FINANCIAL STATEMENTS

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report, which includes the Strategic Report; the Directors' Report; the Directors' Remuneration Report; and the financial statements in accordance with applicable laws and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework' and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that year. In preparing these financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Company financial statements, subject to any material departures disclosed and explained in the Group and parent Company financial statements respectively;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors consider that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and the Company's position and performance, business model and strategy.

Each of the directors, whose names and functions are listed on pages 124 to 127 confirm that, to the best of their knowledge:

- the Company financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law), give a true and fair view of the assets, liabilities, financial position and profit of the Company;
- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Group and the Company, together with a description of the principal risks and uncertainties that it faces.

These statements were approved by the Board on 22 May 2020 and signed on its behalf by:

MARCO GOBBETTI
Chief Executive Officer

JULIE BROWN
Chief Operating and Financial Officer

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

In our opinion:

- Burberry Group plc's group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 28 March 2020 and of the Group's profit and cash flows for the 52 week period (the "period") then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report, which comprise: the Group Balance sheet as at 28 March 2020, the Group Income Statement and Group Statement of Comprehensive Income for the 52 week period then ended, the Group Statement of Changes in Equity for the 52 week period then ended, the Group Statement of Cash Flows for the 52 week period then ended, and the Company Balance Sheet as at 28 March 2020, the Company Statement of Changes in Equity for the 52 week period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENCE

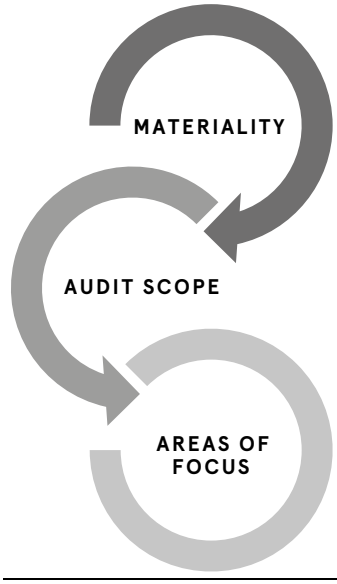
We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company.

Other than those disclosed in note 7 to the financial statements, we have provided no non-audit services to the Group or the Company in the period from 31 March 2019 to 28 March 2020.

OUR AUDIT APPROACH

OVERVIEW



- Overall Group materiality: £18 million (2019: £20 million). We determined that adjusted profit before tax was the appropriate benchmark and using our professional judgement we determined that an amount of £18m was appropriate, which is 4.35% of adjusted profit before tax.
- Overall Company materiality: £15 million (2019: £16 million). We determined that total assets was the appropriate benchmark and using our professional judgement we determined that an amount of £15m was appropriate, which is 0.82% of total assets.

- We conducted audit work over eight reporting units across six territories in which the Group has significant operations.
- The reporting units where we performed an audit of their complete financial information account for 78% of Group revenue and 82% of Group profit before tax.
- We maintained regular contact with our component teams and evaluated the outcome of their audit work.

- Inventory provisioning
- Implementation of IFRS 16 'Leases'
- Impairment of property, plant & equipment and right-of-use assets of retail stores
- Uncertain tax positions
- Presentation of results and non-GAAP measures
- COVID-19

THE SCOPE OF OUR AUDIT

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

CAPABILITY OF THE AUDIT IN DETECTING IRREGULARITIES, INCLUDING FRAUD

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of employment law and unethical and prohibited business practices, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting inappropriate journal entries to increase profit, and management bias in accounting estimates. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

- Discussions with management, internal audit and the Group's legal counsel, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Assessment of matters reported on the Group's internal whistleblowing helpline (and related processes) and the results of management's investigation of such matters;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to inventory provisioning, retail store impairments and tax provisioning; and
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Inventory provisioning	
The Group manufactures and sells luxury goods and is subject to changing consumer demands and fashion trends, increasing the level of judgement involved in estimating inventory provisions (inventory as at 28 March 2020: £450.5m; refer to note 17 to the financial statements). The impact of the COVID-19 pandemic has been to increase gross inventory on hand at 28 March 2020, and to introduce significant uncertainty with respect to the Group's future performance and its ability to sell slow moving and problem inventory. This key audit matter includes the consideration of inventory provisions relating to both finished goods and raw materials. Judgement is required to assess the appropriate level of provisioning for items that may be sold below cost, particularly in light of the current uncertain trading conditions which has increased the amount of inventory considered to be problem or slow-moving. The judgment relates to management's expectations for future sales based on current forecasts, and its intentions with respect to alternative exit routes for inventory which attract different provisioning rates.	For both finished goods and raw materials, we critically assessed the basis for the inventory provisions, the consistency of provisioning in line with the Group's policy and the reasonableness of the overall provisioning in light of the impact of COVID-19. In doing so we tested the provision calculations and determined that they appropriately considered the ageing profile of inventory, the process for identifying specific problem inventory and historical loss rates. We assessed the reasonableness of the Group's Board approved sales forecasts, which incorporate estimates as to how the COVID-19 pandemic will impact future trading, and determined that its inventory provisioning approach incorporated information consistent with these forecasts of demand. We have worked to understand management's latest plans for exiting slow-moving and problem stock and assessed whether the inventory provision appropriately reflected its current planned exit routes. Management's provisions relating to raw materials remain consistent with the Group's policy and reflect management's current best estimate of future usage of the raw materials on hand. They also reflect recent changes in planned demand and estimated sales resulting from the COVID-19 pandemic. As a result, we satisfied ourselves that both finished goods and raw materials inventory provisions have been determined in line with policy and have been calculated appropriately taking into account management's expectations with respect to future sales and inventory exit routes. Given the estimation uncertainty inherent in determine the inventory provisions, particularly given the impact of COVID-19, management has disclosed a sensitivity analysis in the financial statements (refer to note 17 to the financial statements). Having re-performed the sensitivity calculations and considered whether any other sensitivities might be more appropriate, we are satisfied that the financial statements adequately disclose the potential future changes to provisioning levels.
Implementation of IFRS 16 'Leases'	
The Group has a significant number of leases related to its property portfolio, principally presented by its retail stores. Accordingly, the implementation of IFRS 16 has had a material impact on the Group's accounts. This has been described by management in Note 1 to the financial statements. The scale of the lease portfolio increases the risk that incomplete or inaccurate lease data could result in a misstatement of lease balances. In addition, implementation of IFRS 16 required management to make certain judgements in respect of its leases in respect of: • Determination of the lease term, where its lease contracts include extension or termination options; and • Determination of the incremental borrowing rate ('IBR') which is the discount rate applied to its lease calculations. Finally, there is also risk of incorrect calculation of lease accounting entries through modelling inaccuracies. Lease liabilities of £1,045.0m and right-of-use assets of £878.1m (net of impairment adjustment described in the key audit matter set out below) were recognised as at 31 March 2019. Movements in the period to these balances are described in notes 14 and 21 respectively.	We evaluated the design of management's controls in respect of its implementation and in-period accounting for leases in accordance with IFRS 16. We assessed management's accounting policy for leases to verify that it was compliant with IFRS 16, with particular focus on its approach to the measurement of lease terms. We concluded that its policy was appropriate. We tested the completeness and accuracy of the data used by management in its lease accounting, corroborating key data inputs to the underlying lease documents. We used our modelling specialists to independently recalculate an appropriate sample of lease contracts to verify that the accounting entries had been appropriately determined by management. For the same sample of leases, we assessed the judgements made by management in determining the lease term and found these to be supportable.

Key audit matter	How our audit addressed the key audit matter
	Assisted by our valuation specialists, we independently assessed management's methodology used to determine its lease discount rates and found this to be supportable. For a sample of discount rates, we also benchmarked these rates to our independently derived rates, and found these to be appropriate. We evaluated the disclosures made in the financial statements in respect of the implementation of IFRS 16 and have concluded that these are appropriate.
Impairment of property, plant & equipment and right-of-use assets of retail stores	
The Group has a material operational retail asset base which may be vulnerable to impairment in the event of trading performance being below expectations. Following implementation of IFRS 16, there has been a material increase in this asset base, as right-of-use assets in respect of the Group's leases are now capitalised in accordance with that standard. On transition to IFRS 16, the Group re-measured its impairment provisions in respect of its retail store leases. This resulted in an impairment provision of £121.9m being recorded against opening right-of-use assets. The net post-tax impact to opening equity was £57.5m, taking into account the release of existing lease provisions. In the period, where impairment triggers were identified, management prepared an assessment of the recoverable amount for the stores. As a result of COVID-19, management has performed an impairment review of its entire retail store portfolio at the period end. The value-in-use models used to determine the amount of any impairment charge are based on assumptions, including revenue forecasts and margins, which are store specific, and discount rates, which are country specific (refer to notes 13 and 14 to the financial statements). As explained in those notes, there is significant uncertainty as to the ultimate impact of the COVID-19 pandemic on the Group's retail operations and global economy and therefore future trading levels for the Group. As set in notes 13 and 14 to the financial statements, management's assessment resulted in the recognition of a net impairment charge for the 52 week period ended 28 March 2020 of £167.7m. We focussed on this area because of the inherent judgement and estimation uncertainty involved in determining key assumptions such as future sales growth, profit margins and discount rates, and the magnitude of the assets under consideration.	In respect of the opening impairment provision recorded on transition to IFRS 16, we assessed management's updated methodology for determining the value-in-use of its CGUs taking into account the impact of IFRS 16. We assessed the appropriateness of the discount rates management applied and assessed the reasonableness of the impairment charge calculated. We satisfied ourselves that it was appropriate. In respect of management's in period impairment assessment, we obtained an understanding of how management had developed its forecast for the future trading conditions of the Group, following the emergence of COVID-19. We satisfied ourselves that management's forecasts were reasonable and had been prepared with appropriate Board involvement. In forming this conclusion, we benchmarked its projections against those of credible third parties. We tested the value-in-use models, including challenging management forecasts at a store level, as well other assumptions such as discount rates and long-term growth rates, and found that these assumptions were reasonable. We assessed the mathematical accuracy and integrity of management's impairment modelling and determined that the impairment charge had been appropriately calculated. Given the estimation uncertainty inherent in the impairment calculations, particularly given the impact of COVID-19, management has disclosed a sensitivity analysis in the financial statements (refer to notes 13 and 14 to the financial statements). Having re-performed the sensitivity calculations and considered whether any other sensitivities might be more appropriate, we are satisfied that the financial statements adequately disclose the potential risk of future impairment or requirement for reversal of impairment if the performance of the stores differs from that forecast.
Uncertain tax positions	
The Group operates in a multi-national tax environment which, together with its centralised operating model, means it is subject to tax risks associated with transfer pricing. The Group adopted IFRIC 23, 'Uncertainty over Income Tax Treatments', for the period commencing 31 March 2019, which impacts the measurement of certain uncertain positions. The adoption of IFRIC 23 has resulted in an adjustment to retained earnings at 31 March 2019 of £4.4 million. As at 28 March 2020, the Group has current income taxes payable of £7.9 million and current income tax receivable of £50.4m. Where the amount of tax payable is uncertain, the Group establishes provisions based on management's best estimate of the most likely outcome. There is inherent judgement and estimation uncertainty involved in determining provisions for uncertain tax positions, as described by management in note 1.	In conjunction with our tax specialists, we evaluated management's rationale in relation to the level of tax provisions recognised. We considered the status of recent and current tax audits as well as discussions with HMRC and local tax authorities in relation to transfer pricing arrangements. We utilised our specialist tax knowledge and experience of similar situations elsewhere to assess management's judgements. We reviewed the disclosures within the financial statements to verify that the impact of the estimates taken was clearly explained. In addition, together with our tax specialists, we have assessed management's estimate of the potential variability of outcomes of these provisions, as summarised in note 1, and concluded that this disclosure is reasonable.

Key audit matter	How our audit addressed the key audit matter
	Overall, we found the level of provisioning and the related disclosures to be appropriate.
Presentation of results and non-GAAP measures	
Management uses a number of adjusted measures to explain business performance of the Group, in particular that of 'adjusted profit'. There is a risk that the use of such measures means that the overall presentation of results is not fair, balanced and understandable. In the 52 week period ended 28 March 2020 the Group has identified a number of adjusting items, in particular those related to significant balance sheet impairments and provisions arising from the negative impact of COVID-19 on management's future trading expectations of the Group. The most individually significant of these adjusting items relate to impairment of retail stores and inventory provisioning. Refer to note 6 to the financial statements for a description of these items.	We considered management's recognition of adjusting items, the related presentation and accompanying disclosures and are satisfied that the adjusting items presented are in line with management's policy which is adequately explained in the financial statements. We have specifically considered those adjusting items which have arisen from the re-measurement of certain accounting estimates based on the negative impact COVID-19 has had on expectations for the Group's future trading performance. Given the nature of the circumstance that has given rise to their impact together with the magnitude of their impact, we are satisfied that these items meet management's disclosed adjusting items policy. We have understood management's approach to the quantification of these items and consider that they are reasonable. Our procedures in respect of the measurement of impairment of retail stores and inventory provisions are explained in those respective key audit matters. We noted no instances of inappropriate or inconsistent presentation of results and non-GAAP measures. Specifically, we are satisfied that non-GAAP measures are adequately explained and reconciled to GAAP measures.
COVID-19	
The COVID-19 pandemic has had a significant impact on the recent trading performance of the Group. The Group has further faced significant operational and logistical challenges. The extent of the negative impact of the pandemic on future trading performance is unclear and measurement of the impacts as they relate to the financial statements entails a significant degree of estimation uncertainty. Management has developed a forecast model based on its best estimate of the impact of COVID-19, having had regard to the views of third parties with epidemiological and luxury retail expertise. This model and related assumptions have been used by management in its assessment of the carrying value of a number of balance sheet assets at the reporting date, as well as to underpin management's going concern and viability assessments. The most significant impact to the financial statements has been in respect of retail asset impairment and inventory provisioning. These are described in the respective key audit matters above. Further impairment provisions have been recorded in respect of the Group's accounts receivable and intangible assets-under-construction. Management has also modelled possible downside scenarios to its base case trading forecast. Having taken into account these models, together with a robust assessment of planned and possible mitigating actions, management has concluded that the Group remains a going concern, and that there is no material uncertainty in respect of this conclusion. Management has described its viability assessment on pages 117 to 118 of the annual report.	We evaluated management's forecasts for the future trading performance of the Group against forecasts of credible third parties for the luxury retail industry. Our procedures in respect of store impairments and inventory provisioning are set out in the respective key audit matters above. We evaluated management's assessment of other accounting estimates within the accounts which could be impacted by the challenging economic environment resulting from COVID-19, including trade receivables provisioning. We satisfied ourselves that management's measurement of such estimates was reasonable. We considered the appropriateness of management's disclosures in its financial statements of the impact of the current environment and the increased uncertainty on its accounting estimates and found these to be adequate. With respect to management's going concern analysis, we evaluated management's base case and downside scenario, challenging its key assumptions together with assessing the Group's available facilities and the reasonableness of management's planned mitigating actions. Our conclusions in respect of going concern are set out separately in this report. We considered whether changes to working practices brought about by COVID-19 had had an adverse impact on the effectiveness of management's business process and IT controls. Our planned tests of controls did not identify any evidence of material deterioration in the control environment. We increased the frequency and extent of our oversight over component audit teams, using video conferencing and remote working paper review, to satisfy ourselves as to the appropriateness of audit work performed at significant components.

We determined that there were no key audit matters applicable to the Company to communicate in our report.

HOW WE TAILORED THE AUDIT SCOPE

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group operates across three regions and is structured across two segments, being retail/wholesale and licensing.

The financial statements are a consolidation of 98 reporting units, comprising the Group's operating businesses and holding companies across the two segments. We determined the appropriate reporting units to perform work on based on factors such as the size of the balances, the key audit matters as noted above and known accounting matters, and to include unpredictability in our audit procedures.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed at reporting units by us, as the Group engagement team, or component auditors from either other PwC network firms or non-PwC firms operating under our instruction.

We identified the UK (which includes the majority of the Group's supply chain), US Retail and China reporting units as significant components (as defined within ISAs (UK)) which, in our review, required an audit of their complete financial information, due to their financial significance to the Group. We obtained full scope reporting from a further three reporting units (FY19: three) representing US Wholesale, Hong Kong and Korea. In addition, we performed an audit of the complete financial information of the parent Company.

As we seek to vary our audit procedures each year to ensure an element of unpredictability, specific audit procedures on certain balances and transactions were performed in respect of the Japan reporting unit.

The scope of work, together with additional procedures performed at the Group level in relation primarily to the consolidation, taxation, litigation, impairment and earnings per share, accounted for 78% (last year: 74%) of Group revenue and 82% (last year: 82%) of Group profit before taxation.

In addition to the audits performed on our components, we gathered other audit evidence across the rest of the Group through testing of the Group's global monitoring controls, Group-level analytical procedures and testing at the Leeds and Hong Kong Shared Service Centres. This gave us the evidence we needed for our opinion on the financial statements as a whole.

Where work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those reporting units to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinions on the Group financial statements and financial report as a whole.

