16 May 2019

Burberry Group plc

Preliminary results for the 52 weeks ended 30 March 2019

Strong progress in first year of transformation

"We made excellent progress in the first year of our plan to transform Burberry, while at the same time delivering financial performance in line with expectations. Riccardo Tisci's first collections arrived in stores at the end of February and the initial reaction from customers is very encouraging. The implementation of our plan is on track, we are energised by the early results and we confirm our outlook for FY 2020."
Marco Gobbetti, Chief Executive Officer

£ million **Period ended**	**30 March 2019**	**31 March 2018**	***% change reported FX***	***CER***
Revenue	2,720	2,733	**0**	**(1)**
Revenue ex. Beauty wholesale*	2,720	2,660	**2**	**2**
*Retail comparable store sales**	*2%*	*3%*		
Adjusted operating profit*	**438**	**467**	***(6)***	***0***
Adjusted operating profit margin	16.1%	17.1%		
Reported operating profit	**437**	**410**	***7***	
Adjusted Diluted EPS (pence)*	82.1	82.1	*0*	*7*
Diluted EPS (pence)	81.7	68.4	*19*	
Free cash flow	301	484		
Dividend (pence)	42.5	41.3	*3*	

**See page 12 for definitions of alternative performance measures*

- Successfully launched new creative vision including new product aesthetic
- Built brand heat and shifted consumer perceptions with improved social media reach, wider press coverage and organic endorsement from influencers
- Excellent wholesale sell-in of new collections including recent February runway
- Strong double-digit percentage growth year on year from Riccardo Tisci's first collections, consistent with our ambitions
- Financial performance in line with guidance; savings ahead of plan

Outlook

- Confirming guidance for broadly stable revenue and adjusted operating margin at CER in FY 2020
- As planned, we anticipate a more pronounced weighting of operating profit in H2 relative to H1 in FY 2020 than in the prior year**
- Increasing cumulative cost saving guidance to £135m in FY 2022
- Announcing share buyback of £150m

***Full outlook on page 8*

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

The following alternative performance measures are presented in this announcement: CER, adjusted profit 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 16 July 2019
- The AGM will be held on 17 July 2019

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

- Revenue (excluding Beauty wholesale) +2% CER, +2% reported
  - Comparable store sales +2%, wholesale ex beauty +7% at CER
- Total Revenue £2,720m, -1% CER and flat reported
- Adjusted operating profit £438m, flat CER, -6% reported
  - Gross margin down 100bps negatively impacted by FX and growing investment in product, whilst operating expenses benefited from incremental cost savings of £41m, ahead of plan
- Adjusted operating margin of 16.1% +10bps at CER, -100bps reported
- Reported operating profit £437m, +7% after adjusting charges of £1m (2018: £57m)
- Adjusted diluted EPS 82.1p, +7% CER, flat reported supported by an effective tax rate reduction of 200bp and 7m share repurchases. Reported diluted EPS 81.7p, +19% at reported
- Free cash flow of £301m (2018: £484m) with the prior year benefiting from very high cash conversion reflecting reduced inventory and a receivables inflow relating to the beauty business. Cash conversion in FY 2019 remained strong at 93%
- Net cash of £837m at 30 March 2019 after returning £321m cash to shareholders through a combination of dividends (£171m) and share buybacks (£150m)
- Full year dividend per share up 3% to 42.5p (2018: 41.3p), in line with progressive dividend policy

Summary income statement

Period ended £ million	30 March 2019	31 March 2018	*% change* *reported FX*	*CER*
Revenue	2,720	2,733	*0*	*(1)*
Cost of sales	(859)	(836)	*3*	
Gross profit	1,861	1,897	*(2)*	
Gross margin%	68.4%	69.4%		
Operating expenses*	(1,423)	(1,430)	*(1)*	
Opex as a % of sales	52.3%	52.3%		
Adjusted operating profit*	**438**	**467**	***(6)***	***0***
Adjusted operating margin	16.1%	17.1%		
Adjusting operating items	(1)	(57)		
Operating profit	**437**	**410**	*7*	
Net finance credit**	4	3		
Profit before taxation	**441**	**413**	*7*	
Taxation~	(102)	(119)		
Non-controlling interest	**-**	**-**		
Attributable profit	**339**	**294**		
Adjusted profit before taxation	443	471	*(6)*	*0*
Adjusted EPS (pence)*^	**82.1**	**82.1**	***0***	***7***
EPS (pence)^	**81.7**	**68.4**	***19***	
Weighted average number of ordinary shares (millions)^	415.1	429.4		

*Excludes adjusting items. For detail, see Appendix. ** Includes adjusting finance charge of £1m (2018: £2m). ~Includes adjusting tax charge of £nil (2018: £12m) ^EPS is presented on a diluted basis

BUSINESS AND FINANCIAL REVIEW

As previously announced, we are currently on a multi-year journey to transform and reposition Burberry. As we set out at the start, FY 2019 and FY 2020 are foundational years where we will re-energise the brand, rationalise and invest in our distribution and manage through the creative transition, after which we will accelerate and grow. In FY 2019, we achieved our first year financial, strategic and operational objectives.

During the year, we launched a new creative vision with a refreshed logo and monogram and a new product aesthetic, starting with Riccardo Tisci's debut runway collection *Kingdom*. We supported the launch with high-impact communications across key cities generating exceptional visibility and brought the new Burberry to millions of luxury consumers globally.

With digital central to our proposition and the way customers want to shop, we introduced the B-Series, a monthly drop of limited-edition products sold on social platforms, which won a prestigious Webby award. More recently, we partnered with Instagram on the launch of checkout, allowing customers to purchase products directly from the Burberry Instagram shop.

We also started to align our distribution network to our new creative vision. In retail, we focused on refreshing our flagship stores, with over 80 of our retail doors expected to be aligned by the end of FY 2020. To ensure we are focusing our resources on the most impactful locations, we will also be closing 38 smaller, non-strategic retail stores in secondary locations. We began this at the end of FY 2019 and will continue during FY 2020.

In wholesale, as guided, we stepped up our wholesale rationalisation in the second half of the year, phasing out non-luxury doors. Financially, this change will impact next year more significantly with the US closures expected to be largely completed by the end of FY 2020.

All these initiatives helped reignite brand heat and significantly shift consumer perceptions of Burberry. During the year, we added more than 3 million followers on our key social platforms and significantly increased our engagement on Instagram. We have received strong organic endorsement from some of the world's most followed celebrities and influential fashion icons, and we have seen a step-change in the response from fashion press.

The first deliveries of Riccardo Tisci's products arrived in stores at the end of February. Although it is currently a small portion of our offer, the initial reaction from customers has been very positive with sales of the new collections delivering strong double-digit percentage growth.

Alongside our brand transformation, we continued our focus on financial and operational discipline. We delivered cumulative cost savings of £105m, ahead of plan, which was largely reinvested into consumer facing activities to support the transformation. In addition, we expanded the scope of our restructuring programme to increase our target from £120m to £135m by the end of FY 2022 as we develop Burberry Business Services.

Finally, we made significant progress on our responsibility agenda to 2022, earning recognition as the leading luxury brand in the 2018 Dow Jones Sustainability Index. Key achievements included ending the practice of destroying unsaleable products, stopping the use of real fur and pledging to eliminate unnecessary plastics from our supply chain by 2025. We also joined the UN Fashion Industry Charter for Climate Action, whose goal is to reduce greenhouse gas (GHG) emissions across the industry by 30% by 2030, and we received approval for our Science Based Targets to reduce scope 1 and 2 GHG emissions by 95% from a 2016 base year, and scope 3 GHG emissions by 30% from a 2016 base-year, by 2030.

Financial performance
FY 2019 represented the apex of our creative transition. Riccardo's product only arrived in stores in the final weeks of the year, representing around 10-15% of the total assortment in March and we stepped up the rationalisation of our US non-luxury wholesale doors in the second half. Over the year, we managed our channels dynamically delivering revenue growth of 2% at CER (excluding the impact of Beauty wholesale) in line with guidance. Group adjusted operating profit was stable at CER, with profitability supported by the delivery of £105m cumulative cost savings, ahead of guidance.

Our free cash conversion remained strong at 93% but was lower year on year. In the prior year, free cash flow was unusually high benefiting from a reduction in inventory and a receivables inflow relating to the transfer of beauty to a licensed business model. These impacts did not repeat in the current year and we had an outflow from inventory reflecting the investment into product and our ongoing product transition.

Revenue analysis

Revenue by channel

Period ending £ million	30 March 2019	31 March 2018	*% change* *reported FX*	*CER*
Retail	2,186	2,177	*0*	*0**
Retail comparable store sales	*2%*	*3%*		
Wholesale ex Beauty	488	453	*8*	*7***
Licensing	46	30	*54*	*53*
Revenue ex Beauty wholesale	**2,720**	**2,660**	***2***	***2***
Beauty wholesale	0	73		
Group revenue	**2,720**	**2,733**	***0***	***(1)***

** Includes impact of space -1.2%, retail calendar -0.2% and IFRS 15 -0.1%*
***Includes impact of IFRS 15 -0.4%*

Retail

- Retail sales flat at CER, flat reported
- Comparable store sales 2% (H1: 3%; H2: 1%)
- Net impact of space on revenue -1% as guided

Comparable store sales by region:

- Asia Pacific: Low single digit percentage growth
  - Mainland China delivered low single digit percentage growth, with a stronger second half due to the shift of Chinese spending away from other Asian tourist locations
  - Hong Kong was broadly stable with softer trends in the second half
  - Korea increased low single digits benefiting from growth in local consumption as well as exceptional spending from travelling Chinese consumers in the first half of the year
  - Japan declined by a low single digit percentage impacted by softer tourist flows towards the end of the year

- EMEIA: Low single digit percentage growth
  - The UK delivered mid-single digit percentage growth, benefiting from improved tourist spending in the second half
  - Continental Europe grew low single digit and the Middle East declined, impacted by the macro-environment

- Americas: Low single digit percentage growth
  - The US grew by a low single digit percentage with the second half negatively impacted by softer local footfall trends
  - Tourist flows in the US remained subdued throughout the year

By product, mainline and digital customers responded positively to seasonal product and innovation, however, previous collections were softer year on year:

