.9	–	–	10.7	15.9
Other non-cash items:						
Share-based payments	17.1	13.1	–	–	17.1	13.1
Adjusted operating profit	440.7	437.0	25.9	21.7	466.6	458.7
Adjusting items ⁴					(58.3)	(67.6)
Finance income					7.8	5.5
Finance expense					(3.5)	(1.8)
Profit before taxation					412.6	394.8

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. Depreciation of £6.5m relating to the Group's cost-efficiency programme and £0.2m for assets disposed as part of the disposal of Beauty operations, and £0.6m of amortisation for assets disposed as part of the disposal of Beauty operations are presented as adjusting items and excluded from the segmental analysis for the year ended 31 March 2018. Amortisation of £7.5m relating to the fragrance and beauty licence intangible asset is presented as an adjusting item and excluded from the segmental analysis for the year ended 31 March 2017.

3. Impairment of £6.5m relating to Saudi Arabia goodwill is presented as an adjusting item and excluded from the segmental analysis for the year ended 31 March 2018. Impairment of £18.6m relating to the fragrance and beauty licence intangible asset and impairment of £7.3m of software assets specifically relating to the disposal of the Beauty operations are presented as adjusting items and excluded from the segmental analysis for the year ended 31 March 2017.

4. Refer to note 8 for details of adjusting items.

	RETAIL/WHOLESALE		LICENSING		TOTAL	
	Year to 31 March 2018 £m	Year to 31 March 2017 £m	Year to 31 March 2018 £m	Year to 31 March 2017 £m	Year to 31 March 2018 £m	Year to 31 March 2017 £m
Additions to non-current assets	107.8	112.1	–	–	107.8	112.1
Total segment assets	1,087.6	1,332.5	9.5	3.6	1,097.1	1,336.1
Goodwill					88.4	99.6
Cash and cash equivalents					915.3	843.5
Taxation					122.2	134.2
Total assets per Balance Sheet					2,223.0	2,413.4

NOTES TO THE FINANCIAL STATEMENTS

4. SEGMENTAL ANALYSIS (CONTINUED)

Additional revenue analysis

	Year to 31 March 2018 £m	Year to 31 March 2017 £m
Revenue by product division		
Accessories	1,046.5	1,033.2
Womens	808.4	791.9
Mens	647.3	623.5
Childrens/Other	116.8	108.1
Beauty	83.7	184.4
Retail/Wholesale	2,702.7	2,741.1
Licensing	30.1	24.9
Total	2,732.8	2,766.0

	Year to 31 March 2018 £m	Year to 31 March 2017 £m
Revenue by destination		
Asia Pacific	1,089.0	1,069.0
EMEIA ¹	975.2	991.2
Americas	638.5	680.9
Retail/Wholesale	2,702.7	2,741.1
Licensing	30.1	24.9
Total	2,732.8	2,766.0

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

Entity-wide disclosures

Revenue derived from external customers in the UK totalled £305.1m for the year to 31 March 2018 (2017: £300.9m).

Revenue derived from external customers in foreign countries totalled £2,427.7m for the year to 31 March 2018 (2017: £2,465.1m). This amount includes £538.0m of external revenues derived from customers in the USA (2017: £576.6m) and £443.5m of external revenues derived from customers in China (2017: £413.7m).

The total of non-current assets other than financial instruments and deferred tax assets located in the UK is £151.0m (2017: £147.6m). The remaining £372.1m of non-current assets are located in other countries (2017: £456.2m), with £130.0m located in the USA (2017: £159.6m), £66.1m located in China (2017: £76.7m), and £62.8m located in Korea (2017: £72.4m).

5. NET OPERATING EXPENSES

	Note	Year to 31 March 2018 £m	Year to 31 March 2017 £m
Selling and distribution costs		861.9	913.5
Administrative expenses		568.9	560.9
Adjusting operating items	8	56.3	64.4
Net operating expenses		1,487.1	1,538.8

NOTES TO THE FINANCIAL STATEMENTS

6. PROFIT BEFORE TAXATION

Note	Year to 31 March 2018 £m	Year to 31 March 2017 £m
Adjusted profit before taxation is stated after charging/(crediting):		
Depreciation of property, plant and equipment		
	0.8	1.6
	88.2	107.4
	10.1	12.3
Amortisation of intangible assets		
	0.8	1.0
	24.1	21.7
	2.7	3.5
13	–	7.1
14	10.7	15.9
	500.3	484.7
Operating lease rentals		
	246.2	239.0
	110.1	108.6
	7.3	(12.2)
	3.7	0.2
	3.1	2.4
Adjusting items		
Adjusting operating items		
7	(5.2)	–
8	5.0	14.5
8	–	26.1
8	54.5	20.8
8	6.5	–
8	(4.5)	3.0
Total adjusting operating items		64.4
Adjusting financing items		
8	2.0	2.2
8	–	1.0
Total adjusting financing items		3.2