We issued formal written instructions to all component auditors setting out the audit work to be performed at each of them. Given the travel restrictions brought about by COVID-19, we were unable to complete planned visits to all component teams. In response however, we enhanced our virtual oversight, holding additional video meetings with our teams through the year-end period. Throughout the period, the Group audit team held regular meetings with all component teams at all stages of the audit to direct and supervise the work of these local teams and to ensure that we had a full and comprehensive understanding of the results of their work, particularly insofar as it related to the identified areas of focus. The Group engagement team also reviewed selected audit working papers for certain component teams.

MATERIALITY

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Overall materiality	£18 million (2019: £20 million).	£15 million (2019: £16 million).
How we determined it	We determined that adjusted profit before tax was the appropriate benchmark and using our professional judgement we determined that an amount of £18m was appropriate, which is 4.35% of adjusted profit before tax.	We determined that total assets was the appropriate benchmark and using our professional judgement we determined that an amount of £15m was appropriate, which is 0.82% of total assets.
Rationale for benchmark applied	For overall Group materiality, we chose to use an adjusted profit measure as the benchmark because this best reflects the underlying performance of the Group given the quantum of adjusting items impacting the current period results. This represents a change in benchmark from the prior year, for which reported profit before tax was used. We also note that adjusted profit is the metric against which the performance of the Group is most commonly assessed by management and reported to members.	We determined materiality based on total assets, which is more applicable than a performance related measure as the Company is an investment holding company for the Group.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £5 million and £15 million.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £1 million (Group audit) (2019: £1 million) and £1 million (Company audit) (2019: £1 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

GOING CONCERN

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the group's and the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and Company's ability to continue as a going concern.
We are required to report if the directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

REPORTING ON OTHER INFORMATION

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the 52 week period ended 28 March 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. (CA06)

The directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

We have nothing material to add or draw attention to regarding:

- The directors' confirmation on pages 117 to 118 of the Annual Report that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The directors' explanation on pages 117 to 118 of the Annual Report as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal risks facing the group and statement in relation to the longer-term viability of the group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the group and Company and their environment obtained in the course of the audit. (Listing Rules)

Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the directors, on page 194, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the group's and Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the group and Company obtained in the course of performing our audit.
- The section of the Annual Report on pages 145 to 146 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 194, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

USE OF THIS REPORT

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

OTHER REQUIRED REPORTING

COMPANIES ACT 2006 EXCEPTION REPORTING

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

APPOINTMENT

Based on available records, we were appointed by the members prior to 31 March 1968 to audit the financial statements for at least the year ended 31 March 1968 and subsequent financial periods. The period of total uninterrupted engagement is at least 53 years, covering the years ended 31 March 1968 to 28 March 2020.

PAUL CRAGG (SENIOR STATUTORY AUDITOR)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

London
22 May 2020

GROUP INCOME STATEMENT

	Note	**52 weeks to 28 March 2020 £m**	52 weeks to 30 March 2019 £m
Revenue	3	**2,633.1**	2,720.2
Cost of sales		**(927.6)**	(859.4)
Gross profit		**1,705.5**	1,860.8
Net operating expenses	4	**(1,516.8)**	(1,423.6)
Operating profit		**188.7**	437.2
Financing			
Finance income		**7.6**	8.7
Finance expense		**(26.6)**	(3.6)
Other financing charge		**(1.2)**	(1.7)
Net finance (expense)/income	8	**(20.2)**	3.4
Profit before taxation	5	**168.5**	440.6
Taxation	9	**(46.9)**	(101.5)
Profit for the year		**121.6**	339.1
Attributable to:			
Owners of the Company		**121.7**	339.3
Non-controlling interest		**(0.1)**	(0.2)
Profit for the year		**121.6**	339.1
Earnings per share			
Basic	10	**29.8p**	82.3p
Diluted	10	**29.8p**	81.7p
		£m	£m
Reconciliation of adjusted profit before taxation:			
Profit before taxation		**168.5**	440.6
Adjusting operating items:			
Cost of sales	5	**68.3**	–
Net operating expenses	5	**176.1**	0.9
Adjusting financing items	5	**1.2**	1.7
Adjusted profit before taxation – non-GAAP measure		**414.1**	443.2
Adjusted earnings per share – non-GAAP measure			
Basic	10	**78.9p**	82.7p
Diluted	10	**78.7p**	82.1p
Dividends per share			
Interim	11	**11.3p**	11.0p
Proposed final (not recognised as a liability at 28 March/30 March)	11	**–**	31.5p

	Note	**52 weeks to 28 March 2020 £m**	52 weeks to 30 March 2019 £m
Profit for the year		**121.6**	339.1
Other comprehensive income[1]:			
Cash flow hedges	25	**2.7**	(2.1)
Net investment hedges	25	**(1.2)**	1.6
Foreign currency translation differences		**18.5**	14.6
Tax on other comprehensive income:			
Cash flow hedges	9	**(0.5)**	0.4
Net investment hedges	9	**0.2**	(0.2)
Foreign currency translation differences	9	**(0.9)**	(1.3)
Other comprehensive income for the year, net of tax		**18.8**	13.0
Total comprehensive income for the year		**140.4**	352.1
Total comprehensive income attributable to:			
Owners of the Company		**140.4**	352.0
Non-controlling interest		**–**	0.1
		140.4	352.1

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 28 March 2020 £m	As at 30 March 2019 £m
ASSETS			
Non-current assets			
Intangible assets	12	**247.0**	221.0
Property, plant and equipment	13	**294.9**	306.9
Right-of-use assets	14	**834.0**	–
Investment properties		**2.5**	2.5
Deferred tax assets	15	**171.5**	123.1
Trade and other receivables	16	**53.7**	70.1
		1,603.6	723.6
Current assets			
Inventories	17	**450.5**	465.1
Trade and other receivables	16	**252.1**	251.1
Derivative financial assets	18	**6.7**	3.0
Income tax receivables		**50.4**	14.9
Cash and cash equivalents	19	**928.9**	874.5
		1,688.6	1,608.6
Total assets		**3,292.2**	2,332.2
LIABILITIES			
Non-current liabilities			
Trade and other payables	20	**(102.3)**	(176.5)
Lease liabilities	21	**(910.0)**	–
Borrowings	24	**(300.0)**	–
Deferred tax liabilities	15	**(0.1)**	(3.4)
Derivative financial liabilities	18	**–**	(0.1)
Retirement benefit obligations		**(1.9)**	(1.4)
Provisions for other liabilities and charges	22	**(28.6)**	(50.7)
		(1,342.9)	(232.1)
Current liabilities			
Bank overdrafts	23	**(41.6)**	(37.2)
Lease liabilities	21	**(215.5)**	–
Derivative financial liabilities	18	**(4.8)**	(5.5)
Trade and other payables	20	**(447.5)**	(525.7)
Provisions for other liabilities and charges	22	**(13.2)**	(34.6)
Income tax liabilities		**(7.9)**	(37.1)
		(730.5)	(640.1)
Total liabilities		**(2,073.4)**	(872.2)
Net assets		**1,218.8**	1,460.0
EQUITY			
Capital and reserves attributable to owners of the Company			
Ordinary share capital	25	**0.2**	0.2
Share premium account		**220.8**	216.9
Capital reserve	25	**41.1**	41.1
Hedging reserve	25	**4.7**	3.5
Foreign currency translation reserve	25	**245.2**	227.7
Retained earnings		**702.2**	965.6
Equity attributable to owners of the Company		**1,214.2**	1,455.0
Non-controlling interest in equity		**4.6**	5.0
Total equity		**1,218.8**	1,460.0

The consolidated financial statements of Burberry Group plc (registered number 03458224) on pages 204 to 256 were approved by the Board on 22 May 2020 and signed on its behalf by:

MARCO GOBBETTI
Chief Executive Officer

JULIE BROWN
Chief Operating and Financial Officer

	Note	Attributable to owners of the Company						
		Ordinary share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling interest £m	Total equity £m
Balance as at 31 March 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	25	–	–	(2.1)	–	(2.1)	–	(2.1)
Net investment hedges	25	–	–	1.6	–	1.6	–	1.6
Foreign currency translation differences	25	–	–	14.3	–	14.3	0.3	14.6
Tax on other comprehensive income	25	–	–	(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**
Adjustment on initial application of IFRS 16	1	–	–	–	(57.1)	(57.1)	(0.4)	(57.5)
Adjustment on initial application of IFRIC 23	1	–	–	–	(4.4)	(4.4)	–	(4.4)
Adjusted balance as at 31 March 2019		**0.2**	**216.9**	**272.3**	**904.1**	**1,393.5**	**4.6**	**1,398.1**
Profit for the year		–	–	–	121.7	121.7	(0.1)	121.6
Other comprehensive income:								
Cash flow hedges	25	–	–	2.7	–	2.7	–	2.7
Net investment hedges	25	–	–	(1.2)	–	(1.2)	–	(1.2)
Foreign currency translation differences	25	–	–	18.4	–	18.4	0.1	18.5
Tax on other comprehensive income	25	–	–	(1.2)	–	(1.2)	–	(1.2)
Total comprehensive income for the year		–	–	**18.7**	**121.7**	**140.4**	**–**	**140.4**
Transactions with owners:								
Employee share incentive schemes								
Value of share options granted		–	–	–	2.8	2.8	–	2.8
Value of share options transferred to liabilities		–	–	–	0.1	0.1	–	0.1
Tax on share options granted		–	–	–	(0.6)	(0.6)	–	(0.6)
Exercise of share options		–	3.9	–	–	3.9	–	3.9
Purchase of own shares								
Share buy-back		–	–	–	(150.7)	(150.7)	–	(150.7)
Dividends paid in the year		–	–	–	(175.2)	(175.2)	–	(175.2)
Balance as at 28 March 2020		**0.2**	**220.8**	**291.0**	**702.2**	**1,214.2**	**4.6**	**1,218.8**

GROUP STATEMENT OF CASH FLOWS

	Note	**52 weeks to 28 March 2020 £m**	52 weeks to 30 March 2019 £m
Cash flows from operating activities			
Operating profit		**188.7**	437.2
Amortisation of intangible assets	12	**26.4**	28.6
Depreciation of property, plant and equipment	13	**83.3**	87.2
Depreciation of right-of-use assets	14	**221.1**	–
Net impairment charge of intangible assets	12	**11.6**	3.9
Net impairment charge of property, plant and equipment	13	**26.4**	7.9
Net impairment charge of right-of-use assets	14	**140.3**	–
Loss on disposal of property, plant and equipment and intangible assets		**0.7**	1.2
Gain on disposal of right-of-use assets		**(2.1)**	–
Gain on disposal of Beauty operations		**(5.0)**	(6.9)
Gain on derivative instruments		**(3.1)**	(2.4)
Charge in respect of employee share incentive schemes		**2.8**	15.7
Receipt from settlement of equity swap contracts		**0.2**	2.5
Decrease/(increase) in inventories		**27.4**	(59.3)
Increase in receivables		**(9.8)**	(54.6)
(Decrease)/increase in payables and provisions		**(84.0)**	54.9
Cash generated from operating activities		**624.9**	515.9
Interest received		**7.2**	8.1
Interest paid		**(26.0)**	(1.8)
Taxation paid		**(150.3)**	(110.8)
Net cash generated from operating activities		**455.8**	411.4
Cash flows from investing activities			
Purchase of property, plant and equipment		**(85.3)**	(62.6)
Purchase of intangible assets		**(63.5)**	(48.0)
Proceeds from sale of property, plant and equipment		**3.0**	–
Initial direct costs of right-of-use assets		**(5.6)**	–
Proceeds from disposal of Beauty operations, net of cash costs paid		**–**	0.6
Acquisition of subsidiary		**–**	(14.5)
Net cash outflow from investing activities		**(151.4)**	(124.5)
Cash flows from financing activities			
Dividends paid in the year	11	**(175.2)**	(171.1)
Payment to non-controlling interest	20	**(2.7)**	(11.1)
Proceeds from borrowings	24	**300.0**	–
Payment of lease principal		**(228.4)**	–
Payment on termination of lease		**(9.7)**	–
Issue of ordinary share capital		**3.8**	2.3
Purchase of own shares through share buy-back	25	**(150.7)**	(150.7)
Purchase of own shares by ESOP trusts		**–**	(12.8)
Net cash outflow from financing activities		**(262.9)**	(343.4)
Net increase/(decrease) in cash and cash equivalents		**41.5**	(56.5)
Effect of exchange rate changes		**8.5**	1.7
Cash and cash equivalents at beginning of year		**837.3**	892.1
Cash and cash equivalents at end of year		**887.3**	837.3

	Note	**As at 28 March 2020 £m**	As at 30 March 2019 £m
Cash and cash equivalents as per the Balance Sheet	19	**928.9**	874.5
Bank overdrafts	23	**(41.6)**	(37.2)
Net cash		**887.3**	837.3

1. BASIS OF PREPARATION

Burberry Group plc and its subsidiaries (the Group) is a global luxury goods manufacturer, retailer and wholesaler. The Group also licenses third parties to manufacture and distribute products using the 'Burberry' trademarks. All of the companies which comprise the Group are controlled by Burberry Group plc (the Company) directly or indirectly.

The consolidated financial statements of the Group have 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. These consolidated financial statements have been prepared under the historical cost convention, except as modified by the revaluation of certain financial assets and financial liabilities at fair value through profit or loss.

The impact of the COVID-19 pandemic on the global economy and the operating activities of many businesses has resulted in a climate of considerable uncertainty. The ultimate impact of this pandemic on the Group is uncertain at the date of signing these financial statements. The Directors have assessed the potential cash generation of the Group against a range of projected scenarios (including a severe but plausible outcome), the liquidity of the Group, existing funding available to the Group and mitigating actions which may be taken to reduce discretionary and other operating cash outflows. On the basis of these assessments the Directors consider it appropriate to continue to adopt the going concern basis in preparing the financial statements for the 52 weeks to 28 March 2020. The Directors' assessment of the prospects and viability of the Group over the next three years are set out in the strategic report on pages 117 to 118 of the Annual Report.

New Standards adopted in the period

The following standards were adopted for the first time in the financial statements for the 52 weeks to 28 March 2020:

IFRS 16 Leases

The Group adopted IFRS 16 Leases, for the period commencing 31 March 2019. This standard 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 Group's new accounting policy for leases, following the adoption of IFRS 16 Leases, together with the policy applied in the comparative period, are set out in note 2e.

The Group has adopted IFRS 16 using a modified retrospective approach. Under this approach, the Group has opted to measure the initial right-of-use assets at an amount equal to the lease liabilities on the date of adoption. The lease liabilities are measured as the present value of future lease payments. The right-of-use assets are adjusted to take account of any prepaid lease payments and incentives relating to the relevant leases that are recorded on the balance sheet at 30 March 2019.

The Group has released any onerous lease provisions which had previously been recognised against off balance sheet onerous lease contracts. An impairment analysis of the related right-of-use asset recognised at 31 March 2019 has been performed and the resulting impairments recognised. The difference between the release of onerous lease provisions previously recognised and impairments recognised against related right-of-use assets has been recognised against opening reserves as at 31 March 2019.

The impact of the adoption of IFRS 16 on the balance sheet as at 31 March 2019 is set out in the table on page 210.

There has been no restatement of comparative information in the financial statements as a result of adopting IFRS 16 under the modified retrospective approach.

For contracts in place at this date of adoption, the Group continued to apply its existing definition of leases under the previous standards, IAS 17 and IFRIC 4, instead of reassessing whether existing contracts were or contained a lease at the date of application of the new standard.

The Group is using the following practical expedients on transition to leases previously classified as operating leases: electing to not apply the retrospective treatment to leases for which the term ends within 12 months of initial application, electing to apply a single discount rate to portfolios of leases with similar characteristics, excluding initial direct costs from the initial measurement of the right-of-use assets, and using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

1. BASIS OF PREPARATION (CONTINUED)

New Standards adopted in the period (continued)

Adjustments recognised on adoption of IFRS 16

The change in accounting policy affected the following line items in the balance sheet at 31 March 2019:

	As at 31 March 2019 £m	Description of change
Property, plant and equipment	(0.7)	Reclassification of assets held under finance leases from Property, plant and equipment to Right-of-use assets
Right-of-use assets	878.1	Initial right-of-use assets recognised on adoption of IFRS 16, net of impairments recognised on adoption
Deferred tax assets	16.4	Net impact of deferred tax arising on the difference between the initial impairment of right-of-use assets recognised on adoption, compared to the onerous lease provisions previously recognised
Trade and other receivables	(37.5)	Reclassification of prepayments, relating to leases recognised on balance sheet on adoption of IFRS 16, to form part of the initial right-of-use assets
Trade and other payables	83.2	Reclassification of accruals and deferred income, relating to leases recognised on balance sheet on adoption of IFRS 16, to form part of the initial right-of-use assets
Provisions for other liabilities and charges	48.0	Release of onerous lease provisions previously recognised against off balance sheet onerous lease contracts
Lease liabilities	(1,045.0)	Net present value of lease liabilities recognised on adoption of IFRS 16
Reserves	57.5	Post-tax net impact of the difference between the initial impairment of right-of-use assets recognised on adoption, compared to the onerous lease provisions previously recognised, which is recorded in reserves on adoption

The net impact on retained earnings at 31 March 2019 was a decrease of £57.5 million. This arose as a result of an initial impairment of right-of-use assets of £121.9 million, offset by a reversal in the previous onerous lease provisions relating to the same leases of £48.0 million and the recognition of a net increase in deferred tax assets of £16.4 million. This impairment arose principally as a result of measurement differences between provisioning under IAS 36 compared with IAS 37. The weighted average incremental borrowing rate applied to the lease liabilities on 31 March 2019 was 2.3%.