- Strong initial response to Riccardo-designed product arriving in stores from end of February with strong double digit percentage growth, consistent with our ambitions
- Full look merchandising initiative drove improvements in cross-selling, benefiting the performance of tops, skirts and trousers
- Customers responded positively to new bags as we continued to build out a fuller leather goods architecture. However, the overall category performance was impacted by softness in older lines

Store footprint:

- Continued to upgrade our retail distribution network, closing a net 18 stores (seven mainline, nine concessions and two outlets)
- Store openings included the relocation and expansion of our Dubai flagship and openings in Shin Kong Place, Xian (China)
- 14 of our retail stores aligned to our new aesthetic by the end of the period

Digital:

- Growth in digital driven by Asia, mobile and new third party relationships
- Innovated in social commerce including the B-Series, a monthly drop of limited edition product, and by partnering with Instagram on the launch of check-out in the US

Wholesale

- Wholesale revenue +7% excluding Beauty at CER, +8% reported, slightly ahead of our expectations due to timing of shipments:
  - Asia Pacific delivered exceptional growth supported by strong Chinese spending in travel retail
  - EMEIA grew mid-single digits with growth from luxury doors more than offsetting the closures of non-luxury doors
  - The Americas declined by a mid-single digit percentage impacted by our strategic rationalisation of non-luxury doors in the second half
- In October 2017, Beauty transitioned from a wholesale business to a licensed partnership with Coty. Including the impact of this change on our H1 2019 results, full year total wholesale revenue decreased by 8% at CER (down 7% reported)

Licensing

Licensing revenue of £46m, 53% at CER and 54% at reported, benefiting from Beauty transitioning from a wholesale to licensed business model. Excluding the impact of Beauty, licensing declined £3m due to the non-renewal of the watch licence with Fossil.

Operating profit analysis

Adjusted operating profit

Period ended £ million	30 March 2019	31 March 2018	*% change* *reported FX*	*CER*
Gross profit	1,861	1,897	*(2)*	
Gross margin%	68.4%	69.4%		
Operating expenses*	(1,423)	(1,430)	*(1)*	
Opex as a % of sales	52.3%	52.3%		
Adjusted operating profit*	**438**	**467**	***(6)***	***0***
Adjusted operating margin	16.1%	17.1%		

Adjusted operating profit was flat and margin increased by 10bps at CER.

- Gross margin was stable at CER with investments in design, product development and quality offset by favourable movements in inventory provisions, duty credits and Beauty transitioning to a licence model.
- Opex as a percentage of sales was also stable with an incremental £41m of cost savings (ahead of the planned £36m) offsetting continued inflationary pressures and strategic investments.

Including a £29m headwind from currency, adjusted operating profit declined 6% at reported rates and margin fell 100bps.

After a net finance credit of £5m, adjusted profit before tax was £443m stable at CER and down 6% at reported rates.

Adjusting items*

Adjusting items amounted to a £2m charge (2018: £59m charge) with £1m adjusting operating items and £1m adjusting finance items.

The most significant item was restructuring costs of £12m. This was partly offset by a £7m income relating to the reversal of provisions taken in relation to the disposal of the beauty business and £4m income relating to revaluation of Burberry Middle East deferred consideration.

* For detail on adjusting items see Appendix and notes 7 and 8 of the Financial Statements

After taking account of adjusting items, reported profit before tax increased by 7% to £441m.

Taxation

The effective tax rate on adjusted profit in FY 2019 reduced 200bps to 23.1% (2018: 25.1%) reflecting a change in the geographic mix of profits and a lower US tax rate. This was largely in line with the effective tax rate on reported profit of 23.0%* (2018: 28.8%). The total tax charge was £102m (2018: £119m).

*For detail see note 10 of the Financial Statements

Cash flow

Free cash flow generated in FY 2019 was £301m and cash conversion remained strong at 93% (2018: 128%). In the prior year, free cash flow was unusually high (£484m), benefiting from an inventory reduction and a receivables inflow relating to the transfer of our beauty business to a licensed business model. These impacts did not repeat in the current year with the key flows reflecting the following:

- Inventory up 10% at CER resulting in a £59m outflow predominantly reflecting our investment into product quality, our on-going product transition and higher raw materials due to the Burberry Manifattura acquisition
- Trade and other receivables resulting in a £55m outflow predominantly reflecting non-trade related factors such as taxes and prepayments
- Trade and other payables resulting in a £55m inflow relating to higher accruals and the timing of payments
- Capital expenditure of £110m (2018: £106m), below original guidance due to the timing of payments between FY 2019 and FY 2020
- Tax paid of £111m (2018: £118m)

Net cash at 30 March 2019 was £837m (2018: £892m) with £321m returned to shareholders (dividends of £171m and share buyback of £150m). Lease adjusted net debt at 30 March 2019 was £409m (2018: £327m).

Outlook

As we set out in November 2017, FY 2020 represents the final year of our foundational period. As planned, during the year, we will focus on managing through our creative transition and continuing to align our distribution network to our new vision. We started these activities in FY 2019, but they will step up in FY 2020.

We confirm our financial guidance for broadly stable revenue and adjusted operating margin at CER in FY 2020* including cumulative cost savings of £120m. We are raising our cumulative cost saving guidance to £135m by FY 2022.

As planned, we anticipate a more pronounced weighting of operating profit in H2 2020 relative to H1 than in the prior year. This results in a decline in H1 2020 at CER largely due to the strong comparator in the prior year. We expect growth to be re-established in H2 as Riccardo's collections build through the year.

**For detailed FY 2020 guidance see Appendix*

APPENDIX

Restructuring programme

- As part of our restructuring programme, we plan to complete the rationalisation of non-strategic retail stores in secondary locations by the end of FY 2020
  - We expect this to impact retail sales by -1% in FY 2020* and an additional -1% in FY 2021 and to reduce opex by £10m in FY 2020 and an additional £15m in FY 2021. These opex reductions are operating profit neutral due to loss of revenue and gross profit
- The associated one-off costs for the restructuring programme remain at our previous guidance of £110m, but £22m of this will now be incurred by the end of FY 2021
- The restructuring programme completes at the end of FY 2022 including the delivery of £135m cost savings

£m	Previous guidance (Nov 2018)	Revised guidance	Cumulative delivered at FY 2019	Incremental expected in FY 2020	Incremental expected in FY 2021-22
Total cost savings	120	135**	105	15	15
Total restructuring costs	110	110	88	16	6

* In FY 2020, in total, there is no expected impact from net space on our retail revenue with the headwind from non-strategic store rationalisations offset by strategic store openings
**Excludes a further £25m of opex savings from the rationalisation of non-strategic stores (operating profit neutral)

Adjusting items*		
Period ending £ million	30 March 2019	31 March 2018
Restructuring costs	(12)	(54)
Disposal of beauty business	7	-
Goodwill impairment	-	(7)
BME deferred consideration income	4	4
Adjusting operating items	**(1)**	**(57)**
Adjusting financing items	(1)	(2)
Adjusting items	**(2)**	**(59)**

* For additional detail on adjusting items see notes 7 and 8 of the Financial Statements

Restructuring costs: Restructuring costs of £12m related to both our cost and efficiency programme and our non-strategic store rationalisation.

Disposal of Beauty business: The income of £7m reflects the reassessment of the provisions relating to both beauty contract terminations and beauty trade receivables.

Goodwill impairment: The goodwill impairment charge in the prior year relates to our Saudi Arabian business due to challenging macroeconomic conditions. There was no charge in the current year.

Burberry Middle East (BME) deferred consideration: The £4m income reflects the revaluation of the deferred consideration balance.

Adjusting finance charge: The £1m charge relates to the discount unwind on the deferred consideration for the BME transaction.

Detailed guidance for FY 2020*

Item	Financial impact
Revenue	We expect revenue to be broadly stable at CER
Retail revenues	No expected impact from net space on our retail revenue with the headwind from non-strategic store rationalisation programme offset by strategic store openings • H1 2020 -1% • H2 2020 +1%
Wholesale revenues	Reduce by a mid-single digit percentage reflecting the strength from luxury doors partly offsetting non-luxury door closures
Gross margin	FY down around 100bps reflecting investment into product with a more pronounced impact in H1 2020
Cost savings	Cost savings will reach a cumulative £120m, an incremental £15m from the prior year
Operating margin	We expect operating margin to be broadly stable at CER
Tax	We anticipate a further c100bps reduction to around 22% in FY 2020
Currency	At 30 April spot rates**, the expected impact of year-on-year exchange rate movements on reported adjusted operating profit is a £7m headwind. The headwind to revenue is expected to be c.£20m
Restructuring costs	£16m (including the non-strategic store rationalisation)
Capital expenditure	£200m with the incremental spend predominantly reflecting new store openings and our store refurbishment programme
Share buyback	£150m

Currency sensitivity: In FY 2019, a +/-5% move in sterling would have resulted in a -/+£45-50m impact on the adjusted operating profit of £438m

IFRS 16: We will adopt new lease standard IFRS 16 in FY 2020. This will materially impact the group's balance sheet and income statement~:

- Income statement: we anticipate profit before tax will be £10m-£30m lower than under current accounting standards. This arises as lease interest expense is front end loaded under IFRS 16 compared with rent expense being recognised over a straight line under current standards
- Balance sheet: we anticipate the recognition of a lease liability of around £1.0bn-£1.2bn and right of use asset of around £1.0bn-£1.2bn
- Cash flow: There will be no impact on net cash flow
- Lease adjusted debt: For the purposes of the assessment of our net debt ratio, we intend to refine our current measure of lease adjusted net debt following adoption of the new standard. We will provide a further update at H1

*Guidance assumes constant exchange rates, a stable economic environment and current tax legislation. It excludes the impact of the adoption of IFRS 16 and the UK's possible withdrawal from the EU without an agreement. In the event of the UK withdrawing from the European Union without an agreement, there is likely to be a material but manageable operational and financial impact on Burberry's business. We continue to prepare mitigating actions to limit the operational and financial impact in the short term.