- Depreciation of property, plant and equipment within administrative expenses for the year ended 31 March 2018 has been presented excluding depreciation of £6.5m relating to the Group's cost-efficiency programme and depreciation of £0.2m for assets disposed as part of the disposal of Beauty operations, which have been presented as adjusting items (refer to note 8).
- Amortisation of intangible assets within administrative expenses for the year ended 31 March 2018 has been presented excluding amortisation of £0.6m included in costs relating to the disposal of Beauty operations, which has been presented as an adjusting item. Amortisation of intangible assets within administrative expenses for the year ended 31 March 2017 has been presented excluding amortisation of £7.5m relating to the fragrance and beauty licence intangible, which has been presented as an adjusting item (refer to note 8).
- Impairment of intangible assets for the year ended 31 March 2018 is presented excluding an impairment of £6.5m relating to goodwill allocated to the Saudi Arabia cash generating unit, which has been presented as an adjusting item (refer to note 8). Impairment of intangible assets for the year ended 31 March 2017 is presented excluding an impairment of £18.6m relating to the fragrance and beauty licence intangible and an impairment of £7.3m of software assets specifically relating to the disposal of the Beauty operations, which have been presented as adjusting items (refer to note 8).
- Employee costs for the year ended 31 March 2018 are presented excluding £14.9m (2017: £9.7m) of costs arising as a result of the cost-efficiency programme, which have been presented as an adjusting item (refer to note 8).
- Minimum lease payments include charges for onerous lease provisions during the year ended 31 March 2018 of £7.2m (2017: £7.9m) and does not include payments of £4.8m (2017: £8.3m) where existing onerous lease provisions have been utilised. Minimum lease payments for the year ended 31 March 2018 have been presented excluding charges of £29.1m for onerous property obligations in connection with the Group's cost-efficiency programme, which have been presented as adjusting items (refer to note 8).

NOTES TO THE FINANCIAL STATEMENTS

7. GAIN ON DISPOSAL OF BEAUTY OPERATIONS

On 3 April 2017, the Group entered into two agreements with Coty Geneva SARL Versoix (Coty) to grant Coty a licence to sell its fragrance and beauty products and to transfer the Group's Beauty operations to Coty.

Under the agreement to transfer the Beauty operations, the Group transferred inventory and property plant and equipment relating to the Beauty operations to Coty. The assets transferred to Coty were paid for by cash proceeds of £33.3m, with the exception of some of the inventory which will be paid for in the future if it is used by Coty. A debtor of £4.1m has been recognised for contingent consideration in relation to the estimated future proceeds arising from the disposal of inventory to Coty.

The licence agreement, which is for a term of up to 15 years, allows Coty to manufacture and sell Burberry Beauty products. Under the licence agreement Coty will pay the Group royalties based on the value of products sold.

The Group received an upfront payment of £130.0m for the license and related disposal of the Beauty operations under the two agreements. The directors have carried out an allocation and have attributed £30.0m of this upfront payment to the disposal of the Beauty operations. As a result, the total consideration for the disposal of the Beauty operations is £67.4m.

The remaining £100.0m of the payment has been attributed to the licence and has been recognised as deferred royalty income on the balance sheet (refer to note 18). It will be recognised as royalty revenue over the term of the licence.

The agreements with Coty completed on 2 October 2017. Details of the sale are as follows:

	Year to 31 March 2018 £m
Consideration received or receivable	
Cash proceeds	63.3
Fair value of contingent consideration	4.1
Total disposal consideration	67.4
Carrying amount of net assets disposed	(37.4)
Directly attributable costs	(24.8)
Gain on disposal before taxation	5.2

The carrying amount of net assets disposed is presented net of a £10.1m write down of Beauty inventory remeasured to the lower of the carrying value and net realisable value upon classification as held for sale at 30 September 2017. Directly attributable costs relate to the write-down of inventory and provisions for the costs of certain contract terminations and employee redundancy. £2.2m of these costs were paid in the period, with the remaining £12.5m to be recognised in future periods. The net gain on disposal is presented as an adjusting item in accordance with the Group's accounting policy as it arises from the disposal of a business. A related tax charge of £1.0m has been recognised in the year ended 31 March 2018.

8. ADJUSTING ITEMS

Costs relating to the disposal of the Beauty operations

In addition to the costs arising directly from the disposal of the Beauty operations, costs of £5.0m relating to the Beauty transaction were incurred in the year ended 31 March 2018 (2017: £14.5m). Costs incurred in the year ended 31 March 2017 related to the write-off of software assets specifically relating to the Beauty operations of £7.3m; a provision for the termination of a distributor agreement; and other ancillary charges incurred. Costs incurred in the year ended 31 March 2018 relate to retention payments, advisory fees, and depreciation and amortisation on assets no longer required as a result of the disposal. £11.3m of these costs were paid in the year ended 31 March 2018 (2017: £nil). These costs are presented as an adjusting item in accordance with the Group's accounting policy as they arise in relation to the disposal of a business. A related tax credit of £1.0m has also been recognised in the period (2017: £2.9m).

Charge relating to 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 was being amortised on a straight-line basis over the period 1 April 2013 to 31 December 2017.