Key judgements made in calculating the initial impact of adoption include determining the lease term where extension or termination options exist. In such instances, all facts and circumstances that may create an economic incentive to exercise an extension option, or not exercise a termination option, have been considered to determine the lease term. Considerations include, but are not limited to, the period assessed by management when approving initial investment, together with costs associated with any termination options or extension options. Extension periods (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Where the lease term has been extended by assuming an extension option will be recognised, this will result in the initial right-of-use assets and lease liabilities on adoption of IFRS 16 Leases being greater than if the option was not assumed to be exercised. Likewise, assuming a break option will be exercised will reduce the initial right-of-use assets and lease liabilities.

Judgement is required in determining the discount rate, which is based on the incremental borrowing rate. As the Group has not held any borrowings since 2013, at the date of adoption, the judgement applied required a consideration of the appropriate factors to take into account when assessing the incremental borrowing rate of the Group and its subsidiaries. An increase in the discount rate would result in a lower value of the initial right-of-use asset and lease liability, lower depreciation expense and higher interest expense over the term of the lease. The impact of recognising lease payments in excess of the minimum lease payments on adoption was £262.6 million.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under IAS 17 Leases. The impact of discounting on the initial value of the lease liability recognised on adoption was £113.5 million.

1. BASIS OF PREPARATION (CONTINUED)

New Standards adopted in the period (continued)

Adjustments recognised on adoption of IFRS 16 (continued)

The most significant differences between the Group's operating lease commitments of £940.5 million at 30 March 2019 and lease liabilities upon adoption of IFRS 16 of £1,045.0 million are set out below:

	£m
Operating lease commitments reported at 30 March 2019 under IAS 17	**940.5**
Exclude/deduct:	
Commitments relating to assets not yet controlled by the Group	**(82.4)**
Include/add:	
Liabilities in excess of the minimum commitment to the end of the lease term	**262.5**
Reclassification of finance lease liabilities	**0.7**
Restatement for commitments excluded at 30 March 2019	**37.2**
Subtotal	**1,158.5**
Effect of discounting on payments included in the calculation of the lease liability	**(113.5)**
Lease liability opening balance as at 31 March 2019 under IFRS 16	**1,045.0**
Of which are:	
Current lease liabilities	**207.8**
Non-current lease liabilities	**837.2**
	1,045.0

The commitments under IAS 17 for all operating leases as at 30 March 2019 were as follows:

	As at 30 March 2019 £m
Amounts falling due:	
Within 1 year	230.2
Between 2 and 5 years	460.2
After 5 years	287.3
Total	977.7

The commitments above are future minimum lease payments for periods up to the date of the Group's first available termination option. The financial commitments for operating lease amounts calculated as a percentage of revenue ('revenue leases') have been based on the minimum payment that is required under the terms of the relevant lease excluding any contingent payments.

The Group's activities as a lessor are not material and there is not a significant impact on the financial statements on adoption of IFRS 16.

IFRIC 23 Uncertainty over Income Tax Treatments

The Group adopted IFRIC 23 Uncertainty over Income Tax Treatments, for the period commencing 31 March 2019. This interpretation clarifies the accounting for uncertainties in income tax positions. IFRIC 23 requires the Group to measure the effect of uncertainty on income tax positions using either the most likely amount or the expected value amount depending on which method is expected to better reflect the resolution of the uncertainty. The adoption of IFRIC 23 has resulted in a reduction to retained earnings at 31 March 2019 of £4.4 million.

Standards not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the 52 weeks to 28 March 2020 and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Basis of consolidation

The Group's annual financial statements comprise those of Burberry Group plc (the Company) and its subsidiaries, presented as a single economic entity. The results of the subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies across the Group.

1. BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (continued)

Subsidiaries are all entities (including special purpose entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Where there is a loss of control of a subsidiary, the consolidated financial statements include the results for the portion of the reporting period during which the Group had control. Intra-Group transactions, balances and unrealised profits on transactions between Group companies are eliminated in preparing the Group financial statements. The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For acquisitions of additional interests in subsidiaries from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals of interests in subsidiaries to non-controlling interests are also recorded in equity.

Key sources of estimation uncertainty

Preparation of the consolidated financial statements in conformity with IFRS requires that management make certain estimates and assumptions that affect the measurement of reported revenues, expenses, assets and liabilities and the disclosure of contingent liabilities.

If in the future such estimates and assumptions, which are based on management's best estimates at the date of the financial statements, deviate from actual circumstances, the original estimates and assumptions will be updated as appropriate in the period in which the circumstances change.

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The COVID-19 pandemic (COVID-19) has had a major impact on the global economy and is expected to have a significant impact on the operations and financial performance of the Group for at least the next 12 months. At the date of signing these financial statements many of the Group's retail stores are closed due to government restrictions relating to COVID-19 and the ultimate impact of COVID-19 is uncertain.

As a result, management have assessed the assets held by the Group at 28 March 2020 to identify any indicators of impairment. Where a potential impairment may have arisen as a result of COVID-19, an estimate of the expected recoverable value of the asset has been made and compared to the current carrying value of the asset, to estimate any impairment to be recorded. These estimates, where applicable, have been derived from management's planning assumption of the likely trading performance over the next two years, taking into account their assumption of the impact of COVID-19 and reflecting a protracted impact of lockdown, the resultant store closures, footfall decline across key regions and gradual improvement in the following year. Longer term growth rates of mid-single digits have been applied thereafter. Where material, these significant estimates have been disclosed below and in the relevant notes to the financial statements.

Due to the significant uncertainty regarding the ultimate impact of COVID-19, the assumptions used in these estimates include an increased level of inherent uncertainty. As a result, management have also considered, where applicable, a potential range of outcomes applying revenue estimates of 15% higher or lower than those included in the central planning assumption. A range of sensitivities for the material estimates are also included in the notes, to indicate the potential range of outcomes considered by management in forming these estimates.

The key areas where the estimates and assumptions applied have a significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next financial year are discussed below. Further details of the Group's accounting policies in relation to these areas are provided in note 2.

Impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount of an asset or a cash generating unit is determined based on value-in-use calculations prepared using management's best estimates and assumptions at the time. Refer to notes 13 and 14 for further details of property, plant and equipment, right-of-use assets and impairment reviews carried out in the period.

Inventory provisioning

The Group manufactures and sells luxury goods and is subject to changing consumer demands and fashion trends. The recoverability of the cost of inventories is assessed every reporting period, by considering the expected net realisable value of inventory compared to its carrying value. Where the net realisable value is lower than the carrying value, a provision is recorded. When calculating inventory provisions, management considers the nature and condition of the inventory, as well as applying assumptions in respect of anticipated saleability of finished goods and future usage of raw materials. Refer to note 17 for further details of the carrying value of inventory.

1. BASIS OF PREPARATION (CONTINUED)

Key sources of estimation uncertainty (continued)

Uncertain tax positions

In common with many multinational companies, Burberry faces tax audits in jurisdictions around the world in relation to transfer pricing of goods and services between associated entities within the Group. These tax audits are often subject to inter-government negotiations. The matters under discussion are often complex and can take many years to resolve. Tax liabilities are recorded based on management's estimate of either the most likely amount or the expected value amount depending on which method is expected to better reflect the resolution of the uncertainty. Given the inherent uncertainty in assessing tax outcomes we could, in future periods, experience adjustments to these tax liabilities that have a material positive or negative effect on our results for a particular period.

During the next year it is possible that some or all of the current disputes are resolved. Management estimate that the outcome across all matters under dispute or in negotiation between governments could be in the range of a decrease of £5 million to an increase of £15 million relative to the current tax liabilities recognised at 28 March 2020. This would have an impact of approximately 1% to 4% on the Group's effective tax rate.

Key judgements in applying the Group's accounting policies

Judgements are those decisions made when applying accounting policies which have a significant impact on the amounts recognised in the Group financial statements. Further details of the Group's accounting policies are provided in note 2. Key judgements that have a significant impact on the amounts recognised in the Group financial statements for the 52 weeks to 28 March 2020 are as follows:

Where the Group is a lessee, judgement is required in determining the lease term where extension or termination options exist. In such instances, all facts and circumstances that may create an economic incentive to exercise an extension option, or not exercise a termination option, have been considered to determine the lease term. Considerations include, but are not limited to, the period assessed by management when approving initial investment, together with costs associated with any termination options or extension options. Extension periods (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Where the lease term has been extended by assuming an extension option will be recognised, this will result in the initial right-of-use assets and lease liabilities at inception of the lease being greater than if the option was not assumed to be exercised. Likewise, assuming a break option will be exercised will reduce the initial right-of-use assets and lease liabilities.

There were no key judgements arising in the prior period.

2. ACCOUNTING POLICIES

The principal accounting policies of the Group are:

a) 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.

2. ACCOUNTING POLICIES (CONTINUED)

a) Revenue (continued)

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.

b) Segment reporting

As required by IFRS 8 Operating Segments, the segmental information presented in the financial statements is reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker. The Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance, has been identified as the Board of Directors.

The Group has centralised activities for designing, making and sourcing, which ensure a global product offering is sold through retail and wholesale channels worldwide. Resource allocation and performance is assessed across the whole of the retail/wholesale channel globally. Hence the retail/wholesale channel has been determined to be an operating segment.

Licensed products are manufactured and sold by third-party licensees. As a result, this channel is assessed discretely by the Chief Operating Decision Maker and has been determined to be an operating segment.

The Group presents an analysis of its revenue by channel, by product division and by geographical destination.

c) Business combinations

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Contingent payments are remeasured at fair value through the Income Statement. All transaction costs are expensed to the Income Statement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. Non-controlling interests in subsidiaries are identified separately from the Group's equity, and are initially measured either at fair value or at a value equal to the non-controlling interests' share of the identifiable net assets acquired. The choice of the basis of measurement is an accounting policy choice for each individual business combination. The excess of the cost of acquisition together with the value of any non-controlling interest over the fair value of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Income Statement.

d) Share schemes

The Group operates a number of equity-settled share-based compensation schemes, under which services are received from employees (including executive directors) as consideration for equity instruments of the Company. The cost of the share-based incentives is measured with reference to the fair value of the equity instruments awarded at the date of grant. Appropriate option pricing models, including Black-Scholes, are used to determine the fair value of the awards made. The fair value takes into account the impact of any market performance conditions, but the impact of non-market performance conditions is not considered in determining the fair value on the date of grant. Vesting conditions which relate to non-market conditions are allowed for in the assumptions used for the number of options expected to vest. The estimate of the number of options expected to vest is revised at each balance sheet date.

In some circumstances, employees may provide services in advance of the grant date. The grant date fair value is estimated for the purposes of recognising the expense during the period between the service commencement period and the grant date.

The cost of the share-based incentives is recognised as an expense over the vesting period of the awards, with a corresponding increase in equity.

When options are exercised, they are settled either via issue of new shares in the Company, or through shares held in an Employee Share Option Plan (ESOP) trust, depending on the terms and conditions of the relevant scheme. The proceeds received from the exercises, net of any directly attributable transaction costs, are credited to share capital and share premium accounts.

e) Leases

The Group is both a lessee and lessor of property, plant and equipment. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. An identified asset may be specifically or implicitly specified. Control exists when the lessee has both the right to direct the use of the identified asset and the right to obtain substantially all of the economic benefits from that use.

2. ACCOUNTING POLICIES (CONTINUED)

e) Leases (continued)

Lessee accounting

The Group's principal lease arrangements where the Group acts as the lessee are for property, most notably the lease of retail stores, corporate offices and warehouses. Other leases are for office equipment, vehicles, and supply chain equipment. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

The Group recognises all lease liabilities and the corresponding right-of-use assets on the balance sheet, with the exception of certain short-term leases (12 months or less) and leases of low value assets, which are expensed as incurred. Leases and the corresponding right-of-use assets are initially recognised when the Group obtains control of the underlying asset. Leases for new assets are presented as additions to lease liabilities and right-of-use assets.

Lease liabilities are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments, less any incentives;
- variable lease payments that are based on a future index or rate;
- amounts expected to be payable by the lessee under residual value guarantees; and,
- the cost of exercise of a purchase option if the lessee is reasonably certain to exercise that option.

Where the lease contains an extension option or a termination option which is exercisable by the Group, as lessee, an assessment is made as to whether the Group is reasonably certain to exercise the extension option, or not exercise the termination option, considering all relevant facts and circumstances that create an economic incentive. Considerations may include the contractual terms and conditions for the optional periods compared to market rates, costs associated with the termination of the lease and the importance of the underlying asset to the Group's operations.

Variable lease payments dependent upon a future index or rate are measured using the amounts payable at the commencement date until the index or rate is known. Variable lease payments not dependent on an index or rate are excluded from the calculation of lease liabilities.

Payments are discounted at the incremental borrowing rate of the lessee, unless the interest rate implicit in the lease can be readily determined.

Right-of-use assets are classified as property or non-property. The Group has elected not to apply the short-term exemption to the property class of right-of-use assets. Where the exemption is applied to the non-property class of right-of-use assets, lease payments are expensed as incurred. The low value asset exemption has been applied to both the property and non-property class of assets on a lease-by-lease basis where applicable.

In circumstances where the Group is in possession of a property but there is no executed agreement or other binding obligation in relation to the property, rent is expensed until such time the obligation becomes binding, at which point, a right-of-use asset and lease liability will be recognised prospectively. These lease costs are disclosed as lease in holdover expenses. Refer to notes 5 and 21.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date less any lease incentives received; and,
- any initial direct costs incurred in entering into the lease.

The Group recognises depreciation of right-of-use assets and interest on lease liabilities in the income statement over the lease term. Repayments of lease liabilities are classified separately in the cash flow statement where the cash payments for the principal portion of the lease liability are presented within financing activities, and cash payments for the interest portion are presented within operating activities. Payments in relation to short-term leases and leases of low value assets which are not included on the balance sheet are included within operating activities.

Modifications to lease agreements, extensions to existing lease agreements and changes to future lease payments relating to existing terms in the contract, including market rent reassessments and index based changes, are presented as remeasurements of the lease liabilities. The related right-of-use asset is also remeasured. If the modification results in a reduction in scope of the lease, either through shortening the lease term or through disposing of part of the underlying asset, a gain or loss on disposal may arise relating to the difference between the lease liabilities and the right-of-use asset applicable to the reduction in scope.

Right-of-use assets are included in the review for impairment of property, plant and equipment and intangible assets with finite economic lives, if there is an indication that the carrying amount of the cash generating unit may not be recoverable.

2. ACCOUNTING POLICIES (CONTINUED)

e) Leases (continued)

Lessor accounting

The Group also acts as a lessor of properties. Each of these leases are classified as either a finance lease or an operating lease. Leases in which substantially all of the risks and rewards incidental to ownership of an underlying asset are transferred to the lessee by the lessor are classified as finance leases. Leases which are not finance leases are classified as operating leases.

Gross rental income in respect of operating leases is recognised on a straight-line basis over the term of the leases.

Leases accounting policy applied in the comparative period

The Group is both a lessor and lessee of property, plant and equipment. Determining whether an arrangement is or contains a lease is based on the substance of the arrangement. Leases in which substantially all of the risks and rewards incidental to ownership of an asset are transferred to the lessee by the lessor are classified as finance leases. Leases which are not finance leases are classified as operating leases.

Gross rental expenditure/income in respect of operating leases is recognised on a straight-line basis over the term of the leases. Certain rental expenses are determined on the basis of revenue achieved in specific retail locations and are accrued for on that basis.

Amounts paid to/received from the landlord to acquire or transfer the rights to a lease are treated as prepayments/deferred income. Lease incentives, typically rent-free periods and capital contributions, are held on the Balance Sheet in deferred income and non-financial accruals and recognised over the term of the lease.

f) Dividend distributions

Dividend distributions to Burberry Group plc's shareholders are recognised as a liability in the period in which the dividend becomes a committed obligation. Final dividends are recognised when they are approved by the shareholders. Interim dividends are recognised when paid.

g) Pension costs

Eligible employees participate in defined contribution pension schemes, the principal one being in the UK with its assets held in an independently administered fund. The cost of providing these benefits to participating employees is recognised in the Income Statement as they fall due and comprises the amount of contributions to the schemes.

h) Intangible assets

Goodwill

Goodwill is the excess of the cost of acquisition together with the value of any non-controlling interest, over the fair value of identifiable net assets acquired. Goodwill on acquisition is recorded as an intangible asset. Fair values are attributed to the identifiable assets, liabilities and contingent liabilities that existed at the date of acquisition, reflecting their condition at that date. Adjustments are also made to align the accounting policies of acquired businesses with those of the Group.