**see Exchange rates in Appendix

~ For more detail relating to IFRS 16 see note 1 of the Financial Statements

Retail/wholesale revenue by destination*				
			% change	
Period ending £ million	30 March 2019	31 March 2018	*reported FX*	*CER*
Asia Pacific (c.90% retail)	1,104	1,081	*2*	*2*
EMEIA (75% retail)	958	938	*2*	*2*
Americas (80% retail)	612	611	*0*	*0*
Total excluding Beauty wholesale	**2,674**	**2,630**	***2***	***2***
Beauty wholesale	0	73		
	2,674	2,703	*(1)*	*(1)*

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

Retail/wholesale revenue by product division*				
			% change	
£ million Period ending	30 March 2019	31 March 2018	*reported FX*	*CER*
Accessories	1,013	1,046	*(3)*	*(3)*
Womens	837	808	*4*	*3*
Mens	698	647	*8*	*8*
Childrens	120	117	*3*	*2*
Beauty	6	12	*(43)*	*(44)*
Total excluding Beauty wholesale	**2,674**	**2,630**	***2***	***2***
Beauty wholesale	0	73		
	2,674	2,703	*(1)*	*(1)*

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

			% change	
Period ending £ million	30 March 2019	31 March 2018	*reported FX*	*CER*
Retail/wholesale	396	441	*(10)*	*(4)*
Licensing	42	26	*64*	*61*
Adjusted operating profit	**438**	**467**	***(6)***	***0***
Adjusted operating margin	*16.1%*	*17.1%*		

Store portfolio*	Directly-operated stores				
	Stores	Concessions	Outlets	Total	*Franchise stores*
At 31 March 2018	240	155	54	449	*46*
Additions	11	5	1	17	-
Closures	(18)	(14)	(3)	(35)	*(2)*
At 30 March 2019	233	146	52	431	*44*

*Excludes the impact of pop up stores

Store portfolio by region*	Directly-operated stores				
At 30 March 2019	Stores	Concessions	Outlets	Total	*Franchise stores*
Asia Pacific	95	85	14	194	*6*
EMEIA	67	54	21	142	*38*
Americas	71	7	17	95	-
Total	233	146	52	431	*44*

*Excludes the impact of pop up stores

Exchange rates			
	Spot rates	Average exchange rates	
£1=	30 April 2019	FY 2019	FY 2018
Euro	1.16	1.13	1.13
US Dollar	1.30	1.31	1.33
Chinese Yuan Renminbi	8.78	8.82	8.79
Hong Kong Dollar	10.23	10.26	10.37
Korean Won	1,520	1,460	1,473

Alternative performance measures

Alternative performance measures (APMs) are non-GAAP measures. The Board uses the following APMs to describe the Group's financial performance and for internal budgeting, performance monitoring, management remuneration target setting and for external reporting purposes.

APM	Description and purpose	GAAP measure reconciled to
Constant Exchange Rates (CER)	This measure removes the effect of changes in exchange rates compared to the prior period. It incorporates 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.	*Results at reported rates*
Comparable sales	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. This measure is used to strip out the impact of store openings and closings, allowing a comparison of equivalent store performance against the prior period.	*Retail Revenue:* Period ended YoY% — 30 March 2019 — 31 March 2018 Comparable sales — 2% — 3% Change in space — (1%) — 0% IFRS 15/Retail Calendar — 0% — 0% FX — (1%) — (1%) Retail revenue — **0%** — 2%
Revenue excluding beauty wholesale	Revenue excluding beauty wholesale is presented to exclude beauty wholesale from total revenue. This provides an equivalent measure of revenue against the prior period, following the disposal of the beauty business in October 2017.	*Total Revenue:* Period ended £m — 30 March 2019 — 31 March 2018 Revenue excluding beauty wholesale — 2,720 — 2,660 Beauty wholesale — 0 — 73 Total Revenue — 2,720 — 2,733
Adjusted Profit	Adjusted profit measures are presented to provide additional consideration of the underlying performance of the Group's ongoing business. These measures remove the impact of those items which should be excluded to provide a consistent and comparable view of performance.	*Reported Profit:* A reconciliation of reported profit before tax to adjusted profit before tax is included in the income statement on page 13. The Group's accounting policy for adjusted profit before tax is set out in note 3 to the financial statements.
Free Cash Flow	Free cash flow is defined as net cash generated from operating activities less capital expenditure plus cash inflows from disposal of fixed assets and excluding the net one-off operating cash inflow for deferred income relating to the beauty licence.	*Net cash generated from operating activities:* Period ended £m — 30 March 2019 — 31 March 2018 Net cash generated from operating activities — 411 — 678 Capital expenditure — (110) — (106) One-off cash inflow for beauty licence — - — (88) Free cash flow — 301 — 484
Cash Conversion	Cash conversion is defined as free cash flow pre tax/adjusted profit before tax. It provides a measure of the Group's effectiveness in converting its profit into cash.	Period ended £m — 30 March 2019 — 31 March 2018 Cash conversion — 93% — 128%
Lease Adjusted Net Debt	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 the Group's net debt, including operating lease debt which is currently off balance sheet.	*Net cash:* Period ended £m — 30 March 2019 — 31 March 2018 Net cash — 837 — 892 Operating lease debt — (1,246) — (1,219) Lease adjusted net debt — (409) — (327)

GROUP INCOME STATEMENT

	Note	52 weeks to 30 March 2019 £m	Year to 31 March 2018 £m
Revenue	4	**2,720.2**	2,732.8
Cost of sales		**(859.4)**	(835.4)
Gross profit		**1,860.8**	1,897.4
Net operating expenses	5	**(1,423.6)**	(1,487.1)
Operating profit		**437.2**	410.3
Financing			
Finance income		**8.7**	7.8
Finance expense		**(3.6)**	(3.5)
Other financing charge		**(1.7)**	(2.0)
Net finance income	9	**3.4**	2.3
Profit before taxation	6	**440.6**	412.6
Taxation	10	**(101.5)**	(119.0)
Profit for the year		**339.1**	293.6
Attributable to:			
Owners of the Company		**339.3**	293.5
Non-controlling interest		**(0.2)**	0.1
Profit for the year		**339.1**	293.6
Earnings per share			
Basic	11	**82.3p**	68.9p
Diluted	11	**81.7p**	68.4p
		£m	£m
Reconciliation of adjusted profit before taxation:			
Profit before taxation		**440.6**	412.6
Adjusting items:			
Adjusting operating items	6	**0.9**	56.3
Adjusting financing items	6	**1.7**	2.0
Adjusted profit before taxation – non-GAAP measure		**443.2**	470.9
Adjusted earnings per share – non-GAAP measure			
Basic	11	**82.7p**	82.8p
Diluted	11	**82.1p**	82.1p
Dividends per share			
Interim	12	**11.0p**	11.0p
Proposed final (not recognised as a liability at 30 March/31 March)	12	**31.5p**	30.3p

GROUP STATEMENT OF COMPREHENSIVE INCOME

	Note	**52 weeks to 30 March 2019 £m**	Year to 31 March 2018 £m
Profit for the year		**339.1**	293.6
Other comprehensive income[1]:			
Cash flow hedges	21	**(2.1)**	(10.0)
Net investment hedges	21	**1.6**	2.3
Foreign currency translation differences		**14.6**	(50.2)
Tax on other comprehensive income:			
Cash flow hedges	10	**0.4**	1.9
Net investment hedges	10	**(0.2)**	(0.4)
Foreign currency translation differences	10	**(1.3)**	3.6
Other comprehensive income for the year, net of tax		**13.0**	(52.8)
Total comprehensive income for the year		**352.1**	240.8
Total comprehensive income attributable to:			
Owners of the Company		**352.0**	241.2
Non-controlling interest		**0.1**	(0.4)
		352.1	240.8

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 30 March 2019 £m	As at 31 March 2018 £m
ASSETS			
Non-current assets			
Intangible assets	13	**221.0**	180.1
Property, plant and equipment	14	**306.9**	313.6
Investment properties		**2.5**	2.6
Deferred tax assets		**123.1**	115.5
Trade and other receivables	15	**70.1**	69.2
Derivative financial assets		**–**	0.3
		723.6	681.3
Current assets			
Inventories	16	**465.1**	411.8
Trade and other receivables	15	**251.1**	206.3
Derivative financial assets		**3.0**	1.6
Income tax receivables		**14.9**	6.7
Cash and cash equivalents	17	**874.5**	915.3
		1,608.6	1,541.7
Total assets		**2,332.2**	2,223.0
LIABILITIES			
Non-current liabilities			
Trade and other payables	18	**(176.5)**	(168.1)
Deferred tax liabilities		**(3.4)**	(4.2)
Derivative financial liabilities		**(0.1)**	(0.1)
Retirement benefit obligations		**(1.4)**	(0.9)
Provisions for other liabilities and charges	19	**(50.7)**	(71.4)
		(232.1)	(244.7)
Current liabilities			
Bank overdrafts	20	**(37.2)**	(23.2)
Derivative financial liabilities		**(5.5)**	(3.8)
Trade and other payables	18	**(525.7)**	(460.9)
Provisions for other liabilities and charges	19	**(34.6)**	(32.1)
Income tax liabilities		**(37.1)**	(32.9)
		(640.1)	(552.9)
Total liabilities		**(872.2)**	(797.6)
Net assets		**1,460.0**	1,425.4
EQUITY			
Capital and reserves attributable to owners of the Company			
Ordinary share capital	21	**0.2**	0.2
Share premium account		**216.9**	214.6
Capital reserve	21	**41.1**	41.1
Hedging reserve	21	**3.5**	3.8
Foreign currency translation reserve	21	**227.7**	214.7
Retained earnings		**965.6**	946.1
Equity attributable to owners of the Company		**1,455.0**	1,420.5
Non-controlling interest in equity		**5.0**	4.9
Total equity		**1,460.0**	1,425.4