During the six months ended 30 September 2016, amortisation expense of £7.5m was recognised in relation to the fragrance and beauty licence intangible. At 30 September 2016, management carried out an impairment assessment of the carrying value of this asset based on a value-in-use calculation using latest estimates for cost and revenue projections. As a result of a reduction in projected revenue over the remaining life to 31 December 2017, compared to previous estimates, management concluded that the book value of the asset was not supported by its value-in-use. An impairment charge of £18.6m was recognised at 30 September 2016, to write the remaining balance of the intangible asset down to nil.

NOTES TO THE FINANCIAL STATEMENTS

8. ADJUSTING ITEMS (CONTINUED)

These charges have been 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. A related tax credit of £5.1m was also recognised in the year ended 31 March 2017.

Restructuring costs

Restructuring costs of £54.5m (2017: £20.8m) were incurred in the current period, arising as a result of the Group's cost-efficiency programme announced in May 2016. These costs are presented as an adjusting item as they are considered material and one-off in nature, being part of a restructuring programme running from May 2016 to March 2019. The most significant elements of the restructuring costs relate to onerous lease obligations for property, redundancies and consultancy costs supporting organisational design and development of strategic growth and productivity initiatives, with the remainder relating to legal advice and project assurance. A related tax credit of £11.4m (2017: £4.2m) has also been recognised in the current period.

Goodwill impairment

A charge of £6.5m (2017: £nil) was recorded in the period to fully impair goodwill allocated to the Saudi Arabia cash generating unit, following a significant and prolonged downturn in the Saudi Arabian economy. The charge has been presented as an adjusting item in accordance with the Group accounting policy, as it is one-off in nature, and relates to the acquisition of a business. No tax was recognised on this item, as the value is not considered to be deductible for tax purposes.

Items relating to the deferred consideration liability

On 22 April 2016, the Group entered into an agreement to transfer the economic right to the non-controlling interest in Burberry Middle East LLC to the Group in consideration of contingent payments to be made to the minority shareholder based on an agreed percentage of future revenue, together with fixed payments to be paid over the period to 2023. The present value of the fixed and contingent deferred consideration in total, at the date of the transaction was estimated to be AED 236.0m (£44.6m).

A credit of £4.5m in relation to the revaluation of this balance has been recognised in operating expenses for the year ended 31 March 2018 (2017: charge of £3.0m). A financing charge of £2.0m in relation to the unwinding of the discount on the non-current portion of the deferred consideration liability has also been recognised for the year ended 31 March 2018 (2017: £2.2m). These movements are unrealised. No tax has been recognised on either of these items, as the future payments are not considered to be deductible for tax purposes. These items are presented as adjusting items in accordance with the Group accounting policy, as they arise from changes in the value of the liability for expected future payments relating to the purchase of a non-controlling interest in the Group.

Put option liability finance charge

The financing charge of £1.0m for the year ended 31 March 2017 relates to fair value movements including the unwinding of the discount on the put option liability over the non-controlling interest in Burberry (Shanghai) Trading Co., Ltd. No tax was recognised on this item, as the value of the option on exercise is not considered to be deductible for tax purposes. This item has been presented as an adjusting item in accordance with the Group accounting policy as it arises from changes in the value of the liability for expected future payments relating to the purchase of a non-controlling interest in the Group. The liability was released upon expiration of the put option on 1 August 2016, therefore there is no charge for the year ended 31 March 2018.

An adjusting taxation charge of £12.2m has also been recognised for the year ended 31 March 2018 (2017: £nil). Refer to note 10 for further details.

NOTES TO THE FINANCIAL STATEMENTS

9. FINANCING

Note	Year to 31 March 2018 £m	Year to 31 March 2017 £m
Bank interest income	7.2	5.0
Other finance income	0.6	0.5
Finance income	7.8	5.5
Interest expense on bank loans and overdrafts	(1.3)	(1.0)
Bank charges	(0.7)	(0.7)
Other finance expense	(1.5)	(0.1)
Finance expense	(3.5)	(1.8)
Finance charge on deferred consideration liability	8 (2.0)	(2.2)
Put option liability finance charge	8 –	(1.0)
Other financing charge	(2.0)	(3.2)
Net finance income	2.3	0.5

10. TAXATION

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

	Year to 31 March 2018 £m	Year to 31 March 2017 £m
Current tax		
UK corporation tax		
Current tax on income for the year to 31 March 2018 at 19% (2017: 20%)	45.0	48.2
Double taxation relief	(3.2)	(0.8)
Adjustments in respect of prior years	4.2	(3.3)
	46.0	44.1
Foreign tax		
Current tax on income for the year	73.1	45.3
Adjustments in respect of prior years	(5.8)	(6.3)
Total current tax	113.3	83.1
Deferred tax		
UK deferred tax		
Origination and reversal of temporary differences	4.3	(0.2)
Impact of changes to tax rates	–	0.8
Adjustments in respect of prior years	0.4	(0.4)
	4.7	0.2
Foreign deferred tax		
Origination and reversal of temporary differences	(12.2)	19.7
Impact of changes to tax rates	12.6	(0.2)
Adjustments in respect of prior years	0.6	4.3
Total deferred tax	5.7	24.0
Total tax charge on profit	119.0	107.1