Goodwill is assigned an indefinite useful life. Impairment reviews are performed annually, or more frequently if events or changes in circumstances indicate that the carrying value may not be recoverable. Impairment losses recognised on goodwill are not reversed in future periods.

Trademarks, licences and other intangible assets

The cost of securing and renewing trademarks and licences, and the cost of acquiring other intangible assets, is capitalised at purchase price and amortised by equal annual instalments over the period in which benefits are expected to accrue, typically ten years for trademarks, or the term of the licence. The useful life of trademarks and other intangible assets is determined on a case-by-case basis, in accordance with the terms of the underlying agreement and the nature of the asset.

Computer software

Computer software costs are capitalised during the development phase at the point at which there is sufficient certainty that it will deliver future economic benefits to the Group. The cost of acquiring computer software (including licences and separately identifiable development costs) is capitalised as an intangible asset at purchase price, plus any directly attributable cost of preparing that asset for its intended use. Software costs are amortised on a straight-line basis over their estimated useful lives, which may be up to seven years.

i) Property, plant and equipment

Property, plant and equipment, with the exception of assets in the course of construction, is stated at cost or deemed cost, based on historical revalued amounts prior to the adoption of IFRS, less accumulated depreciation and provision to reflect any impairment in value. Assets in the course of construction are stated at cost less any provision for impairment and transferred to completed assets when substantially all of the activities necessary for the asset to be ready for use have occurred. Cost includes the original purchase price of the asset and costs attributable to bringing the asset to its working condition for its intended use.

2. ACCOUNTING POLICIES (CONTINUED)

i) Property, plant and equipment (continued)

Depreciation

Depreciation of property, plant and equipment is calculated to write off the cost or deemed cost, less residual value, of the assets in equal annual instalments over their estimated useful lives at the following rates:

Type of asset	Category of property, plant and equipment	Useful life
Land	Freehold land and buildings	Not depreciated
Freehold buildings	Freehold land and buildings	Up to 50 years
Long life leasehold improvements	Leasehold improvements	Over the unexpired term of the lease
Short life leasehold improvements	Leasehold improvements	Up to 10 years
Plant and machinery	Fixtures, fittings and equipment	Up to 15 years
Retail fixtures and fittings	Fixtures, fittings and equipment	Up to 5 years
Office fixtures and fittings	Fixtures, fittings and equipment	Up to 5 years
Computer equipment	Fixtures, fittings and equipment	Up to 7 years
Assets in the course of construction	Assets in the course of construction	Not depreciated

Profit/loss on disposal of property, plant and equipment and intangible assets

Profits and losses on the disposal of property, plant and equipment and intangible assets represent the difference between the net proceeds and net book value at the date of sale. Disposals are accounted for when the relevant transaction becomes unconditional.

j) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstance indicate that the carrying value may not be recoverable. An impairment loss is recognised for the amount by which the carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets, other than goodwill, for which an impairment has been previously recognised are reviewed for possible reversal of impairment at each reporting date.

k) Investment properties

Investment properties are freehold properties held to earn rentals and/or for capital appreciation. Investment properties are stated at cost less accumulated depreciation and provision to reflect any impairment in value. Cost includes the original purchase price plus any directly attributable transaction costs. Investment properties are depreciated on a straight-line basis over an estimated useful life of up to 50 years.

l) Discontinued operations and assets classified as held for sale

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of, has been abandoned or meets the criteria to be classified as held for sale. Discontinued operations are presented on the Income Statement as a separate line and are shown net of tax.

Non-current assets are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction rather than through continued use, and a sale within the next 12 months is considered to be highly probable. Assets classified as held for sale cease to be depreciated and they are stated at the lower of carrying amount and fair value less cost to sell.

m) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost consists of all costs of purchase, costs of conversion, design costs and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories is determined using a first-in, first-out (FIFO) method, taking account of the fashion seasons for which the inventory was offered. Where necessary, provision is made to reduce cost to no more than net realisable value having regard to the nature and condition of inventory, as well as its anticipated utilisation and saleability.

n) Taxation

Tax expense represents the sum of the tax currently payable and deferred tax charge.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Income Statement because it excludes items of income or expense which are taxable or deductible in other years and it further excludes items which are never taxable or deductible. The Group's liability for current tax is calculated using tax rates which have been enacted or substantively enacted at the balance sheet date.

2. ACCOUNTING POLICIES (CONTINUED)

n) Taxation (continued)

Deferred tax is recognised, using the liabilities method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the temporary difference arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, no deferred tax will be recognised. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entities or different taxable entities where there is an intention to settle the balances on a net basis.

o) Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and where the amount of the obligation can be reliably estimated. When the effect of the time value of money is material, provision amounts are calculated based on the present value of the expenditures expected to be required to settle the obligation. The present value is calculated using forward market interest rates as measured at the balance sheet reporting date, which have been adjusted for risks specific to the future obligation.

Property obligations

A provision for the present value of future property reinstatement costs is recognised where there is an obligation to return the leased property to its original condition at the end of a lease term. The reinstatement cost at the end of a lease usually arises due to leasehold improvements and modifications carried out by the Group in order to customise the property during tenure of the lease. As a result, the cost of the reinstatement provision is recognised as a component of the cost of the leasehold improvements in property, plant and equipment when these are installed.

Onerous leases accounting policy applied in the comparative period

Where a leased property is no longer expected to be fully occupied or where the costs exceed the future expected benefits, an onerous lease provision will be recognised for that portion of the lease in excess to the Group's requirements and not fully recovered through sub-leasing, or through value-in-use.

p) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs, is deducted from equity attributable to owners of the Company until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to owners of the Company.

q) Financial instruments

Financial instruments are initially recognised at fair value plus directly attributable transaction costs on the Balance Sheet when the entity becomes a party to the contractual provisions of the instrument. A financial asset is derecognised when the contractual rights to the cash flow expire or substantially all risks and rewards of the asset are transferred. A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

Subsequent to initial recognition, all financial liabilities are stated at amortised cost using the effective interest rate method except for derivatives which are held at fair value and which are classified as fair value through profit and loss, except where they qualify for hedge accounting. The fair value of the Group's financial assets and liabilities held at amortised cost mostly approximate their carrying amount due to the short maturity of these instruments. Where the fair value of any financial asset or liability held at amortised cost is materially different to the book value, the fair value is disclosed.

2. ACCOUNTING POLICIES (CONTINUED)
q) Financial instruments (continued)
The Group classifies its instruments in the following categories:

Financial instrument category	Note	Classification	Measurement	Fair value measurement hierarchy[2]
Cash and cash equivalents	19	Amortised cost	Amortised cost	N/A
Cash and cash equivalents	19	Fair value through profit and loss	Fair value through profit and loss	2
Trade and other receivables	16	Amortised cost	Amortised cost	N/A
Trade and other payables	20	Other financial liabilities	Amortised cost	N/A
Borrowings	24	Other financial liabilities	Amortised cost	N/A
Deferred consideration	20	Fair value through profit and loss	Fair value through profit and loss	3
Forward foreign exchange contracts	18	Fair value through profit and loss	Fair value through profit and loss	2
Forward foreign exchange contracts used for hedging[1]	18	Fair value – hedging instrument	Fair value – hedging instrument[3]	2
Equity swap contracts	18	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.

The measurements for financial instruments carried at fair value are categorised into different levels in the fair value hierarchy based on the inputs to the valuation technique used. The different levels are defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: includes unobservable inputs for the asset or liability.

Observable inputs are those which are developed using market data, such as publicly available information about actual events or transactions. The Group has an established framework with respect to measurement of fair values, including Level 3 fair values. The Group regularly reviews any significant inputs which are not derived from observable market data and considers, where available, relevant third-party information, to support the conclusion that such valuations meet the requirements of IFRS. The classification level in the fair value hierarchy is also considered periodically. Significant valuation issues are reported to the Audit Committee.

The fair value of forward foreign exchange contracts and equity swap contracts is based on a comparison of the contractual and market rates and, in the case of forward foreign exchange contracts, after discounting using the appropriate yield curve as at the balance sheet date. All Level 2 fair value measurements are calculated using inputs which are based on observable market data.

The fair value of the contingent payment component of deferred consideration is considered to be a Level 3 measurement and is derived using a present value calculation, incorporating observable and non-observable inputs. This valuation technique has been adopted as it most closely mirrors the contractual arrangement.

The Group's primary categories of financial instruments are listed below:

Cash and cash equivalents
On the Balance Sheet, cash and cash equivalents comprise cash and short-term deposits with a maturity date of three months or less, held with banks and liquidity funds. In the Statement of Cash Flows, cash and cash equivalents also include bank overdrafts, which are recorded under current liabilities on the Balance Sheet.

While cash at bank and in hand is classified as amortised cost, some short-term deposits are classified as fair value through profit and loss.

Cash and cash equivalents held at amortised cost are subject to impairment testing each period end.

2. ACCOUNTING POLICIES (CONTINUED)

q) Financial instruments (continued)

Trade and other receivables

Trade and other receivables are included in current assets, except for maturities greater than 12 months after the balance sheet date. The receivables are held with the objective to collect the contractual cash flows and are therefore recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for the expected loss on trade receivables is established at inception. This is modified when there is a change in the credit risk. The amount of the movement in the provision is recognised in the Income Statement.

Trade and other payables

Trade and other payables are included in current liabilities, except for maturities greater than 12 months after the balance sheet date. Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

Borrowings (including overdrafts)

Borrowings are recognised initially at fair value, inclusive of transaction costs incurred. Borrowings are subsequently stated at amortised cost and the difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Income Statement over the period of the borrowings using the effective interest rate method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Deferred consideration

Deferred consideration is initially recognised at the present value of the expected future payments. It is subsequently remeasured at fair value at each reporting period with the change in fair value relating to changes in expected future payments recorded in the Income Statement as an operating expense or income. Changes in fair value relating to unwinding of discounting to present value are recorded as a financing expense.

Derivative instruments

The Group uses derivative financial instruments to hedge its exposure to fluctuations in foreign exchange rates arising on certain trading transactions. The principal derivative instruments used are forward foreign exchange contracts taken out to hedge highly probable cash flows in relation to future sales, and product purchases. The Group also may designate forward foreign exchange contracts or foreign currency borrowings as a net investment hedge of the assets of overseas subsidiaries.

When hedge accounting is applied, the Group documents at the inception of the transaction the relationship between the spot element of the hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the hedging instruments that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Derivatives are initially recognised at fair value at the trade date and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either: (1) hedges of the fair value of recognised assets and liabilities or a firm commitment (fair value hedge); (2) hedges of highly probable forecast transactions (cash flow hedges); (3) hedges of net investment of the assets of overseas subsidiaries (net investment hedges); or (4) classified as fair value through profit and loss.

The forward elements of the hedging instrument are recognised in operating expenses.

Changes in the fair value relating to the spot element of derivatives that are designated and qualify as fair value hedges are recorded in the Income Statement immediately, together with any changes in the fair value of the hedged item that is attributable to the hedged risk.

The effective portion of changes in the fair value relating to the spot element of derivatives that are designated and qualify as cash flow hedges is deferred in other comprehensive income. The gain or loss relating to the ineffective portion of the gain or loss is recognised immediately in the Income Statement. Amounts deferred in other comprehensive income are recycled through the Income Statement in the periods when the hedged item affects the Income Statement. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at the time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Income Statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Income Statement within 'net exchange gain/(loss) on derivatives – fair value through profit and loss'. If a derivative instrument is not designated as a hedge, the subsequent change to the fair value is recognised in the Income Statement within operating expenses or interest depending upon the nature of the instrument.

2. ACCOUNTING POLICIES (CONTINUED)

q) Financial instruments (continued)

Derivative instruments (continued)

Where the Group hedges net investments in foreign operations through derivative instruments or foreign currency borrowings, the gains or losses on the effective portion of the change in fair value of derivatives that are designated and qualify as a hedge of a net investment, or the gains or losses on the retranslation of the borrowings are recognised in other comprehensive income and are reclassified to the Income Statement when the foreign operation that is hedged is disposed of.

r) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Sterling which is the Company's functional and the Group's presentation currency.

Transactions in foreign currencies

Transactions denominated in foreign currencies within each entity in the Group are translated into the functional currency at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies, which are held at the year end, are translated into the functional currency at the exchange rate ruling at the balance sheet date (closing rate). Exchange differences on monetary items are recognised in the Income Statement in the period in which they arise, except where these exchange differences form part of a net investment in overseas subsidiaries of the Group, in which case such differences are taken directly to the hedging reserve.

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 28 March 2020	52 weeks to 30 March 2019	**As at 28 March 2020**	As at 30 March 2019
Euro	**1.14**	1.13	**1.12**	1.16
US Dollar	**1.27**	1.31	**1.24**	1.30
Chinese Yuan Renminbi	**8.88**	8.82	**8.75**	8.75
Hong Kong Dollar	**9.89**	10.26	**9.64**	10.20
Korean Won	**1,504**	1,460	**1,512**	1,478

s) 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 6 for further details of adjusting items.

3. 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 US.

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.

	Retail/Wholesale		Licensing		Total	
	52 weeks to 28 March 2020 £m	52 weeks to 30 March 2019 £m	**52 weeks to 28 March 2020 £m**	52 weeks to 30 March 2019 £m	**52 weeks to 28 March 2020 £m**	52 weeks to 30 March 2019 £m
Retail	**2,110.2**	2,185.8	**–**	–	**2,110.2**	2,185.8
Wholesale	**475.8**	487.9	**–**	–	**475.8**	487.9
Licensing	**–**	–	**48.5**	48.3	**48.5**	48.3
Total segment revenue	**2,586.0**	2,673.7	**48.5**	48.3	**2,634.5**	2,722.0
Inter-segment revenue[1]	**–**	–	**(1.4)**	(1.8)	**(1.4)**	(1.8)
Revenue from external customers	**2,586.0**	2,673.7	**47.1**	46.5	**2,633.1**	2,720.2
Depreciation and amortisation	**330.8**	115.8	**–**	–	**330.8**	115.8
Impairment of intangible assets[2]	**1.6**	3.9	**–**	–	**1.6**	3.9
Net impairment of property, plant and equipment[3]	**(2.0)**	7.5	**–**	–	**(2.0)**	7.5
Net impairment of right-of-use assets[4]	**12.8**	–	**–**	–	**12.8**	–
Other non-cash items:						
Share-based payments	**2.8**	15.7	**–**	–	**2.8**	15.7
Adjusted operating profit	**389.8**	395.7	**43.3**	42.4	**433.1**	438.1
Adjusting items[5]					**(245.6)**	(2.6)
Finance income					**7.6**	8.7
Finance expense					**(26.6)**	(3.6)
Profit before taxation					**168.5**	440.6

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. Impairment of intangible assets for the 52 weeks to 28 March 2020 is presented excluding £10.0 million (last year: £nil) relating to charges as a result of the impact of COVID-19, which has been presented as an adjusting item (refer to note 6).
3. Net impairment charge relating to property, plant and equipment for the 52 weeks to 28 March 2020 is presented excluding £28.4 million relating to charges as a result of the impact of COVID-19. For the 52 weeks to 30 March 2019, net impairment charges were presented excluding £0.4 million relating to the closure of stores as part of the Group's restructuring programme. These have been presented as adjusting items (refer to note 6).
4. Net impairment of right-of-use assets for the 52 weeks to 28 March 2020 is presented excluding £128.1 million relating to charges as a result of the impact of COVID-19 and a credit of £0.6 million relating to restructuring costs, which have been presented as adjusting items (refer to note 6).
5. Refer to note 6 for details of adjusting items.

3. SEGMENTAL ANALYSIS (CONTINUED)

	Retail/Wholesale		Licensing		Total	
	52 weeks to 28 March 2020 £m	52 weeks to 30 March 2019 £m	**52 weeks to 28 March 2020 £m**	52 weeks to 30 March 2019 £m	**52 weeks to 28 March 2020 £m**	52 weeks to 30 March 2019 £m
Additions to non-current assets	**447.5**	149.8	**–**	–	**447.5**	149.8
Total segment assets	**2,020.9**	1,201.6	**11.2**	9.5	**2,032.1**	1,211.1
Goodwill					**109.3**	108.6
Cash and cash equivalents					**928.9**	874.5
Taxation					**221.9**	138.0
Total assets per Balance Sheet					**3,292.2**	2,332.2

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 28 March 2020 £m**	52 weeks to 30 March 2019 £m
Accessories	**947.5**	1,012.7
Women's	**796.5**	836.8
Men's	**714.8**	698.2
Children's/Other	**127.2**	126.0
Retail/Wholesale	**2,586.0**	2,673.7
Licensing	**47.1**	46.5
Total	**2,633.1**	2,720.2

Revenue by destination	**52 weeks to 28 March 2020 £m**	52 weeks to 30 March 2019 £m
Asia Pacific	**1,040.5**	1,104.3
EMEIA[1]	**960.6**	957.4
Americas	**584.9**	612.0
Retail/Wholesale	**2,586.0**	2,673.7
Licensing	**47.1**	46.5
Total	**2,633.1**	2,720.2

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

Entity-wide disclosures

Revenue derived from external customers in the UK totalled £319.6 million for the 52 weeks to 28 March 2020 (last year: £311.7 million).