GROUP STATEMENT OF CHANGES IN EQUITY

		Attributable to 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 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**
Adjustment on initial application of IFRS 9		–	–	–	(0.2)	(0.2)	–	(0.2)
Adjusted balance as at 1 April 2018		**0.2**	**214.6**	**259.6**	**945.9**	**1,420.3**	**4.9**	**1,425.2**
Profit for the year		–	–	–	339.3	339.3	(0.2)	339.1
Other comprehensive income:								
Cash flow hedges	21	–	–	(2.1)	–	(2.1)	–	(2.1)
Net investment hedges	21	–	–	1.6	–	1.6	–	1.6
Foreign currency translation differences	21	–	–	14.3	–	14.3	0.3	14.6
Tax on other comprehensive income	21	–	–	(1.1)	–	(1.1)	–	(1.1)
Total comprehensive income for the year		–	–	**12.7**	**339.3**	**352.0**	**0.1**	**352.1**
Transactions with owners:								
Employee share incentive schemes								
Value of share options granted		–	–	–	15.7	15.7	–	15.7
Value of share options transferred to liabilities		–	–	–	(2.5)	(2.5)	–	(2.5)
Tax on share options granted		–	–	–	1.8	1.8	–	1.8
Exercise of share options		–	2.3	–	–	2.3	–	2.3
Purchase of own shares								
Share buy-back		–	–	–	(150.7)	(150.7)	–	(150.7)
Held by ESOP trusts		–	–	–	(12.8)	(12.8)	–	(12.8)
Dividends paid in the year		–	–	–	(171.1)	(171.1)	–	(171.1)
Balance as at 30 March 2019		**0.2**	**216.9**	**272.3**	**965.6**	**1,455.0**	**5.0**	**1,460.0**

GROUP STATEMENT OF CASH FLOWS

	Note	**52 weeks to 30 March 2019 £m**	Year to 31 March 2018 £m
Cash flows from operating activities			
Operating profit		**437.2**	410.3
Depreciation	14	**87.2**	105.8
Amortisation	13	**28.6**	25.5
Net impairment of intangible assets	13	**3.9**	6.5
Net impairment of property, plant and equipment	14	**7.9**	10.7
Loss on disposal of property, plant and equipment and intangible assets		**1.2**	2.7
Gain on disposal of Beauty operations	7	**(6.9)**	(5.2)
Gain on derivative instruments		**(2.4)**	(3.5)
Charge in respect of employee share incentive schemes		**15.7**	17.1
Receipt from settlement of equity swap contracts		**2.5**	0.5
(Increase) / decrease in inventories		**(59.3)**	37.2
(Increase) / decrease in receivables		**(54.6)**	68.1
Increase in payables and provisions		**54.9**	115.5
Cash generated from operating activities		**515.9**	791.2
Interest received		**8.1**	7.2
Interest paid		**(1.8)**	(1.6)
Taxation paid		**(110.8)**	(118.4)
Net cash generated from operating activities		**411.4**	678.4
Cash flows from investing activities			
Purchase of property, plant and equipment		**(62.6)**	(57.5)
Purchase of intangible assets		**(48.0)**	(48.5)
Proceeds from disposal of Beauty operations, net of cash costs paid	7	**0.6**	61.1
Acquisition of subsidiary	23	**(14.5)**	–
Net cash outflow from investing activities		**(124.5)**	(44.9)
Cash flows from financing activities			
Dividends paid in the year	12	**(171.1)**	(169.4)
Payment to non-controlling interest	18	**(11.1)**	(3.0)
Issue of ordinary share capital		**2.3**	3.2
Purchase of own shares through share buy-back	21	**(150.7)**	(355.0)
Purchase of own shares by ESOP trusts		**(12.8)**	(11.9)
Net cash outflow from financing activities		**(343.4)**	(536.1)
Net (decrease) / increase in cash and cash equivalents		**(56.5)**	97.4
Effect of exchange rate changes		**1.7**	(14.5)
Cash and cash equivalents at beginning of year		**892.1**	809.2
Cash and cash equivalents at end of year		**837.3**	892.1

	Note	**As at 30 March 2019 £m**	As at 31 March 2018 £m
Cash and cash equivalents as per the Balance Sheet	17	**874.5**	915.3
Bank overdrafts	20	**(37.2)**	(23.2)
Net cash		**837.3**	892.1

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 to 31 March 2018 have been filed with the Registrar of Companies, and those for 2019 will be delivered in due course. The reports of the auditors on those statutory accounts for the year to 31 March 2018 and 30 March 2019 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 to 31 March 2018, with the exception of the following:

Accounting reference date

On 1 April 2018, a new policy was adopted for the accounting reference date, in line with guidance under the Companies Act 2006 Section 390. Previously, the accounting reference date was 31 March each year. From 1 April 2018 onwards, the accounting reference date will be a Saturday within 7 days of 31 March. For the current year, the accounting reference date is 30 March 2019 for the full year. Comparative information for the year ended 31 March 2018 has not been restated. Had the new policy not been adopted, the impact on the results for the current year would be to increase revenue by £6.8m and increase operating profit by £0.9m.

New Standards adopted in the period

The following standards were adopted for the first time in the financial statements for the 52 weeks to 30 March 2019:

IFRS 9 Financial Instruments

The Group adopted IFRS 9 Financial Instruments, for the period commencing 1 April 2018, with the exception of the hedge accounting element which will be adopted when the IFRS 9 Macro hedging is endorsed by the European Union. Until this time the Group will continue to hedge account under IAS 39 Financial Instruments: Recognition and Measurement.

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 replaces the guidance in IAS 39 Financial instruments: Recognition and measurement.

The key changes to the Group's accounting policies resulting from the adoption of IFRS 9 are summarised below:

- The standard simplifies the mixed measurement model contained in IAS 39 and establishes three primary measurement categories for financial assets: amortised cost; fair value through Other Comprehensive Income (OCI); and fair value through profit and loss. The classification of financial assets is based on the business model in which the asset is managed and its contracted cash flow characteristics. The application of the new standard has resulted in a change in classification of some financial instruments to reflect the new measurement categories. The most significant impact for the Group is that cash equivalents held in money market funds will be classified as fair value through profit and loss whereas they were previously measured at amortised cost. However, as the Group only invests in low volatility funds, this change in measurement basis has not had any impact on the book value of cash equivalents. The impact of this change relating to cash and cash equivalents is set out in note 17.
- There are no other classification impacts other than the description applied to financial instruments. The Group's classification and measurement of financial instruments under IFRS 9 and IAS 39 is set out on page 19.
- IFRS 9 introduces a forward-looking impairment model based on expected credit losses on financial assets. This has had a minor effect on the measurement of the Group's bad debt provisions, as credit losses are recognised earlier than under IAS 39.
- There are also revised disclosure requirements for financial instruments. Comparative information has not been restated.

The Group has adopted IFRS 9 with the exception of the hedge accounting element which remains in accordance with IAS 39.

The determination of the business model within which a financial asset is held has been made on the basis of the facts and circumstances that existed on 1 April 2018.

Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings as at 1 April 2018.

The impact, net of tax, of the transition to IFRS 9 on financial assets and retained earnings as at 1 April 2018 was to decrease retained earnings by £0.2m, decrease current trade and other receivables by £0.3m and to decrease current tax liabilities by £0.1m. This IFRS 9 adoption adjustment relates to the different approach to measuring impairment of receivables under IFRS 9 compared to IAS 39. Refer to the Group Statement of Changes in Equity on page 16.

1. BASIS OF PREPARATION (CONTINUED)
New Standards adopted in the period (continued)
IFRS 9 Financial Instruments (continued)
The adoption of IFRS 9 has had the following impact on Group's financial instrument categorisation:

Financial instrument category	Note	Classification under IAS 39	Measurement under IAS 39	Classification under IFRS 9	Measurement under IFRS 9	Fair value measurement hierarchy[2]
Cash and cash equivalents	17	Loans and receivables	Amortised cost	Amortised Cost	Amortised cost	N/A
Cash and cash equivalents	17	Loans and receivables	Amortised cost	Fair value through profit and loss	Fair value through profit and loss	2
Trade and other receivables	15	Loans and receivables	Amortised cost	Amortised Cost	Amortised cost	N/A
Trade and other payables	18	Other financial liabilities	Amortised cost	Other financial liabilities	Amortised cost	N/A
Borrowings	20	Other financial liabilities	Amortised cost	Other financial liabilities	Amortised cost	N/A
Deferred consideration	18	Other financial liabilities	Fair value through profit and loss	Fair value through profit and loss	Fair value through profit and loss	3
Forward foreign exchange contracts		Derivative instrument	Fair value through profit and loss	Fair value through profit and loss	Fair value through profit and loss	2
Forward foreign exchange contracts used for hedging[1]		Derivative instrument	Fair value – hedging instrument	Fair value – hedging instrument	Fair value – hedging instrument[3]	2
Equity swap contracts		Derivative instrument	Fair value through profit and loss	Fair value through profit and loss	Fair value through profit and loss	2

1. Cash flow hedge and net investment hedge accounting is applied to the extent it is achievable.
2. The fair value measurement hierarchy is only applicable for financial instruments measured at fair value.
3. Forward foreign exchange contracts used for hedging are classified as Fair value – hedging instruments under IFRS 9, however they are measured under IAS 39 for hedge accounting purposes.

There is no impact on the carrying value of financial instruments for the change in categorisation. With the exception of the change in the Group's financial instrument categorisation, there have been no other significant changes in the accounting policy for financial instruments. The previous policy for financial instruments is set out in note 2q of the Group's financial statements for the year to 31 March 2018.

IFRS 15 Revenue from Contracts with Customers
The Group adopted IFRS 15 Revenue from Contracts with Customers, for the period commencing 1 April 2018. This standard addresses the way that revenue derived from contracts with customers is recognised in the financial statements. It replaces IAS 18 Revenue and IAS 11 Construction Contracts.

The Group has adopted IFRS 15 using the modified retrospective approach. The impact of adoption is not material and as such no adjustment has been recognised in opening reserves at 1 April 2018.

The principal impacts of adopting IFRS 15 on the Group's financial statements are as follows:

- Revenue derived from digital retail sales is recognised when the goods are delivered to the customer. Under IAS 18, revenue was previously recognised when the goods were dispatched to the customer. The impact of this change on the current year results is a reduction in revenue of £1.4m for the 52 weeks to 30 March 2019 and a corresponding increase in contract liabilities of £1.4m as at 30 March 2019.
- Payments made to customers for services they provide, directly relating to sales to that customer, are recognised as a reduction in revenue, unless in exchange for a distinct good or service. These payments were previously recognised as operating expenses under IAS 18. The impact on the income statement, for the 52 weeks to 30 March 2019, is to reclassify charges of £1.8m from operating expenses to revenue.
- Amounts received from customers relating to performance obligations not yet completed are classified as contract liabilities. These amounts were previously classified as deferred income under IAS 18. Contract liabilities are disclosed in note 18 for the current reporting period. The primary statements are not impacted by this change in classification.