NOTES TO THE FINANCIAL STATEMENTS

10. TAXATION (CONTINUED)

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

	Year to 31 March 2018 £m	Year to 31 March 2017 £m
Current tax		
Recognised in other comprehensive income		
Current tax (credit)/charge on exchange differences on loans (foreign currency translation reserve)	(3.6)	5.4
Current tax (credit)/charge on cash flow hedges deferred in equity (hedging reserve)	(0.3)	1.9
Current tax credit on cash flow hedges transferred to income (hedging reserve)	(1.6)	–
Current tax charge/(credit) on net investment hedges deferred in equity (hedging reserve)	0.5	(0.6)
Total current tax recognised in other comprehensive income	(5.0)	6.7
Recognised in equity		
Current tax credit on share options (retained earnings)	(0.8)	(0.4)
Total current tax recognised directly in equity	(0.8)	(0.4)
Deferred tax		
Recognised in other comprehensive income		
Deferred tax credit on cash flow hedges transferred to income (hedging reserve)	–	(0.9)
Deferred tax charge on net investment hedges deferred in equity (hedging reserve)	–	0.1
Deferred tax credit on net investment hedges transferred to income (hedging reserve)	(0.1)	–
Total deferred tax recognised in other comprehensive income	(0.1)	(0.8)
Recognised in equity		
Deferred tax charge/(credit) on share options (retained earnings)	0.9	(0.5)
Total deferred tax recognised directly in equity	0.9	(0.5)

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 2018 £m	Year to 31 March 2017 £m
Profit before taxation	412.6	394.8
Tax at 19% (2017: 20%) on profit before taxation	78.4	79.0
Rate adjustments relating to overseas profits	10.7	14.1
Permanent differences	4.2	5.7
Tax on dividends not creditable	10.1	6.1
Current year tax losses not recognised	1.9	5.5
Prior year tax losses no longer recognised	1.7	1.8
Adjustments in respect of prior years	(0.6)	(5.7)
Adjustments to deferred tax relating to changes in tax rates	12.6	0.6
Total taxation charge	119.0	107.1

Total taxation recognised in the Group Income Statement arises on the following items:

	Year to 31 March 2018 £m	Year to 31 March 2017 £m
Tax on adjusted profit before taxation	118.2	119.3
Tax on adjusting items	(11.4)	(12.2)
Adjusting taxation charge	12.2	–
Total taxation charge	119.0	107.1

Adjusting taxation charge relates to a net adjustment to deferred taxes, reflecting the reduced US federal income tax rate.

NOTES TO THE FINANCIAL STATEMENTS

11. 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 2018 £m	Year to 31 March 2017 £m
Attributable profit for the year before adjusting items ¹	352.6	342.2
Effect of adjusting items ¹ (after taxation)	(59.1)	(55.4)
Attributable profit for the year	293.5	286.8

1. Refer to note 8 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 2018 Millions	Year to 31 March 2017 Millions
Weighted average number of ordinary shares in issue during the year	425.7	439.1
Dilutive effect of the employee share incentive schemes	3.7	3.1
Diluted weighted average number of ordinary shares in issue during the year	429.4	442.2

12. DIVIDENDS PAID TO OWNERS OF THE COMPANY

	Year to 31 March 2018 £m	Year to 31 March 2017 £m
Prior year final dividend paid 28.4p per share (2017: 26.8p)	123.0	118.6
Interim dividend paid 11.0p per share (2017: 10.5p)	46.4	45.8
Total	169.4	164.4

A final dividend in respect of the year to 31 March 2018 of 30.3p (2017: 28.4p) per share, amounting to £125.3m, 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 3 August 2018 to shareholders on the register at the close of business on 29 June 2018.