Revenue derived from external customers in foreign countries totalled £2,313.5 million for the 52 weeks to 28 March 2020 (last year: £2,408.5 million). This amount includes £491.9 million of external revenues derived from customers in the USA (last year: £513.6 million) and £461.5 million of external revenues derived from customers in China (last year: £450.5 million).

The total of non-current assets other than financial instruments and deferred tax assets located in the UK is £490.8 million (last year: £178.0 million). The remaining £894.4 million of non-current assets are located in other countries (last year: £381.5 million), with £232.5 million located in the USA (last year: £125.9 million), £113.6 million located in China (last year: £75.6 million), and £57.1 million located in Korea (last year: £59.0 million).

4. NET OPERATING EXPENSES

	Note	**52 weeks to 28 March 2020 £m**	52 weeks to 30 March 2019 £m
Selling and distribution costs		**841.6**	863.8
Administrative expenses		**499.1**	558.9
Adjusting operating items	6	**176.1**	0.9
Net operating expenses		**1,516.8**	1,423.6

5. PROFIT BEFORE TAXATION

	Note	**52 weeks to 28 March 2020 £m**	52 weeks to 30 March 2019 £m
Adjusted profit before taxation is stated after charging/(crediting):			
Depreciation of property, plant and equipment			
Within cost of sales		**1.2**	1.1
Within selling and distribution costs		**68.4**	75.8
Within administrative expenses		**13.7**	10.3
Depreciation of right-of-use assets			
Within cost of sales		**0.4**	–
Within selling and distribution costs		**200.6**	–
Within administrative expenses		**20.1**	–
Amortisation of intangible assets			
Within selling and distribution costs		**1.0**	1.5
Within administrative expenses		**25.4**	27.1
Loss on disposal of property, plant and equipment and intangible assets		**0.7**	1.2
Gain on disposal of right-of-use assets		**(2.1)**	–
Net impairment (reversal)/charge relating to property, plant and equipment[1]	13	**(2.0)**	7.5
Net impairment of right-of-use assets[2]	14	**12.8**	–
Impairment of intangible assets[3]	12	**1.6**	3.9
Employee costs[4]	29	**478.5**	508.4
Other lease expense			
Property lease variable lease expense	21	**96.2**	–
Property lease in holdover expense	21	**11.2**	–
Non-property short-term lease expense	21	**9.9**	–
Operating lease rentals			
Minimum lease payments[5]		**–**	247.4
Contingent rents		**–**	107.2
Operating lease income			
Income from lease of freehold property		**(0.7)**	(0.7)
Net exchange loss/(gain) on revaluation of monetary assets and liabilities		**8.7**	(4.5)
Net loss on derivatives – fair value through profit and loss		**3.4**	7.7
Receivables net impairment charge/(reversal)[6]		**3.2**	(4.1)

1. Net impairment charge relating to property, plant and equipment for the 52 weeks to 28 March 2020 is presented excluding £28.4 million relating to charges as a result of the impact of COVID-19. For the 52 weeks to 30 March 2019, net impairment charges were presented excluding £0.4 million relating to the closure of stores as part of the Group's restructuring programme. These have been presented as adjusting items (refer to note 6).
2. Impairment of right-of-use assets for the 52 weeks to 28 March 2020 is presented excluding £128.1 million relating to charges as a result of the impact of COVID-19 and a credit of £0.6 million relating to restructuring costs, which have been presented as adjusting items (refer to note 6).
3. Impairment of intangible assets for the 52 weeks to 28 March 2020 is presented excluding £10.0 million (last year: £nil) relating to charges as a result of the impact of COVID-19, which has been presented as an adjusting item (refer to note 6).
4. Employee costs for the 52 weeks to 28 March 2020 are presented excluding £5.4 million (last year: £11.4 million) of costs arising as a result of the Group's restructuring programme and a £6.2 million credit (last year: £nil) related to the reversal of accrued costs for share-based payments no longer expected to vest as a result of the impact of COVID-19, which have been presented as an adjusting item (refer to note 6).
5. Minimum lease payments for the 52 weeks to 30 March 2019 included charges for onerous lease provisions of £3.6 million and did not include payments of £5.3 million where existing onerous lease provisions have been utilised. Minimum lease payments for the 52 weeks to 30 March 2019 were presented excluding a credit of £8.9 million for onerous property obligations and a charge of £4.5 million for store closure costs in connection with the Group's restructuring programme, which have been presented as adjusting items (refer to note 6).
6. Receivables net impairment charge for the 52 weeks to 28 March 2020 is presented excluding £11.1 million (last year: £nil) relating to charges as a result of the impact of COVID-19, which has been presented as an adjusting item (refer to note 6).

5. PROFIT BEFORE TAXATION (CONTINUED)

	Note	52 weeks to 28 March 2020 £m	52 weeks to 30 March 2019 £m
Adjusting items			
Adjusting operating items			
Impact of COVID-19:			
Impairment of retail cash generating units	6	**156.5**	–
Impairment of inventory	6	**68.3**	–
Impairment of intangible assets	6	**10.0**	–
Impairment of receivables	6	**11.1**	–
Other impacts of COVID-19	6	**(5.0)**	–
Other adjusting items:			
Gain on disposal of Beauty operations	6	**(5.0)**	(6.9)
Restructuring costs	6	**10.6**	12.2
Revaluation of deferred consideration liability	6	**(2.1)**	(4.4)
Total adjusting operating items		**244.4**	0.9
Adjusting financing items			
Finance charge on deferred consideration liability	6	**1.2**	1.7
Total adjusting financing items		**1.2**	1.7

6. ADJUSTING ITEMS

Impact of COVID-19

COVID-19 has impacted both business operations and financial markets worldwide. The ultimate impact of this pandemic is unclear and hence the measurement of its impacts requires a significant degree of estimation. The financial statements for the 52 weeks to 28 March 2020 include costs relating to the impairment of the carrying value of assets as a result of the expected impact of COVID-19 on the Group's activities and future trading as adjusting items.

Impairment of retail cash generating units

COVID-19 is expected to have a significant impact on the Group's retail operations in the next 12 months and beyond, with many of its retail outlets currently closed as a result of government restrictions in a number of countries worldwide. As a result management have carried out a review for potential impairment across the whole retail portfolio. The impairment review compared the value-in-use of the retail cash generating units, based on managements' assumptions regarding the likely future trading performance (taking into account the effect of COVID-19) to the carrying values at 28 March 2020. Following this review, a charge of £156.5 million was recorded within net operating expenses for impairment of retail store assets due to the impact of COVID-19. A charge of £28.4 million was recorded against property, plant and equipment and a charge of £128.1 million was recorded against right-of-use assets. A related tax credit of £28.7 million has also been recognised in the year. This charge has been recognised as an adjusting item arsing as a result of COVID-19, in accordance with the Group's accounting policy, as it is considered to be material and one-off in nature. Refer to note 13 for details of impairment of retail cash generating units.

Impairment of inventory

Management assesses the recoverability of the carrying value of inventories at every reporting period and, where the expected recoverable amount is lower than the carrying value, a provision is recorded. Typically, inventory provisions are recorded against aged inventory or specific products which have been identified as having a low expectation of future sale. Due to the impact of COVID-19, the closure of many of the Group's retail stores worldwide and the associated build-up of inventory, management have reassessed their plans for the usage of inventory over the next 12 months, taking into account the expected length of the shutdown, products ordered for future seasons and the Group's projected future sales. As a result of this reassessment, management have identified additional inventory which is no longer expected to realise its carrying value. Provisions of £68.3 million have been recorded against this additional inventory, which relates to current and recent seasons that under more normal circumstances would be expected to sell through with limited loss. This additional charge for inventory provisions has been presented as an adjusting item arising as a result of COVID-19, in accordance with the Group's accounting policy, as it is considered material and one-off in nature. A related tax credit of £12.5 million has also been recognised in the year. Refer to note 17 for details of inventory provisions.

Impairment of intangible assets

Following changes to management investment plans, due to the impact of COVID-19, an impairment charge of £10.0 million has been recorded in relation to computer software assets under construction. Due to resulting delays in the development of this software, management no longer expect to fully utilise the expenditure incurred to date. This impairment charge has been presented as an adjusting item arising as a result of COVID-19, in accordance with the Group's accounting policy, as it is considered one-off in nature. A related tax credit of £1.9 million has also been recognised in the year. Refer to note 12 for details of impairment of intangible assets.

6. ADJUSTING ITEMS (CONTINUED)

Impact of COVID-19 (continued)

Impairment of receivables

Due to the global financial uncertainty arising from COVID-19, management have reassessed and increased the expected loss rates for trade and other receivables at 28 March 2020. This increase reflects the greater likelihood of credit default by the Group's debtors in the next 12 months due to the impact of COVID-19. The increase in expected loss rates has resulted in a charge of £11.1 million for impairment of receivables in the year. The Group has not incurred significant costs for impairment of receivables in previous years. This charge of £11.1 million has been presented as an adjusting item arising as a result of COVID-19, in accordance with the Group's accounting policy, as it is considered to be one-off in nature. A related tax credit of £2.1 million has also been recognised in the year. Refer to note 28 for details of impairment of receivables.

Other impacts of COVID-19

A credit of £5.0 million, principally related to the reversal of accrued costs for share-based payments no longer expected to vest, as a result of the impact of COVID-19 on the expected performance of the Group, has been presented as an adjusting item. A related tax charge of £1.0 million has also been recognised in the year.

Gain on disposal of Beauty operations

During the year ended 31 March 2018, 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.

In the 52 weeks to 28 March 2020 a credit of £5.0 million (last year: credit of £6.9 million) has been recorded relating to reassessments of provisions for contract termination and consideration for assets transferred to Coty on completion. A related tax charge of £1.0 million (last year: £1.3 million) has also been recognised in the year.

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.

Restructuring costs

Restructuring costs of £10.6 million (last year: £12.2 million) were incurred in the current year, 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 functional restructuring costs. A related tax credit of £2.2 million (last year: £2.2 million) has also been recognised in the current year.

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 over the period to 2023.

A credit of £2.1 million in relation to the revaluation of this balance has been recognised in operating expenses for the 52 weeks to 28 March 2020 (last year: credit of £4.4 million). A financing charge of £1.0 million 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 28 March 2020 (last year: £1.7 million). These movements are unrealised.

On 19 September 2018, the Group acquired Burberry Manifattura S.R.L. Consideration for the acquisition included a future performance related deferred consideration payment to be made in 2021. A financing charge of £0.2 million in relation to the unwinding of the discount on the non-current portion of the deferred consideration liability has been recognised for the 52 weeks to 28 March 2020 (last year: £nil). 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 and acquisition of a subsidiary respectively.

7. AUDITOR REMUNERATION

Fees incurred during the year in relation to audit and non-audit services are analysed below:

	52 weeks to 28 March 2020 £m	52 weeks to 30 March 2019 £m
Audit services in respect of the financial statements of the Company and consolidation	**0.4**	0.4
Audit services in respect of the financial statements of subsidiary companies	**2.4**	2.0
Audit-related assurance services	**0.1**	0.1
Other non-audit-related services	**0.2**	0.2
Total	**3.1**	2.7

8. FINANCING

	Note	**52 weeks to 28 March 2020 £m**	52 weeks to 30 March 2019 £m
Bank interest income – amortised cost		**2.1**	1.9
Other finance income – amortised cost		**0.6**	0.8
Finance income – amortised cost		**2.7**	2.7
Bank interest income – fair value through profit and loss		**4.9**	6.0
Finance income		**7.6**	8.7
Interest expense on lease liabilities[1]	21	**(24.9)**	–
Interest expense on bank loans and overdrafts		**(0.6)**	(0.6)
Bank charges		**(0.8)**	(0.7)
Other finance expense		**(0.3)**	(2.3)
Finance expense		**(26.6)**	(3.6)
Finance charge on deferred consideration liability	6	**(1.2)**	(1.7)
Net finance (expense)/income		**(20.2)**	3.4

1. Interest expense on lease liabilities of £24.9 million has been recorded for the current year, as a result of the adoption of IFRS 16 Leases. Refer to note 1 for details of adoption of IFRS 16 Leases.

9. TAXATION

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

	52 weeks to 28 March 2020 £m	52 weeks to 30 March 2019 £m
Current tax		
UK corporation tax		
Current tax on income for the 52 weeks to 28 March 2020 at 19% (last year: 19%)	**58.7**	62.3
Double taxation relief	**(3.3)**	(2.8)
Adjustments in respect of prior years	**0.2**	(7.0)
	55.6	52.5
Foreign tax		
Current tax on income for the year	**27.4**	54.3
Adjustments in respect of prior years	**(1.3)**	(0.1)
Total current tax	**81.7**	106.7
Deferred tax		
UK deferred tax		
Origination and reversal of temporary differences	**(6.4)**	3.5
Impact of changes to tax rates	**(1.4)**	–
Adjustments in respect of prior years	**(0.6)**	(0.1)
	(8.4)	3.4
Foreign deferred tax		
Origination and reversal of temporary differences	**(30.0)**	(10.7)
Impact of changes to tax rates	**–**	(0.1)
Adjustments in respect of prior years	**3.6**	2.2
Total deferred tax	**(34.8)**	(5.2)
Total tax charge on profit	**46.9**	101.5

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

	52 weeks to 28 March 2020 £m	52 weeks to 30 March 2019 £m
Current tax		
Recognised in other comprehensive income		
Current tax charge on exchange differences on loans (foreign currency translation reserve)	**0.9**	1.3
Current tax charge/(credit) on cash flow hedges deferred in equity (hedging reserve)	**0.3**	(0.2)
Current tax charge/(credit) on cash flow hedges transferred to income (hedging reserve)	**0.2**	(0.2)
Current tax (credit)/charge on net investment hedges deferred in equity (hedging reserve)	**(0.2)**	0.2
Total current tax recognised in other comprehensive income	**1.2**	1.1
Recognised in equity		
Current tax credit on share options (retained earnings)	**(0.9)**	(2.0)
Total current tax recognised directly in equity	**(0.9)**	(2.0)
Recognised in equity		
Deferred tax charge on share options (retained earnings)	**1.5**	0.2
Total deferred tax recognised directly in equity	**1.5**	0.2

On adoption of IFRIC 23 Uncertainty over Income Tax treatments in the current year (refer to note 1) current tax liabilities were increased by £4.4 million, with a corresponding charge to equity. On adoption of IFRS 16 Leases in the current year (refer to note 1) deferred tax assets were increased by £16.4 million, with a corresponding credit to equity. These movements, which were recorded in equity on adoption of IFRIC 23 and IFRS 16, are not included within the current year movements recognised in equity presented in the table above.

9. 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 28 March 2020 £m	52 weeks to 30 March 2019 £m
Profit before taxation	**168.5**	440.6
Tax at 19% (last year: 19%) on profit before taxation	**32.0**	83.7
Rate adjustments relating to overseas profits	**(2.2)**	11.5
Permanent differences	**17.4**	12.8
Tax on dividends not creditable	**1.2**	3.8
Current year tax losses not recognised	**2.2**	2.5
Prior year temporary differences and tax losses recognised	**(4.2)**	(7.8)
Adjustments in respect of prior years	**1.9**	(5.0)
Adjustments to deferred tax relating to changes in tax rates	**(1.4)**	–
Total taxation charge	**46.9**	101.5

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

	52 weeks to 28 March 2020 £m	52 weeks to 30 March 2019 £m
Tax on adjusted profit before taxation	**92.3**	102.4
Tax on adjusting items	**(45.4)**	(0.9)
Total taxation charge	**46.9**	101.5

10. EARNINGS PER SHARE

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

	52 weeks to 28 March 2020 £m	52 weeks to 30 March 2019 £m
Attributable profit for the year before adjusting items[1]	**321.9**	341.0
Effect of adjusting items[1] (after taxation)	**(200.2)**	(1.7)
Attributable profit for the year	**121.7**	339.3

1. Refer to note 6 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 and treasury shares held by the Company or its subsidiaries.

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. Refer to note 29 for additional information on the terms and conditions of the employee share incentive schemes.

	52 weeks to 28 March 2020 Millions	52 weeks to 30 March 2019 Millions
Weighted average number of ordinary shares in issue during the year	**408.0**	412.3
Dilutive effect of the employee share incentive schemes	**1.0**	2.8
Diluted weighted average number of ordinary shares in issue during the year	**409.0**	415.1

11. DIVIDENDS PAID TO OWNERS OF THE COMPANY

	52 weeks to 28 March 2020 £m	52 weeks to 30 March 2019 £m
Prior year final dividend paid 31.5p per share (prior year: 30.3p)	**129.2**	126.0
Interim dividend paid 11.3p per share (prior year: 11.0p)	**46.0**	45.1
Total	**175.2**	171.1

The Directors have elected not to declare a final dividend in respect of the 52 weeks to 28 March 2020 (last year: 31.5p).