1. BASIS OF PREPARATION (CONTINUED)

New Standards adopted in the period (continued)

IFRS 15 Revenue from Contracts with Customers (continued)

The Group's new accounting policy for revenue, together with the previous policy, are set out below.

Revenue

The Group obtains revenue from contracts with customers relating to sales of luxury goods to retail and wholesale customers. The Group also obtains revenue through licences issued to third parties to produce and sell goods carrying Burberry trademarks. Revenue is stated excluding Value Added Tax and other sales related taxes.

Retail and wholesale revenue

For retail and wholesale revenue, the primary performance obligation is the transfer of luxury goods to the customer. For retail revenue this is considered to occur when control of the goods passes to the customer. For in store retail revenue control transfers when the customer takes possession of the goods in store and pays for the goods. For digital retail revenue, control is considered to transfer when the goods are delivered to the customer. The timing of transfer of control of the goods in wholesale transactions depends upon the terms of trade in the contract. Principally for wholesale revenue, revenue is recognised either when goods are collected by the customer from the Group's premises, or when the Group has delivered the goods to the location specified in the contract. Provision for returns and other allowances are reflected in revenue when revenue from the customer is first recognised. Returns are initially estimated based on historical levels and adjusted subsequently as returns are incurred.

Some wholesale contracts may require the Group to make payments to the wholesale customer, for services directly relating to the sale of the Group's goods, such as the cost of staff handling the Group's goods at the wholesaler. Payments to the customer directly relating to the sale of goods to the customer are recognised as a reduction in revenue, unless in exchange for a distinct good or service. These charges are recognised in revenue at the later of when the sale of the related goods to the customer is recognised or when the customer is paid, or promised to be paid, for the service. Payments to the customer relating to a service which is distinct from the sale of goods to the customer are recognised in operating costs.

The Group sells gift cards and similar products to customers, which can be redeemed for goods, up to the value of the card, at a future date. Revenue relating to gift cards is recognised when the card is redeemed, up to the value of the redemption. Unredeemed amounts on gift cards are classified as contract liabilities. Typically, the Group does not expect to have significant unredeemed amounts arising on its gift cards.

Licensing revenue

The Group's licences entitle the licensee to access the Group's trademarks over the term of the licence. Hence revenue from licensing is recognised over the term of access to the licence. Royalties payable under licence agreements are usually based on production or sales volumes and are accrued in revenue as the subsequent production or sale occurs. Any amounts received which have not been recognised in revenue are classified as contract liabilities.

Revenue accounting policy applied in the comparative period

Revenue, which is stated excluding Value Added Tax and other sales related taxes, is the amount receivable for goods supplied (less returns, trade discounts and allowances) and royalties receivable.

Retail sales, returns and allowances are reflected at the dates of transactions with customers. Wholesale sales are recognised when the significant risks and rewards of ownership have transferred to the customer, with provisions made for expected returns and allowances. Provisions for returns on retail and wholesale sales are calculated based on historical return levels. Royalties receivable from licensees are accrued as earned on the basis of the terms of the relevant royalty agreement, which is typically on the basis of sales or production volumes.

Standards not yet adopted

As at 30 March 2019, the following new and revised standards, amendments and interpretations, which may be relevant to the Group's results, were issued but not yet effective:

IFRS 16 Leases

IFRS 16 will be effective in the Group's financial statements for the year end 28 March 2020 and thereafter. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. It replaces IAS 17 Leases and IFRIC 4 Determining whether an arrangement contains a lease. The most significant changes are in relation to lessee accounting. Under the new standard, the concept of assessing a lease contract as either operating or financing is replaced by a single lessee accounting model. Under this new model, substantially all lease contracts will result in a lessee acquiring a right-of-use asset (ROU asset) and creating a corresponding lease liability. The asset will be depreciated over the term of the lease and the interest on the financing liability will be charged over the same period.

1. BASIS OF PREPARATION (CONTINUED)
Standards not yet adopted (continued)
IFRS 16 Leases (continued)
Adopting this new standard will result in a material change to way the Group's Balance Sheet is reported, with ROU assets and accompanying financing liabilities for the Group's retail stores, warehouses and offices being recognised. The Income Statement will also be impacted, with rent expense relating to operating leases being replaced by a depreciation charge arising from the ROU assets and interest charges arising from lease financing. In the Statement of Cash Flows, lease payments, currently included in Cash Generated from Operating Activities, will be replaced by lease interest payments, while payments of lease principal will be included in Cash from Financing Activities. However, the adoption of IFRS 16 will not impact the Group's net cash flow.

The Group has elected to apply the modified retrospective approach to adoption of IFRS 16. Under this approach, the Group has opted to measure the initial ROU assets at an amount equal to the lease liabilities on the date of adoption. The lease liabilities will be measured as the present value of future lease payments. The ROU assets will be adjusted to take account of any prepaid lease payments and incentives relating to the relevant leases that were recorded on the balance sheet at 30 March 2019.

The Group has made the following additional implementation options:

- The Group will not reassess the determination of leases previously identified as leases under IAS 17 and IFRIC 4.
- The Group intends to exclude initial direct costs from the measurement of ROU assets at the adoption date.

The Group has carried out a review of existing leases and other contractual arrangements to identify any lease arrangements that would need to be recognised under IFRS 16. As a result of this review, based on the current assessment of significant judgements regarding lease term, and subject to the finalisation of the activity, the impact of adopting IFRS 16 is anticipated to be as set out below:

- Recognition of lease liabilities of approximately £1.0bn - 1.2bn. This compares to undiscounted lease off balance sheet commitments reported under IAS 17 of £0.9bn. The additional liabilities compared to commitments, having taken account of discounting in the measurement of lease liabilities, relates to amounts payable to the end of the lease term where the lease term under IFRS 16 is in excess of the minimum contractual commitment. The lease liabilities are measured using discount rates in the range of 1% to 9%.
- Recognition of ROU assets of approximately £1.0bn - £1.2bn, taking into account lease prepayments and incentives reported on the balance sheet at 30 March 2019.
- Replacement of minimum lease payments for operating leases with lease interest expense and depreciation of the ROU asset. Minimum lease payments for operating leases in the year to 30 March 2019 are £243m (see note 6). It is anticipated that Profit Before Tax will be approximately £10m - £30m lower than under current accounting standards.

IFRIC 23
IFRIC 23 guidance clarifies the accounting for uncertainties in tax positions. Groups are required to use judgement to determine whether each tax treatment should be considered independently or whether some should be considered in combination. IFRIC 23 is effective for annual periods beginning on or after 1 January 2019. The adoption of IFRIC 23 is not expected to have a significant impact on the net assets of the Group on adoption.

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	
	52 weeks to 30 March 2019	Year to 31 March 2018	**As at 30 March 2019**	As at 31 March 2018
Euro	**1.13**	1.13	**1.16**	1.14
US Dollar	**1.31**	1.33	**1.30**	1.40
Chinese Yuan Renminbi	**8.82**	8.79	**8.75**	8.83
Hong Kong Dollar	**10.26**	10.37	**10.20**	11.01
Korean Won	**1,460**	1,473	**1,478**	1,489

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 Europe and the USA.

Licensing revenues are generated through the receipt of royalties from global licensees of beauty products, eyewear and from licences relating to the use of non-Burberry trademarks in Japan.

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.

4. SEGMENTAL ANALYSIS (CONTINUED)

	Retail/Wholesale		Licensing		Total	
	52 weeks to 30 March 2019 £m	Year to 31 March 2018 £m	**52 weeks to 30 March 2019 £m**	Year to 31 March 2018 £m	**52 weeks to 30 March 2019 £m**	Year to 31 March 2018 £m
Retail	**2,185.8**	2,176.3	**–**	–	**2,185.8**	2,176.3
Wholesale	**487.9**	526.4	**–**	–	**487.9**	526.4
Licensing	**–**	–	**48.3**	31.9	**48.3**	31.9
Total segment revenue	**2,673.7**	2,702.7	**48.3**	31.9	**2,722.0**	2,734.6
Inter-segment revenue[1]	**–**	–	**(1.8)**	(1.8)	**(1.8)**	(1.8)
Revenue from external customers	**2,673.7**	2,702.7	**46.5**	30.1	**2,720.2**	2,732.8
Depreciation and amortisation[2]	**115.8**	124.0	**–**	–	**115.8**	124.0
Net impairment of intangible assets[3]	**3.9**	–	**–**	–	**3.9**	–
Net impairment of property, plant and equipment[4]	**7.5**	10.7	**–**	–	**7.5**	10.7
Other non-cash items:						
Share-based payments	**15.7**	17.1	**–**	–	**15.7**	17.1
Adjusted operating profit	**395.7**	440.7	**42.4**	25.9	**438.1**	466.6
Adjusting items[5]					**(2.6)**	(58.3)
Finance income					**8.7**	7.8
Finance expense					**(3.6)**	(3.5)
Profit before taxation					**440.6**	412.6

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. Depreciation of £6.5m relating to the Group's restructuring 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.
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.
4. Impairment of £0.4m relating to the closure of stores as part of the Group's restructuring programme is presented as an adjusting item and excluded from the segmental analysis for the 52 weeks to 30 March 2019.
5. Refer to note 7 and 8 for details of adjusting items.

	Retail/Wholesale		Licensing		Total	
	52 weeks to 30 March 2019 £m	Year to 31 March 2018 £m	**52 weeks to 30 March 2019 £m**	Year to 31 March 2018 £m	**52 weeks to 30 March 2019 £m**	Year to 31 March 2018 £m
Additions to non-current assets	**149.8**	107.8	**–**	–	**149.8**	107.8
Total segment assets	**1,201.6**	1,087.6	**9.5**	9.5	**1,211.1**	1,097.1
Goodwill					**108.6**	88.4
Cash and cash equivalents					**874.5**	915.3
Taxation					**138.0**	122.2
Total assets per Balance Sheet					**2,332.2**	2,223.0

4. SEGMENTAL ANALYSIS (CONTINUED)

Additional revenue analysis

All revenue is derived from contracts with customers. The Group derives Retail and Wholesale revenue from contracts with customers from the transfer of goods and related services at a point in time. Licensing revenue is derived over the period the licence agreement gives the customer access to the Group's trademarks.