NOTES TO THE FINANCIAL STATEMENTS

13. INTANGIBLE ASSETS

	Goodwill ¹	Trade marks, licences and other intangible assets ¹	Computer Software ¹	Intangible assets in the course of construction	Total
Cost	£m	£m	£m	£m	£m
As at 31 March 2016	88.8	87.9	133.7	23.0	333.4
Effect of foreign exchange rate changes	10.8	0.6	3.7	–	15.1
Additions	–	0.3	14.9	18.9	34.1
Disposals	–	–	(7.5)	(1.5)	(9.0)
Reclassifications from assets in the course of construction	–	–	20.1	(20.1)	–
As at 31 March 2017	99.6	88.8	164.9	20.3	373.6
Effect of foreign exchange rate changes	(4.7)	–	(2.4)	(0.1)	(7.2)
Additions	–	0.3	8.1	40.4	48.8
Disposals	–	(70.9)	(54.5)	–	(125.4)
Reclassifications from assets in the course of construction	–	–	14.1	(14.1)	–
As at 31 March 2018	94.9	18.2	130.2	46.5	289.8
Accumulated amortisation and impairment					
As at 31 March 2016	–	53.2	90.6	–	143.8
Effect of foreign exchange rate changes	–	0.4	2.7	–	3.1
Charge for the year	–	8.4	21.8	–	30.2
Disposals	–	–	(6.6)	–	(6.6)
Impairment charge on assets	–	18.6	14.4	–	33.0
As at 31 March 2017	–	80.6	122.9	–	203.5
Effect of foreign exchange rate changes	–	(0.1)	(2.0)	–	(2.1)
Charge for the year	–	0.8	24.7	–	25.5
Disposals	–	(70.9)	(52.8)	–	(123.7)
Impairment charge on assets	6.5	–	–	–	6.5
As at 31 March 2018	6.5	10.4	92.8	–	109.7
Net book value					
As at 31 March 2018	88.4	7.8	37.4	46.5	180.1
As at 31 March 2017	99.6	8.2	42.0	20.3	170.1

1. Impairment of goodwill of £6.5m in the year ended 31 March 2018 is included in adjusting items (refer to note 8). During the year ended 31 March 2017 £14.4m of software assets were impaired, of which £7.3m related to the disposal of the Beauty operations and is included in adjusting items (refer to note 8). During the year ended 31 March 2017 an impairment charge of £18.6m was recognised relating to the Beauty intangible asset (refer to note 8).

Impairment testing of goodwill

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

	As at 31 March 2018 £m	As at 31 March 2017 £m
China	47.8	48.9
Korea	27.7	29.4
Other	12.9	21.3
Total	88.4	99.6

NOTES TO THE FINANCIAL STATEMENTS

13. INTANGIBLE ASSETS (CONTINUED)

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 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 five years ending 31 March 2023. These plans contain management's best view of the expected performance for the year ending 31 March 2019 and the expected growth rates for the years thereafter. 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 2023 incorporating the assumption that there is no growth beyond 31 March 2023.

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 2019. 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 15.9% and 13.4% respectively (2017: 16.7%; 14.0%).

During the year, revenue in the Saudi Arabia cash generating unit has declined following a significant and prolonged downturn in the Saudi Arabian economy. Recovery to previous trading levels is not expected to occur in the short term. The recoverable amount of the net assets was determined by an impairment test of the value-in-use of the cash generating unit. Following this impairment test, the goodwill relating to the Saudi Arabia cash generating unit has been written off in full. This has given rise to a charge of £6.5m for the year ended 31 March 2018. The charge is presented in operating profit as an adjusting item. The remaining net assets in the Saudi Arabia cash generating unit are £4.1m at 31 March 2018, excluding cash and cash equivalents. The value of these net assets is expected to be recovered through value-in-use.

The other goodwill balance of £12.9m (2017: £21.3m) consists of amounts relating to seven cash generating units, none of which have goodwill balances individually exceeding £6.0m as at 31 March 2018.

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

NOTES TO THE FINANCIAL STATEMENTS

14. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings	Leasehold improvements	Fixtures, fittings and equipment ¹	Assets in the course of construction	Total
Cost	£m	£m	£m	£m	£m
As at 31 March 2016	159.0	418.3	491.5	9.4	1,078.2
Effect of foreign exchange rate changes	18.4	47.5	43.7	1.0	110.6
Additions	0.4	37.4	27.0	13.2	78.0
Disposals	(29.2)	(32.4)	(28.5)	(0.4)	(90.5)
Reclassification from assets in the course of construction	–	4.0	4.7	(8.7)	–
As at 31 March 2017	148.6	474.8	538.4	14.5	1,176.3
Effect of foreign exchange rate changes	(12.8)	(29.7)	(24.7)	(0.8)	(68.0)
Additions	0.3	25.3	18.7	14.7	59.0
Disposals	–	(11.5)	(41.8)	–	(53.3)
Disposal of a business	–	–	(7.4)	(0.6)	(8.0)
Reclassification from assets in the course of construction	0.2	3.2	5.5	(8.9)	–
As at 31 March 2018	136.3	462.1	488.7	18.9	1,106.0
Accumulated depreciation and impairment					
As at 31 March 2016	56.6	233.4	362.0	–	652.0
Effect of foreign exchange rate changes	6.7	28.5	33.2	–	68.4
Charge for the year	4.3	52.3	64.7	–	121.3
Disposals	(21.3)	(32.0)	(27.6)	–	(80.9)
Net impairment charge on assets	0.6	8.1	7.2	–	15.9
As at 31 March 2017	46.9	290.3	439.5	–	776.7
Effect of foreign exchange rate changes	(4.6)	(19.5)	(20.7)	–	(44.8)
Charge for the year	3.9	53.1	48.8	–	105.8
Disposals	–	(11.1)	(41.2)	–	(52.3)
Disposal of a business	–	–	(3.7)	–	(3.7)
Net impairment charge on assets	–	3.6	7.1	–	10.7
As at 31 March 2018	46.2	316.4	429.8	–	792.4
Net book value					
As at 31 March 2018	90.1	145.7	58.9	18.9	313.6
As at 31 March 2017	101.7	184.5	98.9	14.5	399.6

1. Included in fixtures, fittings and equipment are finance lease assets with a net book value of £1.1m (2017: £1.3m).

During the year to 31 March 2018, a net charge of £16.8m (2017: £23.0m) was recorded within net operating expenses as a result of the annual review of impairment of retail store assets. A charge of £9.6m (2017: £15.3m) was recognised against property, plant and equipment, and £7.2m (2017: £7.7m) was charged in relation to onerous lease provisions. Refer to note 19 for further details of onerous lease provisions.