12. 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 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
Effect of foreign exchange rate changes	1.0	0.1	0.1	–	1.2
Additions	–	0.4	27.0	35.9	63.3
Reclassifications from assets in the course of construction	–	0.2	18.4	(18.6)	–
As at 28 March 2020	**116.1**	**13.2**	**198.8**	**64.2**	**392.3**
Accumulated amortisation and impairment					
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
Effect of foreign exchange rate changes	0.3	–	0.2	–	0.5
Charge for the year	–	0.9	25.5	–	26.4
Impairment charge on assets	–	–	–	11.6	11.6
As at 28 March 2020	**6.8**	**6.1**	**120.8**	**11.6**	**145.3**
Net book value					
As at 28 March 2020	**109.3**	**7.1**	**78.0**	**52.6**	**247.0**
As at 30 March 2019	108.6	7.3	58.2	46.9	221.0

During the 52 weeks to 28 March 2020 an impairment charge of £11.6 million was recognised in relation to computer software assets under construction (last year: £nil). £10.0 million of this charge related to rescheduling of the development of a software project following changes to management investment plans due to the impact of COVID-19. As a result of this delay, management no longer expect to fully utilise the expenditure incurred to date. The recoverable value of the asset at the balance sheet date is £25.8 million. £10.0 million of the impairment charge has been presented as an adjusting item relating to COVID-19 (refer to note 6).

12. INTANGIBLE ASSETS (CONTINUED)

Impairment testing of goodwill

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

	As at 28 March 2020 £m	As at 30 March 2019 £m
China	**48.2**	48.4
Korea	**27.3**	27.9
Retail and wholesale segment[1]	**19.7**	19.0
Other	**14.1**	13.3
Total	**109.3**	108.6

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. This reflects the level at which the goodwill is being monitored by management.

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 cost and revenue projections for the next two years combined with a longer term growth rate for the following three years to 29 March 2025. A terminal value has been included in the value-in-use calculation based on the cash flows for the year ending 29 March 2025 incorporating the assumption that growth beyond 29 March 2025 is equivalent to long term inflation expectations. These projections are based on management's assumptions regarding the likely trading performance over the next two years, taking into account the effect of COVID-19, and growth for the following three years reflecting its expected impact on the global economic environment in the longer term (refer to note 1).

The value-in-use estimates indicated that the recoverable amount of goodwill exceeded the carrying value for each of the cash generating units. As a result, no impairment has been recognised in respect of the carrying value of goodwill in the year.

For the material goodwill balances of China, Korea and the retail and wholesale segment, sensitivity analyses have been performed by management. The sensitivities include applying a 15% reduction in revenue and gross margin from management's base cash flow projections, considering the potential outcome from a more extended duration of COVID-19. Under this more severe but plausible scenario, the estimated recoverable amount of goodwill in China, Korea and the retail and wholesale segment still exceeded the carrying value.

The pre-tax discount rates for China, Korea and the retail and wholesale segment were 15.0%, 13.4% and 11.1% respectively (last year: China 16.0%, Korea 14.0%, and the retail and wholesale segment 11.1%).

The other goodwill balance of £14.1 million (last year: £13.3 million) consists of amounts relating to seven cash generating units none of which have goodwill balances individually exceeding £7.0 million as at 28 March 2020.

13. PROPERTY, PLANT AND EQUIPMENT

Cost	Freehold land and buildings £m	Leasehold improvements £m	Fixtures, fittings and equipment £m	Assets in the course of construction £m	Total £m
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
Adjustment on initial application of IFRS 16[1]	–	–	(2.9)	–	(2.9)
Adjusted balance as at 31 March 2019	**144.8**	**450.6**	**346.2**	**27.0**	**968.6**
Effect of foreign exchange rate changes	5.7	9.1	7.5	(0.2)	22.1
Additions	–	50.9	23.1	21.6	95.6
Disposals	(3.6)	(26.2)	(15.8)	(0.7)	(46.3)
Reclassifications from assets in the course of construction	–	12.4	11.8	(24.2)	–
As at 28 March 2020	**146.9**	**496.8**	**372.8**	**23.5**	**1,040.0**
Accumulated depreciation and impairment					
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
Adjustment on initial application of IFRS 16[1]	–	–	(2.2)	–	(2.2)
Adjusted balance as at 31 March 2019	**53.6**	**313.6**	**295.2**	**–**	**662.4**
Effect of foreign exchange rate changes	2.3	6.8	6.5	–	15.6
Charge for the year	4.1	47.7	31.5	–	83.3
Disposals	(0.6)	(26.2)	(15.8)	–	(42.6)
Net impairment (reversal)/charge on assets	(0.5)	20.7	5.7	0.5	26.4
As at 28 March 2020	**58.9**	**362.6**	**323.1**	**0.5**	**745.1**
Net book value					
As at 28 March 2020	**88.0**	**134.2**	**49.7**	**23.0**	**294.9**
As at 30 March 2019	91.2	137.0	51.7	27.0	306.9

1. Finance lease assets, which were presented in fixtures, fittings and equipment as at 30 March 2019, have been reclassified to right-of-use assets on adoption of IFRS 16 Leases. Refer to note 1 for details of adoption of IFRS 16 Leases.

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

COVID-19 is expected to have a significant impact on the Group's retail operations in the 52 weeks to 27 March 2021 and beyond, with many of its retail stores currently closed as a result of government restrictions in a number of countries worldwide. As a result management have carried out a review for potential impairment across the whole retail portfolio. The impairment review compared the value-in-use of the retail cash generating units to the carrying values at 28 March 2020 including the value of any right-of-use assets. The pre-tax cash flow projections were based on management's assumptions regarding the expected trading performance over the next two years, taking into account the impact of COVID-19, and growth thereafter reflecting the global economic environment in the longer term, using growth rates and inflation rates appropriate to each store's location.

The pre-tax discount rates used in these calculations were between 9.2% and 21.1% (last year: between 10.4% and 25.3%), based on the Group's weighted average cost of capital adjusted for country-specific tax rates and risks. Where the value-in-use was less than the carrying value of the cash generating unit, an impairment of property, plant and equipment and right-of-use asset was recorded. Potential alternative uses for property, such as subletting of leasehold or sale of freehold, were considered in estimating the value for calculating impairment charges.

During the 52 weeks to 28 March 2020, a charge of £156.5 million was recorded within net operating expenses as a result of the review of impairment of retail store assets for the impact of COVID-19. A charge of £28.4 million was recorded against property, plant and equipment and a charge of £128.1 million was recorded against right-of-use assets. Refer to note 14 for further details of right-of-use assets.

Management has considered the potential impact of changes in assumptions on the impairment recorded against the Group's retail assets. Given the significant uncertainty regarding the impact of COVID-19 on the Group's retail operations and on the global economy, management have considered sensitivities to the impairment charge as a result of changes to the estimate of future revenues achieved by the retail stores. The sensitivities applied are an increase or decrease in revenue of 15% from the estimate used to determine the impairment charge. It is estimated that a 15% decrease/increase in revenue assumptions for the 52 weeks to 27 March 2021, with no change to subsequent forecast revenue growth rate assumptions, would result in a £41.3 million increase / £31.5 million decrease in the impairment charge of retail store assets in the 52 weeks to 28 March 2020.

The charge relating to COVID-19 has been presented as an adjusting item (refer to note 6).

During the 52 weeks to 28 March 2020, a net charge of £11.2 million (last year: £11.2 million) was recorded within net operating expenses as a result of the annual review of impairment of retail store assets. This review was carried out during the year, and did not include any impacts relating to COVID-19. A credit of £2.0 million (last year: charge of £7.5 million) was recorded against property, plant and equipment and a charge of £13.2 million (last year: £nil) was recorded against right-of-use assets. In the prior year, £3.7 million was charged in relation to onerous lease provisions. Refer to note 22 for further details of onerous lease provisions.

In the 52 weeks to 30 March 2019, an impairment charge of £0.4 million was recorded relating to stores being closed as part of the non-strategic store closure programme.

As a result, the total impairment charge recorded in property, plant and equipment was £26.4 million (last year: £7.9 million) relating to 140 retail cash generating units (last year: 26 retail cash generating units) for which the total recoverable amount at the balance sheet date is £59.9 million (last year: £18.1 million).

14. RIGHT-OF-USE ASSETS

Net book value	Property right-of-use assets £m	Non-property right-of-use assets £m	Total £m
As at 30 March 2019	–	–	–
Adjustment on initial application of IFRS 16	877.4	0.7	878.1
Adjusted balance as at 31 March 2019	877.4	0.7	878.1
Effect of foreign exchange rate changes	22.9	–	22.9
Additions	277.9	–	277.9
Remeasurements	16.5	–	16.5
Depreciation for the year	(220.8)	(0.3)	(221.1)
Net impairment charge on assets	(140.3)	–	(140.3)
As at 28 March 2020	**833.6**	**0.4**	**834.0**

On adoption of IFRS 16, all impairment and onerous leases across existing leased properties were remeasured to take account of the impact of the change in accounting for leases on the measurement of impairments. No changes in underlying assumptions were made during this remeasurement. As a result of the remeasurement, an impairment of right-of-use assets of £121.9 million was recorded, with a corresponding charge to equity of £57.5 million, net of a reversal of existing onerous lease provisions of £48.0 million and an increase in deferred tax assets of £16.4 million. The impairment charge recorded of £121.9 million related to 63 retail cash generating units and two other properties, for which the total recoverable amount at the date of adoption was £200.1 million.

As a result of the assessment of retail cash generating units for impairment, a charge of £141.3 million was recorded for impairment of right-of-use assets. Refer to note 13 for further details. The impairment charge consists of £128.1 million relating to the impact of COVID-19 on the value-in-use of retail cash generating units and a charge of £13.2 million relating to other trading impacts during the year. The charge relating to COVID-19 has been presented as an adjusting item (refer to note 6).

The impairment charge recorded in right-of-use assets relates to 140 retail cash generating units for which the total recoverable amount at the balance sheet date is £344.7 million.

An impairment reversal of £1.0 million relating to other properties was recorded in the year.

15. DEFERRED TAXATION

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and there is an intention to settle on a net basis, and to the same fiscal authority. The assets and liabilities presented in the balance sheet, including the impact of the offset amounts of £2.5 million as at 28 March 2020 (as at 30 March 2019: £3.1 million) are shown in the table below:

	As at 28 March 2020 £m	As at 30 March 2019 £m
Deferred tax assets	**171.5**	123.1
Deferred tax liabilities	**(0.1)**	(3.4)
Net amount	**171.4**	119.7

The movement in the deferred tax account is as follows:	**52 weeks to 28 March 2020 £m**	52 weeks to 30 March 2019 £m
At start of year	**119.7**	111.3
Adjustment on initial application of IFRS 16	**16.4**	–
Adjusted balance at start of year	**136.1**	111.3
Effect of foreign exchange rate changes	**2.0**	3.4
Credited to the Income Statement	**34.8**	5.2
Charged to equity	**(1.5)**	(0.2)
At end of year	**171.4**	119.7

15. DEFERRED TAXATION (CONTINUED)

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax liabilities

	Capital allowances £m	Unrealised inventory profit and other inventory provisions £m	Derivative instruments £m	Other £m	Total £m
As at 31 March 2018	2.0	(1.8)	0.9	5.4	6.5
(Credited)/charged to the Income Statement	(0.3)	(0.1)	–	0.4	–
As at 30 March 2019	1.7	(1.9)	0.9	5.8	6.5
Credited to the Income Statement	(0.9)	(0.6)	–	(2.4)	(3.9)
As at 28 March 2020	**0.8**	**(2.5)**	**0.9**	**3.4**	**2.6**

Deferred tax assets

	Capital allowances £m	Unrealised inventory profit and other inventory provisions £m	Share schemes £m	Unused tax losses £m	Leases £m	Other[1] £m	Total £m
As at 31 March 2018	14.7	37.0	8.1	3.9	–	54.1	117.8
Effect of foreign exchange rate changes	–	1.7	–	–	–	1.7	3.4
(Charged)/credited to the Income Statement	(1.4)	4.0	(2.8)	3.7	–	1.7	5.2
Charged to equity	–	–	(0.2)	–	–	–	(0.2)
As at 30 March 2019	13.3	42.7	5.1	7.6	–	57.5	126.2
Adjustment on initial application of IFRS 16	–	–	–	–	27.2	(10.8)	16.4
Adjusted balance as at 31 March 2019	13.3	42.7	5.1	7.6	27.2	46.7	142.6
Effect of foreign exchange rate changes	(0.4)	0.8	–	0.2	0.6	0.8	2.0
Credited/(charged) to the Income Statement	8.0	25.3	(1.3)	(3.4)	25.4	(23.1)	30.9
Charged to equity	–	–	(1.5)	–	–	–	(1.5)
As at 28 March 2020	**20.9**	**68.8**	**2.3**	**4.4**	**53.2**	**24.4**	**174.0**

1. Deferred tax balances within the 'Other' category in the analysis above include temporary differences arising on property provisions of £5.0 million (last year: £17.6 million), accrued intercompany expenses of £nil (last year: £22.8 million) and other provisions and accruals of £19.4 million (last year: £17.1 million).

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related benefit through the future taxable profits is probable. The Group did not recognise deferred tax assets of £61.9 million (last year: £54.4 million) in respect of losses and temporary differences amounting to £231.7 million (last year: £209.0 million) that can be set off against future taxable income. There is a time limit for the recovery of £6.8 million of these potential assets (last year: £5.4 million) which ranges from one to nine years (last year: one to ten years).

Included within other temporary differences is a deferred tax liability of £nil (last year: £3.3 million) relating to unremitted overseas earnings. No deferred tax liability is provided in respect of any future remittance of earnings of foreign subsidiaries where the Group is able to control the remittance of earnings and it is probable that such earnings will not be remitted in the foreseeable future, or where no liability would arise on the remittance. The aggregate amount of temporary differences in respect of unremitted earnings for which deferred tax liabilities have not been recognised is £243.0 million (last year: £210.0 million).

16. TRADE AND OTHER RECEIVABLES

	As at 28 March 2020 £m	As at 30 March 2019 £m
Non-current		
Deposits and other financial receivables	**46.9**	41.0
Other non-financial receivables	**4.1**	3.0
Prepayments[1]	**2.7**	26.1
Total non-current trade and other receivables	**53.7**	70.1
Current		
Trade receivables	**123.5**	124.5
Provision for doubtful debts	**(16.5)**	(4.8)
Net trade receivables	**107.0**	119.7
Other financial receivables	**31.9**	32.6
Other non-financial receivables	**67.4**	37.9
Prepayments[1]	**35.0**	50.7
Accrued income	**10.8**	10.2
Total current trade and other receivables	**252.1**	251.1
Total trade and other receivables	**305.8**	321.2

1. Upon adoption of IFRS 16 Leases, prepayments as at 30 March 2019 relating to leases recognised on the balance sheet were reclassified to be included in the measurement of the initial right-of-use asset. Refer to note 1 for further details.

Included in total trade and other receivables are non-financial assets of £109.2 million (last year: £117.7 million).

The Group's impairment policies and the calculation of any allowances for credit losses are detailed in note 28 credit risk.

17. INVENTORIES

	As at 28 March 2020 £m	As at 30 March 2019 £m
Raw materials	**13.3**	15.4
Work in progress	**1.5**	0.9
Finished goods	**435.7**	448.8
Total inventories	**450.5**	465.1

	As at 28 March 2020 £m	As at 30 March 2019 £m
Total inventories, gross	**620.0**	557.3
Provisions	**(169.5)**	(92.2)
Total inventories, net	**450.5**	465.1

Inventory provisions of £169.5 million (last year: £92.2 million) are recorded, representing 27.3% (last year: 16.5%) 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.

The cost of inventories recognised as an expense and included in cost of sales amounted to £893.1 million (last year: £822.0 million). Of this charge, £68.3 million has arisen as a result of the estimated reduction in net realisable value of inventory due to COVID-19 and has been presented as an adjusting item.

17. INVENTORIES (CONTINUED)

Taking into account the significant uncertainty regarding the outcome of COVID-19 and its impact on retail operations and the global economy, as well as other factors impacting the net realisable value of inventory, management consider that a reasonable potential range of outcomes could result in an increase or decrease in inventory provisions of £20.0 million in the next 12 months. This would result in a potential range of inventory provisions of 24.1% to 30.6% as a percentage of the gross value of inventory as at 28 March 2020.

The net movement in inventory provisions included in cost of sales for the 52 weeks to 28 March 2020 was a cost of £88.9 million (last year: £15.7 million). The reversal of inventory provisions as at 30 March 2019 during the current year was £16.2 million (last year: reversal of £30.0 million).

The cost of finished goods physically destroyed in the year was £0.1 million (last year: £2.2 million).

18. DERIVATIVE FINANCIAL INSTRUMENTS

Master netting arrangements

The Group's forward foreign exchange contracts and equity swap contracts are entered into under International Swaps and Derivatives Association (ISDA) master netting arrangements. In general, under such agreements the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single amount that is payable by one party to the other. In certain circumstances, such as when a default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions. The ISDA agreements do not meet the criteria for offsetting in the Balance Sheet as the Group's right to offset is enforceable only on the occurrence of future events such as default. The Group has amended the ISDA agreement with three banks to require it to net settle its forward foreign exchange contracts. The forward foreign exchange contracts which will be subject to net settlement have been offset on the Balance Sheet. The Group's Balance Sheet would not be materially different if it had offset its remaining forward foreign exchange contracts and equity swap contracts subject to the standard ISDA agreements.