Revenue by product division	**52 weeks to 30 March 2019 £m**	Year to 31 March 2018 £m
Accessories	**1,012.7**	1,046.5
Women's	**836.8**	808.4
Men's	**698.2**	647.3
Children's/Other	**120.0**	116.8
Beauty	**6.0**	83.7
Retail/Wholesale	**2,673.7**	2,702.7
Licensing	**46.5**	30.1
Total	**2,720.2**	2,732.8

Revenue by destination	**52 weeks to 30 March 2019 £m**	Year to 31 March 2018 £m
Asia Pacific	**1,104.4**	1,089.0
EMEIA[1]	**957.4**	975.2
Americas	**612.0**	638.5
Retail/Wholesale	**2,673.7**	2,702.7
Licensing	**46.5**	30.1
Total	**2,720.2**	2,732.8

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

Entity-wide disclosures

Revenue derived from external customers in the UK totalled £311.7m for the 52 weeks to 30 March 2019 (last year: £305.1m).

Revenue derived from external customers in foreign countries totalled £2,408.5m for the 52 weeks to 30 March 2019 (last year: £2,427.7m). This amount includes £513.6m of external revenues derived from customers in the USA (last year: £538.0m) and £450.5m of external revenues derived from customers in China (last year: £443.5m).

The total of non-current assets other than financial instruments and deferred tax assets located in the UK is £178.0m (last year: £151.0m). The remaining £381.5m of non-current assets are located in other countries (last year: £372.1m), with £125.9m located in the USA (last year: £130.0m), £75.6m located in China (last year: £66.1m), and £59.0m located in Korea (last year: £62.8m).

5. NET OPERATING EXPENSES

	Note	**52 weeks to 30 March 2019 £m**	Year to 31 March 2018 £m
Selling and distribution costs		**863.8**	861.9
Administrative expenses		**558.9**	568.9
Adjusting operating items	6	**0.9**	56.3
Net operating expenses		**1,423.6**	1,487.1

6. PROFIT BEFORE TAXATION

	Note	**52 weeks to 30 March 2019 £m**	Year to 31 March 2018 £m
Adjusted profit before taxation is stated after charging/(crediting):			
Depreciation of property, plant and equipment			
Within cost of sales		**1.1**	0.8
Within selling and distribution costs		**75.8**	88.2
Within administrative expenses[1]		**10.3**	10.1
Amortisation of intangible assets			
Within selling and distribution costs		**1.5**	0.8
Within administrative expenses[2]		**27.1**	24.1
Loss on disposal of property, plant and equipment and intangible assets		**1.2**	2.7
Impairment of intangible assets[3]	13	**3.9**	–
Net impairment charge relating to retail assets[4]	14	**7.5**	10.7
Employee costs[5]		**508.4**	500.3
Operating lease rentals			
Minimum lease payments[6]		**247.4**	246.2
Contingent rents		**107.2**	110.1
Net exchange (gain)/ loss on revaluation of monetary assets and liabilities		**(4.5)**	7.3
Net loss on derivatives – fair value through profit and loss		**7.7**	3.7
Trade receivables net impairment (reversal)/charge		**(4.1)**	3.1
Adjusting items			
Adjusting operating items			
Gain on disposal of Beauty operations	7	**(6.9)**	(5.2)
Costs relating to disposal of Beauty operations	8	**–**	5.0
Restructuring costs	8	**12.2**	54.5
Goodwill impairment	8	**–**	6.5
Revaluation of deferred consideration liability	8	**(4.4)**	(4.5)
Total adjusting operating items		**0.9**	56.3
Adjusting financing items			
Finance charge on deferred consideration liability	8	**1.7**	2.0
Total adjusting financing items		**1.7**	2.0

1. Depreciation of property, plant and equipment within administrative expenses for the year to 31 March 2018 has been presented excluding depreciation of £6.5m relating to the Group's restructuring programme and depreciation of £0.2m for assets disposed as part of the disposal of Beauty operations (refer to note 8).
2. Amortisation of intangible assets within administrative expenses for the year to 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 (refer to note 8).
3. Impairment of intangible assets for the year to 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).
4. Net impairment charge relating to retail assets for the year to 30 March 2019 is presented excluding £0.4m relating to the closure of stores as part of the Group's restructuring programme, which has been presented as an adjusting item (refer to note 8).
5. Employee costs for the 52 weeks to 30 March 2019 are presented excluding £11.4m (last year: £14.9m) of costs arising as a result of the Group's restructuring programme, which have been presented as an adjusting item (refer to note 8).
6. Minimum lease payments include charges for onerous lease provisions during the 52 weeks to 30 March 2019 of £3.6m (last year: £7.2m) and do not include payments of £5.3m (last year: £4.8m) where existing onerous lease provisions have been utilised. Minimum lease payments for the 52 weeks to 30 March 2019 have been presented excluding a credit of £8.9m (last year: charges of £29.1m) for onerous property obligations and a charge of £4.5m for store closure costs in connection with the Group's restructuring programme, which have been presented as adjusting items (refer to note 8).

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 would be paid for in the future if it is used by Coty. A debtor of £4.1m was 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 licence and related disposal of the Beauty operations under the two agreements. The Directors carried out an allocation and attributed £30.0m of this upfront payment to the disposal of the Beauty operations.

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

The agreements with Coty completed on 2 October 2017. The consideration received consisted of cash proceeds of £63.3m, and contingent consideration with an estimated fair value of £4.1m, for a total disposal consideration of £67.4m. The carrying amount of the net assets disposed of was £37.4m, and the directly attributable costs amounted to £24.8m. The net impact was a gain on disposal before taxation of £5.2m in the year ended 31 March 2018. A related tax charge of £1.0m was recognised.

Directly attributable costs in the year to 31 March 2018 related to the write-down of inventory of £10.1m and provisions for the costs of certain contract terminations and employee redundancy. £2.2m of these costs were paid in the year to 31 March 2018.

In the current year, the provision for contract terminations and the debtor for the contingent consideration have been reassessed, resulting in a net increase in the gain on disposal of £6.9m and a related tax charge of £1.3m. A further £4.2m of costs were settled in the current period and contingent consideration of £4.8m was received.

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.

8. ADJUSTING ITEMS

Restructuring costs

Restructuring costs of £12.2m (last year: £54.5m) 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 2021. The costs in the current year are principally attributable to redundancies and the non-strategic store closure programme, offset by a reduction in the estimated cost of onerous lease obligations of property recognised in the prior year. A related tax credit of £2.2m (last year: £11.4m) has also been recognised in the current period.

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 £4.4m in relation to the revaluation of this balance has been recognised in operating expenses for the 52 weeks to 30 March 2019 (last year: credit of £4.5m). A financing charge of £1.7m in relation to the unwinding of the discount on the non-current portion of the deferred consideration liability has also been recognised for the 52 weeks to 30 March 2019 (last year: £2.0m). 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's 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.

8. ADJUSTING ITEMS (CONTINUED)

Adjusting items relating to prior periods

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. A related tax credit of £1.0m was also recognised in the year ended 31 March 2018.

Goodwill impairment

A charge of £6.5m was recorded in the year to 31 March 2018 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 was presented as an adjusting item in accordance with the Group's accounting policy, as it was one-off in nature, and relates to the acquisition of a business. No tax was recognised on this item, as the value was not considered to be deductible for tax purposes.

Adjusting taxation charge

An adjusting taxation charge of £12.2m was recognised for the year ended 31 March 2018. Refer to note 10 for further details.

9. FINANCING

	Note	**52 weeks to 30 March 2019 £m**	Year to 31 March 2018 £m
Bank interest income – amortised cost[1]		**1.9**	7.2
Other finance income – amortised cost		**0.8**	0.6
Finance income – amortised cost		**2.7**	7.8
Bank interest income – fair value through profit and loss[1]		**6.0**	–
Finance income		**8.7**	7.8
Interest expense on bank loans and overdrafts		**(0.6)**	(1.3)
Bank charges		**(0.7)**	(0.7)
Other finance expense		**(2.3)**	(1.5)
Finance expense		**(3.6)**	(3.5)
Finance charge on deferred consideration liability	8	**(1.7)**	(2.0)
Net finance income		**3.4**	2.3

1. Classification of interest in the current period has been impacted as a result of the adoption of IFRS 9. See note 17 for details of changes in classification of cash and cash equivalents arising from the adoption of IFRS 9.

10. TAXATION

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

	52 weeks to 30 March 2019 £m	Year to 31 March 2018 £m
Current tax		
UK corporation tax		
Current tax on income for the 52 weeks to 30 March 2019 at 19% (last year: 19%)	**62.3**	45.0
Double taxation relief	**(2.8)**	(3.2)
Adjustments in respect of prior years	**(7.0)**	4.2
	52.5	46.0
Foreign tax		
Current tax on income for the year	**54.3**	73.1
Adjustments in respect of prior years	**(0.1)**	(5.8)
Total current tax	**106.7**	113.3
Deferred tax		
UK deferred tax		
Origination and reversal of temporary differences	**3.5**	4.3
Adjustments in respect of prior years	**(0.1)**	0.4
	3.4	4.7
Foreign deferred tax		
Origination and reversal of temporary differences	**(10.7)**	(12.2)
Impact of changes to tax rates	**(0.1)**	12.6
Adjustments in respect of prior years	**2.2**	0.6
Total deferred tax	**(5.2)**	5.7
Total tax charge on profit	**101.5**	119.0

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

	52 weeks to 30 March 2019 £m	Year to 31 March 2018 £m
Current tax		
Recognised in other comprehensive income		
Current tax charge/(credit) on exchange differences on loans (foreign currency translation reserve)	**1.3**	(3.6)
Current tax credit on cash flow hedges deferred in equity (hedging reserve)	**(0.2)**	(0.3)
Current tax credit on cash flow hedges transferred to income (hedging reserve)	**(0.2)**	(1.6)
Current tax charge on net investment hedges deferred in equity (hedging reserve)	**0.2**	0.5
Total current tax recognised in other comprehensive income	**1.1**	(5.0)
Recognised in equity		
Current tax credit on share options (retained earnings)	**(2.0)**	(0.8)
Total current tax recognised directly in equity	**(2.0)**	(0.8)
Deferred tax		
Recognised in other comprehensive income		
Deferred tax credit on net investment hedges transferred to income (hedging reserve)	**–**	(0.1)
Total deferred tax recognised in other comprehensive income	**–**	(0.1)
Recognised in equity		
Deferred tax charge on share options (retained earnings)	**0.2**	0.9
Total deferred tax recognised directly in equity	**0.2**	0.9