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 2018. The pre-tax cash flow projections were based on financial plans of expected revenues and costs for 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 10.7% and 21.5% (2017: between 11.4% and 21.6%), 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 STATEMENTS

14. 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 2019, with no change to subsequent forecast revenue growth rate assumptions, would result in an £9.4m increase/£8.0m decrease in the charge in the year ended 31 March 2018.

The impairment charge recorded in property, plant and equipment relates to 23 retail cash generating units (2017: 33 retail cash generating units) for which the total recoverable amount at the balance sheet date is £4.5m (2017: £22.0m).

Impairment charges of £1.1m (2017: £0.6m) arose relating to other assets in the year.

15. TRADE AND OTHER RECEIVABLES

	As at 31 March 2018 £m	As at 31 March 2017 £m
Non-current		
Deposits and other financial receivables	42.4	44.9
Other non-financial receivables	2.9	3.7
Prepayments	23.9	27.8
Total non-current trade and other receivables	69.2	76.4
Current		
Trade receivables	128.6	201.3
Provision for doubtful debts	(11.6)	(9.5)
Net trade receivables	117.0	191.8
Other financial receivables	22.5	22.3
Other non-financial receivables	17.4	20.4
Prepayments	40.3	38.1
Accrued income	9.1	3.0
Total current trade and other receivables	206.3	275.6
Total trade and other receivables	275.5	352.0

Included in total trade and other receivables are non-financial assets of £84.5m (2017: £90.0m).

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 2018, trade receivables of £19.8m (2017: £17.2m) were impaired. The amount of the provision against these receivables was £11.6m as at 31 March 2018 (2017: £9.5m). 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 2018 £m	As at 31 March 2017 £m
Current	0.2	–
Less than 1 month overdue	7.0	7.0
1 to 3 months overdue	3.3	2.3
Over 3 months overdue	9.3	7.9
	19.8	17.2

As at 31 March 2018, trade receivables of £9.0m (2017: £20.9m) were overdue but not impaired. The ageing of these overdue receivables is as follows:

	As at 31 March 2018 £m	As at 31 March 2017 £m
Less than 1 month overdue	4.1	8.4
1 to 3 months overdue	2.5	12.1
Over 3 months overdue	2.4	0.4
	9.0	20.9

NOTES TO THE FINANCIAL STATEMENTS

15. TRADE AND OTHER RECEIVABLES (CONTINUED)

Movement in the provision for doubtful debts is as follows:

	Year to 31 March 2018 £m	Year to 31 March 2017 £m
As at 1 April	9.5	7.2
Effect of foreign exchange rate changes	(0.1)	0.2
Increase in provision for doubtful debts	3.1	2.4
Receivables written off during the year as uncollectable	(0.9)	(0.3)
As at 31 March	11.6	9.5

As at 31 March 2018 there were £1.4m of impaired receivables within other receivables (2017: £1.6m).

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

	As at 31 March 2018 £m	As at 31 March 2017 £m
Asia Pacific	107.6	120.4
EMEIA	60.5	78.1
Americas	22.9	63.5
	191.0	262.0

16. INVENTORIES

	As at 31 March 2018 £m	As at 31 March 2017 £m
Raw materials	9.2	32.7
Work in progress	0.6	1.8
Finished goods	402.0	470.8
Total inventories	411.8	505.3

	As at 31 March 2018 £m	As at 31 March 2017 £m
Total inventories, gross	503.1	596.8
Provisions	(91.3)	(91.5)
Total inventories, net	411.8	505.3

The cost of inventories recognised as an expense and included in cost of sales amounted to £800.0m (2017: £795.9m).

The net movement in inventory provisions included in cost of sales for the year ended 31 March 2018 was a cost of £35.3m (2017: £21.1m). The reversal of inventory provisions as at 31 March 2017 during the current year was not significant. Included in the change in inventory provisions for the year ended 31 March 2018 is £12.9m relating to the disposal of Beauty inventory to Coty. Refer to note 7 for further details.

The cost of finished goods physically destroyed in the year was £28.6m (2017: £26.9m), including £10.4m of destruction for Beauty inventory.