Derivative financial assets

	As at 28 March 2020 £m	As at 30 March 2019 £m
Forward foreign exchange contracts – fair value hedging instrument: cash flow hedges	**2.4**	1.2
Forward foreign exchange contracts – fair value hedging instrument: hedge of net investment	**–**	0.1
Forward foreign exchange contracts – fair value through profit and loss[1]	**4.3**	1.2
Equity swap contracts – fair value through profit and loss	**–**	0.5
Total position	**6.7**	3.0
Comprising:		
Total current position	**6.7**	3.0

1. Forward foreign exchange contracts classified as fair value through profit and loss are used for cash management and hedging monetary assets and liabilities. At 28 March 2020, all such contracts had maturities of no greater than three months from the balance sheet date (30 March 2019: six months from the balance sheet date).

Derivative financial liabilities

	As at 28 March 2020 £m	As at 30 March 2019 £m
Forward foreign exchange contracts – fair value hedging instrument: cash flow hedges	**(1.5)**	(3.1)
Forward foreign exchange contracts – fair value hedging instrument: hedge of net investment	**–**	(0.7)
Forward foreign exchange contracts – fair value through profit and loss[1]	**(1.1)**	(1.3)
Equity swap contracts – fair value through profit and loss	**(2.2)**	(0.5)
Total position	**(4.8)**	(5.6)
Comprising:		
Total non-current position	**–**	(0.1)
Total current position	**(4.8)**	(5.5)

1. Forward foreign exchange contracts classified as fair value through profit and loss are used for cash management and hedging monetary assets and liabilities. At 28 March 2020, all such contracts had maturities of no greater than three months from the balance sheet date (30 March 2019: six months from the balance sheet date).

18. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Current derivative financial assets and liabilities

The table below sets out current derivatives, showing the net position as presented on the Balance Sheet and the gross position had netting not been applied. No non-current derivatives are subject to netting agreements.

	As at 28 March 2020 £m Gross	As at 30 March 2019 £m Gross	**As at 28 March 2020 £m Net**	As at 30 March 2019 £m Net
Derivative assets	**6.7**	5.2	**6.7**	3.0
Derivative liabilities	**(4.8)**	(7.7)	**(4.8)**	(5.5)

Net derivative financial instruments

The notional principal amounts of the outstanding forward foreign exchange and equity swap contracts at year end are:

	As at 28 March 2020 £m	As at 30 March 2019 £m
Forward foreign exchange contracts – fair value hedging instrument: cash flow hedges	**123.8**	257.6
Forward foreign exchange contracts – fair value hedging instrument: hedge of net investment	**–**	72.4
Forward foreign exchange contracts – fair value through profit and loss[1]	**154.4**	293.5
Equity swap contracts – fair value through profit and loss	**6.7**	8.2

1. Forward foreign exchange contracts classified as fair value through profit and loss are used for cash management and hedging monetary assets and liabilities. At 28 March 2020, all such contracts had maturities of no greater than three months from the balance sheet date (30 March 2019: six months from the balance sheet date).

Effect of hedge accounting on the financial position and performance

The effects of the foreign currency cash flow hedging instruments on the Group's financial position and performance are as follows:

	As at 28 March 2020	As at 30 March 2019
Foreign currency forwards		
Carrying amount (assets)	**£2.4m**	£1.2m
Notional amount	**£49.7m**	£53.7m
Maturity date	**April 2020 – Jan 2021**	April 2019 – Dec 2019
Hedge ratio	**1:1**	1:1
Change in spot value of outstanding hedging instruments since start of year	**£1.6m**	£1.2m
Change in value of hedged item used to determine hedge effectiveness	**(£1.6m)**	(£1.2m)
Weighted average hedged rate of outstanding contracts (including forward points) – EUR	**1.1677**	1.1139
Carrying amount (liabilities)	**(£1.5m)**	(£3.1m)
Notional amount	**£74.1m**	£203.9m
Maturity date	**April 2020 – Oct 2020**	April 2019 – Dec 2019
Hedge ratio	**1:1**	1:1
Change in spot value of outstanding hedging instruments since start of year	**£1.5m**	–
Change in value of hedged item used to determine hedge effectiveness	**(£1.5m)**	–
Weighted average hedged rate of outstanding contracts (including forward points) – EUR	**1.0930**	1.1116

The foreign currency forwards are denominated in the same currency as the highly probable future inventory purchases (EUR and USD), therefore the hedge ratio is 1:1.

18. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Effect of hedge accounting on the financial position and performance (continued)

The effects of the foreign currency net investment hedging instruments on the Group's financial position and performance are as follows:

	As at 28 March 2020	As at 30 March 2019
Foreign currency forwards		
Carrying amount (assets)	**–**	£0.1m
Notional amount	**–**	£7.4m
Maturity date	**N/A**	May 2019
Hedge ratio	**N/A**	1:1
Change in discounted spot value of outstanding hedging instruments since start of year	**N/A**	–
Change in value of hedged item used to determine hedge effectiveness	**N/A**	–
Weighted average hedged rate of outstanding contracts (including forward points) – EUR	**N/A**	1.1390
Weighted average hedged rate of outstanding contracts (including forward points) – CNY	**N/A**	N/A
Carrying amount (liabilities)	**–**	(£0.7m)
Notional amount	**–**	£65.0m
Maturity date	**N/A**	April 2019 – June 2019
Hedge ratio	**N/A**	1:1
Change in discounted spot value of outstanding hedging instruments since start of year	**N/A**	(£0.6m)
Change in value of hedged item used to determine hedge effectiveness	**N/A**	£0.6m
Weighted average hedged rate of outstanding contracts (including forward points) – CNY	**N/A**	8.8678

The foreign currency forwards are denominated in the same currency as the hedged investment, therefore the hedge ratio is 1:1.

The contractual maturity profile of non-current financial liabilities is shown in note 28. For further details of cash flow hedging and net investment hedging refer to note 28 market risk.

19. CASH AND CASH EQUIVALENTS

	As at 28 March 2020 £m	As at 30 March 2019 £m
Cash and cash equivalents held at amortised cost		
Cash at bank and in hand	**138.7**	151.3
Short-term deposits	**126.3**	75.2
	265.0	226.5
Cash and cash equivalents held at fair value through the profit and loss		
Short-term deposits	**663.9**	648.0
Total	**928.9**	874.5

Cash and cash equivalents classified as fair value through profit and loss relate to deposits held in low volatility net asset value money market funds.

As at 28 March 2020 and 30 March 2019, no impairment losses were identified on cash and cash equivalents held at amortised cost.

20. TRADE AND OTHER PAYABLES

	As at 28 March 2020 £m	As at 30 March 2019 £m
Non-current		
Other payables	**7.1**	2.9
Deferred income and non-financial accruals[2]	**4.1**	70.8
Contract liabilities	**77.0**	83.6
Deferred consideration[1]	**14.1**	19.2
Total non-current trade and other payables	**102.3**	176.5
Current		
Trade payables	**197.3**	221.6
Other taxes and social security costs	**48.1**	53.4
Other payables	**3.9**	4.5
Accruals[2]	**175.2**	209.3
Deferred income and non-financial accruals[2]	**6.0**	20.5
Contract liabilities	**12.7**	13.7
Deferred consideration[1]	**4.3**	2.7
Total current trade and other payables	**447.5**	525.7
Total trade and other payables	**549.8**	702.2

1. The change in the deferred consideration liability arises as a result of a financing cash outflow and non-cash movements.
2. Upon adoption of IFRS 16 Leases, deferred income and accruals at 30 March 2019 relating to leases recognised on the balance sheet have been reclassified to be included in the measurement of the initial right-of-use asset. Refer to note 1 for further details.

Included in total trade and other payables are non-financial liabilities of £147.9 million (last year: £242.0 million).

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 28 March 2020 £m	As at 30 March 2019 £m
Retail contract liabilities	**6.1**	7.1
Licensing contract liabilities	**83.6**	90.2
Total contract liabilities	**89.7**	97.3

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 28 March 2020 £m	52 weeks to 30 March 2019 £m
Retail revenue relating to contract liabilities	**2.4**	2.2
Deferred revenue from Beauty licence	**6.6**	6.5
Revenue recognised that was included in contract liabilities at the start of the year	**9.0**	8.7

20. TRADE AND OTHER PAYABLES (CONTINUED)

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 consisted 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 £2.7 million were made in the 52 weeks to 28 March 2020 (last year: £11.1 million).

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 year 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 £0.9 million increase in the carrying value of the deferred consideration at 28 March 2020 and a corresponding £0.9 million decrease in the profit before taxation for the 52 weeks to 28 March 2020.

Deferred consideration of £6.9 million at 28 March 2020 (last year: £6.5 million) relates to the acquisition of Burberry Manifattura S.R.L. on 19 September 2018 and consists 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. Initial deferred consideration was recognised as the maximum amount payable, discounted using an appropriate discount rate linked to the borrowing rate. Based on performance since the acquisition, the deferred consideration continues to be estimated at the maximum amount payable.

21. LEASE LIABILITIES

	Property lease liabilities £m	Non-Property lease liabilities £m	Total £m
Balance as at 30 March 2019	–	–	–
Adjustment on initial application of IFRS 16	1,044.3	0.7	1,045.0
Adjusted balance as at 31 March 2019	1,044.3	0.7	1,045.0
Effect of foreign exchange rate changes	31.9	–	31.9
Created during the year	272.3	–	272.3
Amounts paid[1]	(253.0)	(0.3)	(253.3)
Discount unwind	24.9	–	24.9
Remeasurements	4.7	–	4.7
Balance as at 28 March 2020	**1,125.1**	**0.4**	**1,125.5**

	As at 28 March 2020 £m
Analysis of total lease liabilities:	
Non-current	**910.0**
Current	**215.5**
Total	**1,125.5**

1. The amounts paid of £253.3 million includes £228.4 million arising as a result of a financing cash outflow and £24.9 million arising as a result of an operating cash outflow.

The Group enters into property leases for retail properties, including stores, concessions, warehouse and storage locations and office property. The remaining lease term for these properties range from a few months to 18 years. Many of the leases include break options and/or extension options. Some of the leases for concessions have rolling lease terms or rolling break options. Management assess the lease term at inception based on the facts and circumstances applicable to each property including the period over which the investment appraisal was initially considered.

21. LEASE LIABILITIES (CONTINUED)

Management reviews the retail lease portfolio on an ongoing basis, taking into account retail performance and future trading expectations. Management may exercise extension options, negotiate lease extensions or modifications. In other instances, management may exercise break options, negotiate lease reductions or decide not to negotiate a lease extension at the end of the lease term. The most significant factor impacting future lease payments is changes management choose to make to the store portfolio.

Many of the retail property leases also incur payments based on a percentage of revenue achieved at the location. Changes in future variable lease payments will typically reflect changes in the Group's retail revenues.

The Group also enters into non-property leases for equipment, advertising fixtures and machinery. Generally, these leases do not include break or extension options. The most significant impact to future cash flows relating to leased equipment, which are primarily short-term, would be the Group's usage of leased equipment to a greater or lesser extent.

The Group's accounting policy for leases is set out in note 2. Details of income statement charges and income for leases are set out in note 5. The right-of-use asset categories on which depreciation is incurred are presented in note 14. Interest expense incurred on lease liabilities is presented in note 8. Commitments relating to off-balance sheet leases are presented in note 26. The maturity of undiscounted future lease liabilities are set out in note 28.

Total cash outflows in relation to leases in the 52 weeks ended 28 March 2020 are £383.4 million. This relates to payments of £228.4 million on lease principal, £24.9 million on lease interest, £99.3 million on variable lease payments, and £30.8 million other lease payments principally relating to short-term leases and leases in holdover.

22. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	Property obligations £m	Other costs £m	Total £m
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
Adjustment on initial application of IFRS 16	(48.0)	–	(48.0)
Adjusted balance as at 31 March 2019	31.4	5.9	37.3
Effect of foreign exchange rate changes	1.1	0.1	1.2
Created during the year	7.3	3.9	11.2
Discount unwind	0.1	–	0.1
Utilised during the year	(3.1)	(2.1)	(5.2)
Released during the year	(1.3)	(1.5)	(2.8)
Balance as at 28 March 2020	**35.5**	**6.3**	**41.8**

At 30 March 2019, £48.0 million of onerous leases were included within property obligations. On the adoption of IFRS 16 Leases, those onerous lease obligations related to right-of-use assets have been released and impairments have been recognised against the related right-of-use asset (refer to note 1 adoption of IFRS 16 Leases and note 14).

The net charge in the year for property obligations is £6.0 million, relating to additional property reinstatements costs.

For the 52 weeks to 30 March 2019 the net reversal of £2.9 million for property obligations included a reversal of £8.1 million relating to onerous lease provisions. This included charges of £3.7 million relating to retail stores and a reversal of £11.8 million relating to other properties. The remaining charge of £5.2 million mainly related to additional property reinstatement costs.

22. PROVISIONS FOR OTHER LIABILITIES AND CHARGES (CONTINUED)

Releases in other costs in the prior year included a £6.1 million reduction in provision for contract terminations arising from the Beauty operations disposal.

	As at 28 March 2020 £m	As at 30 March 2019 £m
Analysis of total provisions:		
Non-current	**28.6**	50.7
Current	**13.2**	34.6
Total	**41.8**	85.3

The non-current provisions relate to property reinstatement costs which are expected to be utilised within 18 years (as at 30 March 2019: 19 years).

23. BANK OVERDRAFTS

Included within bank overdrafts is £40.9 million (last year: £37.2 million) representing balances on cash pooling arrangements in the Group.

The Group has a number of committed and uncommitted arrangements agreed with third parties. At 28 March 2020, the Group held bank overdrafts of £0.7 million (last year: £nil) excluding balances on cash pooling arrangements.

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

24. BORROWINGS

On 25 November 2014, the Group entered into a £300.0 million multi-currency revolving credit facility with a syndicate of banks. The facility matures in November 2021. In March 2020, the Group drew down on this facility in full. The £300.0 million proceeds of this drawdown were received by the Group in cash and shown as a financing cash inflow.

At 28 March 2020, there were £300.0 million outstanding drawings (last year: £nil), maturing between one to two years of the balance sheet date. During the year ending 28 March 2020 the non-cash changes to bank borrowing amounted to £nil (last year: £nil).

The Group is in compliance with the financial and other covenants within this facility and has been in compliance throughout the financial year.

25. SHARE CAPITAL AND RESERVES

Allotted, called up and fully paid share capital	Number	£m
Ordinary shares of 0.05p (as at 30 March 2019: 0.05p) each		
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
Allotted on exercise of options during the year	434,790	–
Cancellation of treasury shares	(7,184,905)	–
As at 28 March 2020	**404,705,886**	**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 28 March 2020, the Company entered into agreements to purchase £150.0 million of its own shares back, excluding stamp duty, as part of a share buy-back programme (last year: £150.0 million). 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 the capital redemption reserve, equivalent to the nominal value of the shares purchased and subsequently cancelled. In the 52 weeks to 28 March 2020, 7.2 million treasury shares with a nominal value of £3,600 were cancelled (last year: 7.0 million treasury shares with a nominal value of £3,500).

25. SHARE CAPITAL AND RESERVES (CONTINUED)

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 28 March 2020, the amount of own shares held by ESOP trusts and offset against retained earnings is £19.5 million (last year: £26.4 million). As at 28 March 2020, the ESOP trusts held 1.2 million shares (last year: 1.6 million) in the Company, with a market value of £15.7 million (last year: £31.9 million). In the 52 weeks to 28 March 2020 the ESOP trusts and the Company have waived their entitlement to dividends of £1.0 million (last year: £0.9 million).

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 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
Other comprehensive income:					
Cash flow hedges – gains deferred in equity	–	1.8	–	–	1.8
Cash flow hedges – losses transferred to income	–	0.9	–	–	0.9
Net investment hedges – losses deferred in equity	–	–	(1.2)	–	(1.2)
Foreign currency translation differences	–	–	–	18.4	18.4
Tax on other comprehensive income	–	(0.5)	0.2	(0.9)	(1.2)
Total comprehensive income for the year	–	2.2	(1.0)	17.5	18.7
Balance as at 28 March 2020	**41.1**	**0.3**	**4.4**	**245.2**	**291.0**

As at 28 March 2020 the amount held in the hedging reserve relating to matured net investment hedges is £4.4 million net of tax (last year: £5.5 million).

26. FINANCIAL COMMITMENTS

The Group leases various retail stores, offices, warehouses and equipment under non-cancellable lease arrangements. The liabilities for these leases are recorded on the Group's balance sheet when the Group obtains control of the underlying asset. The Group has additional commitments relating to leases where the Group has entered into an obligation but does not yet have control of the underlying asset. The future lease payments to which the Group is committed, over the expected lease term, but are not recorded on the Group's balance sheet are as follows:

	As at 28 March 2020 £m
Amounts falling due:	
Within 1 year	**6.5**
Between 2 and 5 years	**34.2**
After 5 years	**44.3**
Total	**85.0**

26. FINANCIAL COMMITMENTS (CONTINUED)

The total of future minimum payments to be received under non-cancellable leases on investment properties and subleases on land and buildings is as follows:

	Leases		Subleases	
	As at 28 March 2020 £m	As at 30 March 2019 £m	**As at 28 March 2020 £m**	As at 30 March 2019 £m
Amounts falling due:				
Within 1 year	**–**	0.8	**0.1**	0.1
Between 2 and 5 years	**0.1**	0.1	**0.1**	0.3
Total	**0.1**	0.9	**0.2**	0.4

27. CAPITAL COMMITMENTS

	As at 28 March 2020 £m	As at 30 March 2019 £m
Capital commitments contracted but not provided for:		
Property, plant and equipment	**29.5**	17.7
Intangible assets	**5.2**	6.9
Total	**34.7**	24.6

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.