10. TAXATION (CONTINUED)

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

	52 weeks to 30 March 2019 £m	Year to 31 March 2018 £m
Profit before taxation	**440.6**	412.6
Tax at 19% (last year: 19%) on profit before taxation	**83.7**	78.4
Rate adjustments relating to overseas profits	**11.5**	10.7
Permanent differences	**12.8**	4.2
Tax on dividends not creditable	**3.8**	10.1
Current year tax losses not recognised	**2.5**	1.9
Prior year tax losses recognised	**(7.8)**	–
Prior year tax losses no longer recognised	**–**	1.7
Adjustments in respect of prior years	**(5.0)**	(0.6)
Adjustments to deferred tax relating to changes in tax rates	**–**	12.6
Total taxation charge	**101.5**	119.0

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

	52 weeks to 30 March 2019 £m	Year to 31 March 2018 £m
Tax on adjusted profit before taxation	**102.4**	118.2
Tax on adjusting items	**(0.9)**	(11.4)
Adjusting taxation charge	**–**	12.2
Total taxation charge	**101.5**	119.0

The adjusting taxation charge in the year to 31 March 2018 relates to a net adjustment to deferred taxes, reflecting the reduced US federal income tax rate.

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.

	52 weeks to 30 March 2019 £m	Year to 31 March 2018 £m
Attributable profit for the year before adjusting items[1]	**341.0**	352.6
Effect of adjusting items[1] (after taxation)	**(1.7)**	(59.1)
Attributable profit for the year	**339.3**	293.5

1. Refer to note 7 and 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.

11. EARNINGS PER SHARE (CONTINUED)

	52 weeks to 30 March 2019 Millions	Year to 31 March 2018 Millions
Weighted average number of ordinary shares in issue during the year	**412.3**	425.7
Dilutive effect of the employee share incentive schemes	**2.8**	3.7
Diluted weighted average number of ordinary shares in issue during the year	**415.1**	429.4

12. DIVIDENDS PAID TO OWNERS OF THE COMPANY

	52 weeks to 30 March 2019 £m	Year to 31 March 2018 £m
Prior year final dividend paid 30.3p per share (last year: 28.4p)	**126.0**	123.0
Interim dividend paid 11.0p per share (last year: 11.0p)	**45.1**	46.4
Total	**171.1**	169.4

A final dividend in respect of the 52 weeks to 30 March 2019 of 31.5p (last year: 30.3p) per share, amounting to £128.4m, has been proposed for approval by the shareholders at the Annual General Meeting subsequent to the balance sheet date. The final dividend to Burberry Group plc shareholders has not been recognised as a liability at the year end and will be paid on 2 August 2019 to shareholders on the register at the close of business on 28 June 2019. The ex-dividend date is 27 June 2019 and the final day for dividend reinvestment plan ('DRIP') elections is 12 July 2019.

13. INTANGIBLE ASSETS

Cost	Goodwill £m	Trademarks, licences and other intangible assets £m	Computer software £m	Intangible assets in the course of construction £m	Total £m
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
Effect of foreign exchange rate changes	0.7	–	0.9	–	1.6
Additions	–	0.4	13.8	39.8	54.0
Business combination	19.5	–	–	–	19.5
Disposals	–	(6.1)	(31.0)	–	(37.1)
Reclassifications from assets in the course of construction	–	–	39.4	(39.4)	–
As at 30 March 2019	**115.1**	**12.5**	**153.3**	**46.9**	**327.8**
Accumulated amortisation and impairment					
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
Effect of foreign exchange rate changes	–	–	0.9	–	0.9
Charge for the year	–	0.9	27.7	–	28.6
Disposals	–	(6.1)	(30.2)	–	(36.3)
Impairment charge on assets	–	–	3.9	–	3.9
As at 30 March 2019	**6.5**	**5.2**	**95.1**	**–**	**106.8**
Net book value					
As at 30 March 2019	**108.6**	**7.3**	**58.2**	**46.9**	**221.0**
As at 31 March 2018	88.4	7.8	37.4	46.5	180.1

13. INTANGIBLE ASSETS (CONTINUED)

Impairment testing of goodwill

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

	As at 30 March 2019 £m	As at 31 March 2018 £m
China	**48.4**	47.8
Korea	**27.9**	27.7
Burberry Manifattura S.R.L.[1]	**19.0**	–
Other	**13.3**	12.9
Total	**108.6**	88.4

1. Goodwill which arose on acquisition of Burberry Manifattura S.R.L. has been allocated to the group of cash generating units which make up the Group's retail and wholesale operating segment cash generating unit.

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 30 March 2024. These plans contain management's best view of the expected performance for the year ending 28 March 2020 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 30 March 2024 incorporating the assumption that there is no growth beyond 30 March 2024.

The goodwill arising on acquisition of Burberry Manifattura S.R.L. has been allocated to the group of CGUs which make up the Group's retail/wholesale operating segment. This reflects the level at which the goodwill is being monitored by management. For the material goodwill balances of China, Korea and Burberry Manifattura S.R.L., a sensitivity analysis has been performed on the value-in-use calculations. 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, Korea and Burberry Manifattura S.R.L. were 16.0%, 14.0% and 11.1% respectively (last year: China 15.9% and Korea 13.4%).

The other goodwill balance of £13.3m (last year: £12.9m) consists of amounts relating to seven cash generating units, none of which have goodwill balances individually exceeding £6.0m as at 30 March 2019.

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

During the year to 31 March 2018, revenue in the Saudi Arabia cash generating unit declined following a significant and prolonged downturn in the Saudi Arabian economy. 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 was written off in full. This gave rise to a charge of £6.5m for the year to 31 March 2018. The charge was presented in operating profit as an adjusting item.

14. 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 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)
Reclassifications 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
Effect of foreign exchange rate changes	8.5	14.0	13.0	1.1	36.6
Additions	0.2	26.2	23.5	25.9	75.8
Business combination	–	–	0.5	–	0.5
Disposals	(0.2)	(56.9)	(190.3)	–	(247.4)
Reclassifications from assets in the course of construction	–	5.2	13.7	(18.9)	–
As at 30 March 2019	**144.8**	**450.6**	**349.1**	**27.0**	**971.5**
Accumulated depreciation and impairment					
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
Effect of foreign exchange rate changes	3.3	9.6	11.2	–	24.1
Charge for the year	4.3	42.7	40.2	–	87.2
Disposals	(0.2)	(56.7)	(190.1)	–	(247.0)
Net impairment charge on assets	–	1.6	6.3	–	7.9
As at 30 March 2019	**53.6**	**313.6**	**297.4**	**–**	**664.6**
Net book value					
As at 30 March 2019	**91.2**	**137.0**	**51.7**	**27.0**	**306.9**
As at 31 March 2018	90.1	145.7	58.9	18.9	313.6

1. Included in fixtures, fittings and equipment are finance lease assets with a net book value of £0.8m (last year: £1.1m).

During the 52 weeks to 30 March 2019, a net charge of £11.2m (last year: £16.8m) was recorded within net operating expenses as a result of the annual review of impairment of retail store assets. A charge of £7.5m (last year: £9.6m) was recognised against property, plant and equipment, and £3.7m (last year: £7.2m) 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 30 March 2019. 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 10.4% and 25.3% (last year: between 10.7% and 21.5%), 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.

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 28 March 2020, with no change to subsequent forecast revenue growth rate assumptions, would result in a £16.4m increase/£15.0m decrease in the charge in the 52 weeks to 30 March 2019.

The impairment charge recorded in property, plant and equipment relates to 26 retail cash generating units (last year: 23 retail cash generating units) for which the total recoverable amount at the balance sheet date is £18.1m (last year: £4.5m).

An impairment charge of £0.4m (last year: £nil) was recorded relating to two stores being closed as part of the non-strategic store closure programme. Impairment charges of £nil (last year: £1.1m) arose relating to other assets in the year.

15. TRADE AND OTHER RECEIVABLES

	As at 30 March 2019 £m	As at 31 March 2018 £m
Non-current		
Deposits and other financial receivables	**41.0**	42.4
Other non-financial receivables	**3.0**	2.9
Prepayments	**26.1**	23.9
Total non-current trade and other receivables	**70.1**	69.2
Current		
Trade receivables	**124.5**	128.6
Provision for doubtful debts	**(4.8)**	(11.6)
Net trade receivables	**119.7**	117.0
Other financial receivables	**32.6**	22.5
Other non-financial receivables	**37.9**	17.4
Prepayments	**50.7**	40.3
Accrued income	**10.2**	9.1
Total current trade and other receivables	**251.1**	206.3
Total trade and other receivables	**321.2**	275.5

Included in total trade and other receivables are non-financial assets of £117.7m (last year: £84.5m).

16. INVENTORIES

	As at 30 March 2019 £m	As at 31 March 2018 £m
Raw materials	**15.4**	9.2
Work in progress	**0.9**	0.6
Finished goods	**448.8**	402.0
Total inventories	**465.1**	411.8

	As at 30 March 2019 £m	As at 31 March 2018 £m
Total inventories, gross	**557.3**	503.1
Provisions	**(92.2)**	(91.3)
Total inventories, net	**465.1**	411.8

Inventory provisions of £92.2m (last year: £91.3m) are recorded, representing 16.5% (last year: 18.1%) of the gross value of inventory. The provisions reflect management's best estimate of the net realisable value of inventory, where this is considered to be lower than the cost of the inventory. A 200 basis point increase in provisions, would result in a reduction in inventory of £11.1m and a corresponding reduction in profit before tax for the current year.

16. INVENTORIES (CONTINUED)

The cost of inventories recognised as an expense and included in cost of sales amounted to £822.0m (last year: £800.0m).

The net movement in inventory provisions included in cost of sales for the 52 weeks to 30 March 2019 was a cost of £15.7m (last year: £35.3m). The reversal of inventory provisions as at 31 March 2018 during the current year was £30.0m. The reversal of inventory provisions during the 52 weeks to 31 March 2018 was not significant.