NOTES TO THE FINANCIAL STATEMENTS

17. CASH AND CASH EQUIVALENTS

	As at 31 March 2018 £m	As at 31 March 2017 £m
Cash at bank and in hand	195.6	268.7
Short-term deposits	719.7	574.8
Total	915.3	843.5

18. TRADE AND OTHER PAYABLES

	As at 31 March 2018 £m	As at 31 March 2017 £m
Non-current		
Other payables	2.2	2.5
Deferred income and non-financial accruals ¹	149.4	75.6
Deferred consideration ³	16.5	23.8
Total non-current trade and other payables	168.1	101.9
Current		
Trade payables	153.2	172.3
Other taxes and social security costs	73.3	58.7
Other payables ^{2,3}	4.1	8.2
Accruals	190.2	186.9
Deferred income and non-financial accruals ¹	27.4	22.1
Deferred consideration ³	12.7	10.9
Total current trade and other payables	460.9	459.1
Total trade and other payables	629.0	561.0

1. Includes £96.7m (2017: £nil) relating to deferred income for the beauty licence granted during the year. £90.2m is included in non-current and £6.5m is included in current.

2. Includes £nil (2017: £3.3m) relating to the cost of shares not yet purchased under an agreement entered in to by the Company to purchase its own shares, together with anticipated stamp duty arising. Refer to note 21 for further details.

3. Liabilities relating to financing activities include the cost of shares not yet purchased noted above and deferred consideration. The change in the share liability arises as a result of a financing cash out flow. The change in the deferred consideration liability arises as result of a financing cash out flow and non-cash movements.

Included in total trade and other payables are non-financial liabilities of £250.1m (2017: £156.5m).

Deferred consideration

Following the purchase of the economic right to the non-controlling interest in Burberry Middle East LLC on 22 April 2016, the Group has recognised a liability in relation to the deferred consideration for this transaction. The deferred consideration consists of fixed payments to be paid over the period 2016 to 2019, and contingent payments calculated as an agreed percentage of the future revenue of Burberry Middle East LLC and its subsidiaries, over the period 2016 to 2023. Payments of £3.0m were made in the year ended 31 March 2018 (2017: £15.1m).

The fair value of the deferred consideration relating to the fixed payments has been derived via a present value calculation of the remaining fixed payments, discounted at an appropriate risk-free rate applicable to Burberry Middle East LLC.

The fair value of the deferred consideration relating to the contingent payments has been estimated using a present value calculation, incorporating observable and non-observable inputs. The inputs applied in arriving at the value of this component of the deferred consideration are an estimate of the future revenue of Burberry Middle East LLC and its subsidiaries from the current period to 2023 and an appropriate risk adjusted discount rate for Burberry Middle East LLC.

The carrying value of the deferred consideration relating to contingent payments is dependent on assumptions applied in determining these inputs, and is subject to change in the event that there is a change in any of these 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 estimate of future revenues of Burberry Middle East LLC and its subsidiaries would result in a £1.6m increase/decrease in the carrying value of the deferred consideration relating to contingent payments at 31 March 2018 and a corresponding £1.6m decrease/increase in the profit before taxation for the year ended 31 March 2018.

NOTES TO THE FINANCIAL STATEMENTS

19. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	Property obligations £m	Other costs £m	Total £m
Balance as at 31 March 2016	51.8	4.2	56.0
Effect of foreign exchange rate changes	6.2	0.1	6.3
Created during the year	18.8	6.9	25.7
Discount unwind	0.1	–	0.1
Utilised during the year	(11.1)	(1.0)	(12.1)
Released during the year	(8.1)	(2.5)	(10.6)
Balance as at 31 March 2017	57.7	7.7	65.4
Effect of foreign exchange rate changes	(4.6)	0.1	(4.5)
Created during the year	39.7	15.2	54.9
Discount unwind	0.3	–	0.3
Utilised during the year	(6.0)	(3.5)	(9.5)
Released during the year	(0.4)	(2.7)	(3.1)
Balance as at 31 March 2018	86.7	16.8	103.5

Within property obligations are amounts of £59.0m (2017: £30.3m) relating to onerous lease obligations. Refer to note 14 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 £36.3m (2017: £7.9m). This includes amounts of £7.2m (2017: £7.7m) relating to retail stores (refer to note 14) and a charge of £29.1m (2017: charge of £0.2m) relating to other properties.

	As at 31 March 2018 £m	As at 31 March 2017 £m
Analysis of total provisions:		
Non-current	71.4	47.3
Current	32.1	18.1
Total	103.5	65.4

The non-current provisions relate to provisions for onerous leases and property reinstatement costs which are expected to be utilised within 18 years (2017: 19 years).

20. BANK OVERDRAFTS

Included within bank overdrafts is £22.2m (2017: £31.3m) representing balances on cash pooling arrangements in the Group.

The Group has a number of committed and uncommitted arrangements agreed with third-parties. At 31 March 2018, the Group held bank overdrafts of £1.0m (2017: £3.0m) 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 banks. At 31 March 2018, there were £nil outstanding drawings (2017: £nil). The facility matures in November 2021. 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 overdrafts approximate the carrying amount because of the short maturity of these instruments.

21. SHARE CAPITAL AND RESERVES

Allotted, called up and fully paid share capital	Number	£m
Ordinary shares of 0.05p (2017: 0.05p) each		
As at 31 March 2016	445,037,254	0.2
Allotted on exercise of options during the year	135,811	–
As at 31 March 2017	445,173,065	0.2
Allotted on exercise of options during the year	266,139	–
Cancellation of treasury shares	(27,164,081)	–
As at 31 March 2018	418,275,123	0.2

NOTES TO THE FINANCIAL STATEMENTS

21. SHARE CAPITAL AND RESERVES (CONTINUED)

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 ended 31 March 2018, the Company entered into agreements to purchase £350m of its own shares back, excluding stamp duty, as part of a share buy-back programme (2017: £100m). Own shares purchased by the Company, as part of a share buy-back programme, are classified as treasury shares and their cost offset against retained earnings. When treasury shares are cancelled, a transfer is made from retained earnings to capital redemption reserve, equivalent to the nominal value of the shares purchased and subsequently cancelled. In the year ended 31 March 2018, 27.2m treasury shares with a nominal value of £14,000 were cancelled (2017: nil). The cost of shares purchased by ESOP trusts are offset against retained earnings, as the amounts paid reduce the profits available for distribution by the Company.

As at 31 March 2018 the amount held as treasury shares by the Company and offset against retained earnings is £nil (2017: £97.2m) including stamp duty of £nil (2017: £0.5m). As at 31 March 2018 the Company held nil treasury shares (2017: 6.7m), with a market value of £nil (2017: £116.1m). There was £nil (2017: £3.3m), relating to the cost of shares not yet purchased under the current share buy-back agreement, charged to retained earnings in the period. The payment obligation at 31 March 2017 was recognised in other payables (refer to note 18).

As at 31 March 2018 the amount of own shares held by ESOP trusts and offset against retained earnings is £40.5m (2017: £44.7m). As at 31 March 2018, the ESOP trusts held 2.9m shares (2017: 3.5m) in the Company, with a market value of £49.8m (2017: £59.6m). In the year to 31 March 2018 the ESOP trusts and the Company have waived their entitlement to dividends of £2.0m (2017: £1.7m).

During the year profits of £nil (2017: £nil) have been transferred to capital reserves due to statutory requirements of subsidiaries. The capital reserve consists of non-distributable reserves and the capital redemption reserve arising on the purchase of own shares.

Other reserves 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				Total £m
	Capital reserve £m	Cash flow hedges £m	Net investment hedge £m	Foreign currency translation reserve £m	
Balance as at 31 March 2016	41.1	4.2	3.9	164.9	214.1
Other comprehensive income:					
Cash flow hedges – gains deferred in equity	–	8.7	–	–	8.7
Cash flow hedges – gains transferred to income	–	(4.0)	–	–	(4.0)
Net investment hedges – losses deferred in equity	–	–	(2.3)	–	(2.3)
Foreign currency translation differences	–	–	–	101.3	101.3
Tax on other comprehensive income	–	(1.0)	0.5	(5.4)	(5.9)
Total comprehensive income for the year	–	3.7	(1.8)	95.9	97.8
Balance as at 31 March 2017	41.1	7.9	2.1	260.8	311.9
Other comprehensive income:					
Cash flow hedges – losses deferred in equity	–	(1.5)	–	–	(1.5)
Cash flow hedges – gains transferred to income	–	(8.5)	–	–	(8.5)
Net investment hedges – gains deferred in equity	–	–	2.3	–	2.3
Foreign currency translation differences	–	–	–	(49.7)	(49.7)
Tax on other comprehensive income	–	1.9	(0.4)	3.6	5.1
Total comprehensive income for the year	–	(8.1)	1.9	(46.1)	(52.3)
Balance as at 31 March 2018	41.1	(0.2)	4.0	214.7	259.6

NOTES TO THE FINANCIAL STATEMENTS

22. CAPITAL COMMITMENTS

	As at 31 March 2018 £m	As at 31 March 2017 £m
Capital commitments contracted but not provided for:		
Property, plant and equipment	15.5	13.2
Intangible assets	4.9	3.2
Total	20.4	16.4

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.

23. 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 2018 £m	Year to 31 March 2017 £m
Salaries, short-term benefits and social security costs	14.4	14.3
Termination benefits	–	1.6
Share based compensation (all awards and options settled in shares)	5.9	5.5
Total	20.3	21.4

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

24. CONTINGENT LIABILITIES

The Group is subject to claims against it and to tax audits in a number of jurisdictions. These typically relate to Value Added Taxes, sales taxes, customs duties, corporate taxes, transfer pricing, payroll taxes, various contractual claims and other matters. 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.

25. EVENTS AFTER THE BALANCE SHEET DATE

On 9 May 2018, Burberry entered into an agreement to acquire a business engaged in the development of leather products for, and supply of, leather products to Burberry. Consideration and other related payments for the acquisition are anticipated to be up to €26m, of which €15m will be paid on completion with the balance to be paid over the following three years, subject to achieved performance across a number of measures. The acquisition is expected to complete by the end of September 2018.