The cost of finished goods physically destroyed in the year was £2.2m (last year: £28.6m).

17. CASH AND CASH EQUIVALENTS

	As at 30 March 2019 £m	As at 31 March 2018 £m
Cash and cash equivalents held at amortised cost		
Cash at bank and in hand	**151.3**	195.6
Short-term deposits	**75.2**	719.7
	226.5	915.3
Cash and cash equivalents held at fair value through the profit and loss		
Short-term deposits	**648.0**	–
Total	**874.5**	915.3

Cash and cash equivalents have been reclassified from loans and receivables to cash and cash equivalents held at amortised cost and held at fair value through the profit and loss on adoption of IFRS 9. Refer to note 1 for the impact of the adoption of IFRS 9 on the Group's financial instrument categorisation.

Cash and cash equivalents classified as fair value through the profit and loss relate to deposits held in low volatility net asset value money market funds. The value of deposits held in these money market funds at 31 March 2018 was £683.2m.

As at 30 March 2019, no impairment losses were identified on cash and cash equivalents held at amortised cost.

18. TRADE AND OTHER PAYABLES

	As at 30 March 2019 £m	As at 31 March 2018 £m
Non-current		
Other payables	**2.9**	2.2
Deferred income and non-financial accruals	**70.8**	149.4
Contract liabilities	**83.6**	–
Deferred consideration[1]	**19.2**	16.5
Total non-current trade and other payables	**176.5**	168.1
Current		
Trade payables	**221.6**	153.2
Other taxes and social security costs	**53.4**	73.3
Other payables	**4.5**	4.1
Accruals	**209.3**	190.2
Deferred income and non-financial accruals	**20.5**	27.4
Contract liabilities	**13.7**	–
Deferred consideration[1]	**2.7**	12.7
Total current trade and other payables	**525.7**	460.9
Total trade and other payables	**702.2**	629.0

1. The change in the deferred consideration liability arises as a result of a financing cash outflow and non-cash movements.

Included in total trade and other payables are non-financial liabilities of £242.0m (last year: £250.1m).

18. TRADE AND OTHER PAYABLES (CONTINUED)

Contract liabilities

Retail contract liabilities relate to unredeemed balances on issued gift cards and similar products, and advanced payments received for sales which have not yet been delivered to the customer. Licensing contract liabilities relate to deferred revenue arising from the upfront payment for the Beauty licence which is being recognised in revenue over the term of the licence on a straight-line basis reflecting access to the trademark over the licence period to 2032.

	As at 30 March 2019 £m
Retail contract liabilities[1]	7.1
Licensing contract liabilities[2]	90.2
Total contract liabilities	**97.3**

1. At 31 March 2018 £6.2m of retail contract liabilities were presented within deferred income and non-financial accruals.
2. At 31 March 2018 £96.7m of licensing contract liabilities were presented within deferred income and non-financial accruals.

The amount of revenue recognised in the year relating to contract liabilities at the start of the year is set out in the following table. All revenue in the year relates to performance obligations satisfied in the year. All contract liabilities at the end of the year relate to unsatisfied performance obligations.

	52 weeks to 30 March 2019 £m
Retail revenue relating to contract liabilities	2.2
Deferred revenue from Beauty licence	6.5
Revenue recognised that was included in contract liabilities at the start of the year	**8.7**

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 £11.1m were made in the 52 weeks to 30 March 2019 (last year: £3.0m).

The fair value of the deferred consideration has been estimated using a present value calculation, incorporating observable and non-observable inputs. The inputs applied in arriving at the value 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 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 in the estimate of future revenues of Burberry Middle East LLC and its subsidiaries would result in a £2.4m increase in the carrying value of the deferred consideration at 30 March 2019 and a corresponding £2.4m decrease in the profit before taxation for the 52 weeks to 30 March 2019.

Deferred consideration of £6.5m at 30 March 2019 is the result of the acquisition of Burberry Manifattura S.R.L. on 19 September 2018. Further details of this deferred consideration are included in note 23.

19. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	Property obligations £m	Other costs £m	Total £m
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
Effect of foreign exchange rate changes	2.6	0.1	2.7
Created during the year	18.4	2.4	20.8
Discount unwind	1.2	–	1.2
Utilised during the year	(8.2)	(7.2)	(15.4)
Released during the year	(21.3)	(6.2)	(27.5)
Balance as at 30 March 2019	**79.4**	**5.9**	**85.3**

Within property obligations are amounts of £48.0m (last year: £59.0m) 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 reversal in the year for onerous lease obligations is £8.1m (last year: charge of £36.3m). This includes charges of £3.7m (last year: £7.2m) relating to retail stores (refer to note 14) and a reversal of £11.8m (last year: charge of £29.1m) relating to other properties.

Reversals in other costs in the 52 weeks to 30 March 2019 include £6.1m reduction in provision for contract terminations arising from the Beauty operations disposal. Other costs created in the prior year included provisions for contract terminations arising from the Beauty operations disposal of £12.4m.

	As at 30 March 2019 £m	As at 31 March 2018 £m
Analysis of total provisions:		
Non-current	**50.7**	71.4
Current	**34.6**	32.1
Total	**85.3**	103.5

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

20. BANK OVERDRAFTS

Included within bank overdrafts is £37.2m (last year: £22.2m) representing balances on cash pooling arrangements in the Group.

The Group has a number of committed and uncommitted arrangements agreed with third parties. At 30 March 2019, the Group held bank overdrafts of £nil (last year: £1.0m) 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 30 March 2019, there were £nil outstanding drawings (last year: £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 (last year: 0.05p) each		
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
Allotted on exercise of options during the year	185,349	–
Cancellation of treasury shares	(7,004,471)	–
As at 30 March 2019	**411,456,001**	**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 52 weeks to 30 March 2019, the Company entered into agreements to purchase £150m of its own shares back, excluding stamp duty, as part of a share buy-back programme (last year: £350m). 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 52 weeks to 30 March 2019, 7.0m treasury shares with a nominal value of £3,500 were cancelled (last year: 27.2m treasury shares with a nominal value of £13,600).

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 30 March 2019 the amount of own shares held by ESOP trusts and offset against retained earnings is £26.4m (last year: £40.5m). As at 30 March 2019, the ESOP trusts held 1.6m shares (last year: 2.9m) in the Company, with a market value of £31.9m (last year: £49.8m). In the 52 weeks to 30 March 2019 the ESOP trusts and the Company have waived their entitlement to dividends of £0.9m (last year: £2.0m).

During the year profits of £nil (last year: £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			
	Capital reserve £m	Cash flow hedges £m	Net investment hedge £m	Foreign currency translation reserve £m	Total £m
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
Other comprehensive income:					
Cash flow hedges – losses deferred in equity	–	(1.0)	–	–	(1.0)
Cash flow hedges – gains transferred to income	–	(1.1)	–	–	(1.1)
Net investment hedges – gains deferred in equity	–	–	1.6	–	1.6
Foreign currency translation differences	–	–	–	14.3	14.3
Tax on other comprehensive income	–	0.4	(0.2)	(1.3)	(1.1)
Total comprehensive income for the year	–	(1.7)	1.4	13.0	12.7
Balance as at 30 March 2019	**41.1**	**(1.9)**	**5.4**	**227.7**	**272.3**

As at 30 March 2019 the amount held in the hedging reserve relating to matured net investment hedges is £5.5m net of tax (last year: £3.8m).

22. CAPITAL COMMITMENTS

	As at 30 March 2019 £m	As at 31 March 2018 £m
Capital commitments contracted but not provided for:		
Property, plant and equipment	**17.7**	15.5
Intangible assets	**6.9**	4.9
Total	**24.6**	20.4

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. ACQUISITION OF SUBSIDIARY

On 19 September 2018, Burberry Italy S.R.L., Burberry's wholly-owned subsidiary, acquired a 100% holding in Burberry Manifattura S.R.L., a company incorporated in Italy, for total consideration of £21.2m.

Based in Florence, in an area renowned for high-quality manufacturing, Burberry Manifattura S.R.L. has industry-leading expertise and specialises in the development and manufacture of luxury leather handbags and accessories.

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value £m
Assets acquired	
Property, plant and equipment	0.5
Inventories	2.0
Trade and other receivables	0.2
Trade and other payables	(1.0)
Net assets acquired	1.7
Goodwill arising on acquisition	19.5
Total cost of acquisition	**21.2**
Satisfied by:	
Cash consideration	14.5
Deferred consideration	6.7
	21.2

The consideration for the transaction consists of a payment of €14.1m (£12.5m) which was made on completion, a further payment of €2.3m (£2.0m) relating to the purchase of inventory from the vendor, which was settled in October 2018, and deferred consideration consisting of a future performance related payment to be made in 2021. The amount of the performance related payment is dependent upon the acquired business achieving against several performance criteria and will be assessed over the three year period.

The maximum amount of the performance related deferred consideration payable is €8.0m and the minimum is €nil. Initial deferred consideration has been recognised as the maximum amount payable, discounted to €7.5m (£6.7m) using an appropriate discount rate linked to the borrowing rate. The fair value of deferred consideration is considered to be the maximum amount on the basis of historical performance of the acquired business.

The goodwill arising on acquisition of £19.5m reflects the expected synergies from vertical integration of the design and production of leather goods within the Group's supply chain together with the value of the retained workforce.

The acquired business has made a contribution to Group revenue of £nil and had a negligible impact on Group profit before tax since acquisition. If the acquisition had occurred on 1 April 2018 it would have contributed £nil to revenue and had a negligible impact on the Group profit before tax.

24. 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:

	52 weeks to 30 March 2019 £m	Year to 31 March 2018 £m
Salaries, short-term benefits and social security costs	**12.4**	14.4
Termination benefits	**2.9**	–
Share-based compensation (all awards and options settled in shares)	**3.2**	5.9
Total	**18.5**	20.3

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

25. CONTINGENT LIABILITIES

The Group is subject to claims against it and to tax audits in a number of jurisdictions which arise in the ordinary course of business. These typically relate to Value Added Taxes, sales taxes, customs duties, corporate taxes, transfer pricing, payroll taxes, various contractual claims, legal proceedings 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.