28. FINANCIAL RISK MANAGEMENT

The Group's principal financial instruments comprise derivatives, cash and short-term deposits, overdrafts, borrowings, trade and other receivables, and trade and other payables arising directly from operations.

The Group's activities expose it to a variety of financial risks: market risks (including foreign exchange risk, share price risk and interest rate risk), credit risk, liquidity risk and capital risk.

Risk management is carried out by the Group treasury department (Group Treasury) based on forecast business requirements to reduce financial risk and to ensure sufficient liquidity is available to meet foreseeable needs and to invest in cash and cash equivalents safely and profitably. Group Treasury does not operate as a profit centre and transacts only in relation to the underlying business requirements. The policies of Group Treasury are reviewed and approved by the Board of Directors. The Group uses derivative instruments to hedge certain risk exposures.

Market risk

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures.

The Group's Income Statement is affected by transactions denominated in foreign currency. To reduce exposure to currency fluctuations, the Group has a policy of hedging foreign currency denominated transactions by entering into forward foreign exchange contracts (refer to note 18). These transactions are recorded as cash flow hedges. The Group's foreign currency transactions arise principally from purchases and sales of inventory.

The Group's treasury risk management policy is to hedge, prior to market opening, 70-90% of its anticipated foreign currency exposure by currency, by season and where the net currency exposure is greater than £20.0 million. Currently, the Group does not hedge intercompany foreign currency transactions. The Group uses forward exchange contracts to hedge its currency risk, which have a maturity of less than 12 months.

The Group designates the spot component of foreign currency forwards in hedge relationships and applies a ratio of 1:1. The forward elements of the foreign currency forward are excluded from designation of the hedging instrument and are separately accounted for as a cost of hedging and recognised in operating expenses on a discounted basis.

The Group determines the existence of an economic relationship between the hedging instrument and the hedged item based on the currency, amount and timing of their respective cash flows. The Group assesses whether the derivative designated in each hedging relationship is expected to be and has been effective in offsetting changes in cash flows of the hedged item using the dollar offset method.

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (continued)

Foreign exchange risk (continued)

In these hedge relationships ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated, or if there are changes in the credit risk of the Group or the derivative counterparty. There was no ineffectiveness in the 52 weeks ending 28 March 2020 (last year: no ineffectiveness).

The Group monitors the desirability of hedging the net assets of overseas subsidiaries when translated into Sterling for reporting purposes. The Group uses forward foreign exchange contracts to hedge net assets of overseas subsidiaries, relating to surplus cash whose remittance is foreseeable. There were no outstanding net investment hedges as at 28 March 2020, (last year: the net investment hedge principal values were EUR 8.5 million (£7.3 million) and CNY 576.0 million (£65.8 million)).

At 28 March 2020, the Group has performed a sensitivity analysis to determine the effect of Sterling strengthening/weakening by 20% (last year: 20%) against other currencies with all other variables held constant. The effect on translating foreign currency denominated net cash, trade, intercompany and other financial receivables and payables and financial instruments at fair value through profit or loss would have been to increase/decrease operating profit for the year by £3.1 million (last year: decrease/increase £12.2 million). The effect on translating forward foreign exchange contracts designated as cash flow hedges would have been to decrease/increase equity by £12.6 million (last year: decrease/increase £5.4 million) on a post-tax basis.

The following table shows the extent to which the Group has monetary assets and liabilities at the year end in currencies other than the local currency of operation, after accounting for the effect of any specific forward foreign exchange contracts used to manage currency exposure. Monetary assets and liabilities refer to cash, deposits, overdrafts, borrowings and other amounts to be received or paid in cash. Amounts exclude intercompany balances which eliminate on consolidation. Foreign exchange differences on retranslation of these assets and liabilities are recognised in 'Net operating expenses'.

	As at 28 March 2020			As at 30 March 2019		
	Monetary assets £m	**Monetary liabilities £m**	**Net £m**	Monetary assets £m	Monetary liabilities £m	Net £m
Sterling	**0.7**	**(2.4)**	**(1.7)**	0.3	(3.2)	(2.9)
US Dollar	**1.6**	**(17.7)**	**(16.1)**	1.7	(7.6)	(5.9)
Euro	**27.0**	**(77.5)**	**(50.5)**	18.8	(31.3)	(12.5)
Chinese Yuan Renminbi	**4.5**	**(0.4)**	**4.1**	2.0	(1.2)	0.8
Other currencies	**5.2**	**(14.2)**	**(9.0)**	3.9	(1.6)	2.3
Total	**39.0**	**(112.2)**	**(73.2)**	26.7	(44.9)	(18.2)

Share price risk

The Group is exposed to employer's national insurance liability due to the implementation of various employee share incentive schemes.

To reduce exposure to fluctuations in the employer's national insurance liability due to movements in the Group's share price, the Group has a policy of entering into equity swaps at the time of granting share options and awards. The Group does not seek hedge accounting treatment for equity swaps. The Group monitors its exposure to fluctuations in the employer's national insurance liability on an ongoing basis. The net impact of an increase/decrease in the share price of 50.0p (last year: 50.0p) would have resulted in an increase/decrease in profit after tax of £nil (last year: £nil).

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to cash, borrowings, short-term deposits and overdrafts.

The floating rate financial liabilities at 28 March 2020 are £341.6 million (last year: £37.2 million). This includes borrowings of £300.0 million (last year: £nil), cash pool overdraft balances of £40.9 million (last year: £37.2 million) and remaining overdrafts of £0.7 million (last year: £nil). If interest rates on floating rate financial liabilities had been 100 basis points higher/lower (last year: 100 basis points), excluding the impact on cash pool overdraft balances and with all other variables held constant, post-tax profit for the year would have been £0.1 million (last year: £nil) lower/higher, as a result of higher/lower interest expense.

The floating rate financial assets as at 28 March 2020 comprise short-term deposits of £790.2 million (last year: £723.2 million), interest bearing current accounts of £47.3 million (last year: £39.4 million) and cash pool asset balances of £40.9 million (last year: £40.8 million). At 28 March 2020, if interest rates on floating rate financial assets had been 100 basis points higher/lower (last year: 100 basis points), excluding the impact on cash pool asset balances and with all other variables held constant, post-tax profit for the year would have been £5.1 million (last year: £5.5 million) higher/lower, as a result of higher/lower interest income.

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk

Trade receivables

The Group has no significant concentrations of credit risk. The trade receivables balance is spread across a large number of different customers with no single debtor representing more than 4% of the total balance due (last year: 5%). The Group has policies in place to ensure that wholesale sales are made to customers with an appropriate credit history. Sales to retail customers are made in cash or via major credit cards. In some retail locations, where the Group's store is contained within a department store or mall, for example a concession, the sales proceeds may be initially held by the operator of the wider location, giving rise to retail debtors. In addition, receivables balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant and default rates have historically been very low.

The Group applies the simplified approach when measuring the trade receivable expected credit losses. The approach uses a lifetime expected loss allowance. To measure the expected credit losses trade receivables have been grouped based on segment, geographical region and the days past due. The expected loss rates are reviewed annually, or when there is a significant change in external factors potentially impacting credit risk, and are updated where management's expectations of credit losses change.

At 28 March 2020, management have assessed the expected credit losses for trade receivables. Due to the global financial uncertainty arising from COVID-19, management have increased the expected loss rates for trade receivables based on their judgement as to the impact of COVID-19 on the trade receivables portfolio. In addition, certain individual customers (where there is objective evidence of credit impairment) have been identified as having a significantly elevated credit risk and have been provided for on a specific basis. This has resulted in a charge of £12.3 million for impairment provisions recognised in profit and loss in the year, of which £9.1 million is considered to relate to the impact of COVID-19.

Receivables excluding trade receivables

The counterparty credit risk of other receivables is reviewed on a regular basis and the impairment is assessed as follows:

At inception the receivable is recorded net of expected 12 month credit losses. If a significant change in the credit risk occurs during the life time of the receivable, credit losses are recorded in the profit and loss account and the effective interest is calculated using the gross carrying amount of the asset. If a loss event occurs, the effective interest is calculated using the amortised cost of the asset net of any credit losses.

As at 30 March 2019, the expected 12 month credit losses of receivables, other than trade receivables, were negligible and hence there were no impairments of these receivables. At 28 March 2020, management assessed that there was an increased credit risk relating to store rent deposits, as a result of COVID-19, and hence recorded a provision of £2.0 million.

During the year ended 31 March 2013 the Group entered into a retail leasing arrangement in the Republic of Korea. As part of this arrangement, a KRW 27 billion (£19.3 million) 15-year interest-free loan was provided to the landlord. The Group holds a registered mortgage over the leased property for the equivalent value of the loan which acts as collateral. At 28 March 2020, the discounted fair value of the loan is £15.5 million (last year: £15.2 million). The book value of the loan, recorded at amortised cost, is £13.4 million (last year: £13.3 million). Other than this arrangement, the Group does not hold any other collateral as security. Management consider that the security provided by the mortgage is sufficient risk mitigation and hence the credit loss relating to this receivable is not significant.

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

The expected credit loss allowance for receivables was determined as follows:

As at 28 March 2020	Current £m	Less than 1 month overdue £m	Less than 2 months overdue £m	Less than 3 months overdue £m	Over 3 months overdue £m	Total £m
Trade receivables						
Expected loss rate %	7%	18%	18%	18%	53%	
Gross carrying amount trade receivables	79.5	22.9	7.1	5.2	8.8	123.5
Loss allowance	(5.5)	(4.1)	(1.2)	(1.0)	(4.7)	(16.5)
Lease deposits						
Expected loss rate %	5%					
Gross carrying amount lease deposits	40.0	–	–	–	–	40.0
Loss allowance	(2.0)	–	–	–	–	(2.0)
As at 30 March 2019						
Trade receivables						
Expected loss rate %	1%	4%	6%	7%	64%	
Gross carrying amount trade receivables	102.2	12.1	4.3	1.4	4.5	124.5
Loss allowance	(1.1)	(0.5)	(0.2)	(0.1)	(2.9)	(4.8)

The closing loss allowances for receivables reconcile as follows:

	Receivables £m
As at 31 March 2018 – under IAS 39	11.6
Adjustment on the initial application of IFRS 9	0.3
Adjusted balance as at 1 April 2018	11.9
Effect of foreign exchange rate changes	0.1
Impairment provision recognised in profit or loss during the year	1.2
Receivables written off during the year as uncollectable	(3.1)
Unused amount reversed	(5.3)
As at 30 March 2019	4.8
Effect of foreign exchange rate changes	–
Impairment provision recognised in profit or loss during the year	14.7
Receivables written off during the year as uncollectable	(0.6)
Unused amount reversed	(0.4)
As at 28 March 2020	**18.5**

In aggregate, as at 28 March 2020, the movement in the impairment provision on receivables and other financial assets recorded in the income statement was a charge of £14.3 million, of which £12.3 million relates to contracts with customers and £2.0 million relates to other receivables (last year: credit of £4.1 million all of which related to contracts with customers). £11.1 million of this charge is presented as an adjusted item relating to COVID-19.

The maximum exposure to credit risk at the reporting date with respect to trade and other receivables is approximated by the carrying amount on the Balance Sheet.

The expected loss allowance for trade receivables at 28 March 2020 of £16.5 million is 13.4% of the amounts receivable. Due to the significant uncertainty regarding the outcome of COVID-19 and its impact on the global economy, management consider that this expected loss allowance, while representing managements' best estimate of the future outcome, may be required to be updated in future periods depending on actual circumstances. However any updates are not anticipated to result in a material change in the next 12 months.

28. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

Other financial assets

With respect to credit risk arising from other financial assets, which comprise cash and short-term deposits and certain derivative instruments, the Group's exposure to credit risk arises from the default of the counterparty with a maximum exposure equal to the carrying value of these instruments. The Group has policies that limit the amount of credit exposure to any financial institution and only deposits funds with independently rated financial institutions with a minimum rating of 'A' other than where required for operational purposes. A total of £7.4 million (last year: £8.5 million) was held with institutions with a rating below 'A' at 28 March 2020. These amounts are monitored on a weekly basis and regularly reported to the Board.

The Group has deposited CHF 0.3 million (last year: CHF 0.3 million) and AED 0.3 million (last year: AED 0.3 million) which is held as collateral at a number of European banks.

Liquidity risk

The Group's financial risk management policy aims to ensure that sufficient cash is maintained to meet foreseeable needs and close out market positions. Due to the dynamic nature of the underlying business, Group Treasury aims to maintain flexibility in funding by keeping committed credit lines available. For further details of this, refer to notes 23 and 24.

All short-term trade and other payables, accruals, and bank overdrafts mature within one year or less. The carrying value of all financial liabilities due in less than one year is equal to their contractual undiscounted cash flows, with the exception of lease liabilities. The undiscounted contractual cash flows for lease liabilities due in less than one year is £236.9 million.

The maturity profile of the contractual undiscounted cash flows of the Group's non-current financial liabilities, excluding derivatives used for hedging, is as follows:

	As at 28 March 2020			As at 30 March 2019
	Lease Liabilities £m	**Other £m**	**Total £m**	Total £m
In more than 1 year, but not more than 2 years	**200.4**	**309.6**	**510.0**	14.5
In more than 2 years, but not more than 3 years	**145.0**	**4.3**	**149.3**	7.0
In more than 3 years, but not more than 4 years	**112.9**	**–**	**112.9**	6.6
In more than 4 years, but not more than 5 years	**100.7**	**–**	**100.7**	5.8
In more than 5 years	**436.0**	**8.8**	**444.8**	19.2
Total financial liabilities	**995.0**	**322.7**	**1,317.7**	53.1

As at 28 March 2020, other non-current financial liabilities relate to borrowings of £300.0 million (refer to note 24) and other payables (last year: other payables and onerous lease provisions).

Capital risk

The Board reviews the Group's capital allocation policy annually. The Group's capital allocation framework defines its priorities for uses of cash, underpinned by its principle to maintain a strong balance sheet with solid investment grade credit metrics. The framework has four priorities for the use of cash generated from operations:

- re-investment in the business to drive organic growth;
- maintaining a progressive dividend policy;
- continuing to pursue selective strategic investment; and
- to the extent that there is surplus capital to these needs, provide additional returns to shareholders.

While the capital allocation policy will remain in place for the long term, as a result of the impact of COVID-19 the Board has reviewed actions to safeguard the business as a temporary modification to the policy. While funding organic growth remains the Board's first priority, pressure on profit and cash in the short-term requires a reduction in operating and capital expenditure. With a focus on capital retention and sourcing of capital during the current period, the Board has decided to suspend capital returns to shareholders until there is greater visibility on market recovery. The Board has also reviewed the Group's access to funding including sources of debt and equity.

At 28 March 2020, the Group had net cash of £887.3 million (last year: £837.3 million), borrowings of £300.0 million (last year: £nil) and total equity excluding non-controlling interests of £1,214.2 million (last year: £1,455.0 million). The borrowings relate to a revolving credit facility of £300.0 million which was fully drawn at 28 March 2020. For further details refer to note 24. Potential additional sources of funding available to the Group include additional bank facilities, the UK Government's COVID Corporate Financing Facility, longer term debt and equity funding. The Group's current capital resources, together with the potential additional sources of funding are considered sufficient to address the Group's capital risk.

29. EMPLOYEE COSTS

Staff costs, including the cost of directors, incurred during the year are as shown below. Directors' remuneration, which is separately disclosed in the Directors' Remuneration Report on pages 151 to 185 and forms part of these financial statements, includes, for those share options and awards where performance obligations have been met, the notional gains arising on the future exercise but excludes the charge in respect of these share options and awards recognised in the Group Income Statement.

	52 weeks to 28 March 2020 £m	52 weeks to 30 March 2019 £m
Wages and salaries	**403.8**	423.3
Termination benefits	**4.6**	11.0
Social security costs	**49.2**	54.3
Share-based compensation (all awards and options settled in shares)	**2.8**	15.6
Other pension costs	**17.3**	15.6
Total	**477.7**	519.8

Employee costs include a charge of £5.4 million (last year: charge of £11.4 million) relating to restructuring costs and a credit of £6.2 million (last year: £nil) related to the reversal of accrued costs for share-based payments no longer expected to vest as a result of COVID-19, which have been presented as adjusting items. Refer to note 6 for further details.

The average number of full-time equivalent employees (including executive directors) during the year was as follows:

	Number of employees	
	52 weeks to 28 March 2020	52 weeks to 30 March 2019
EMEIA[1]	**5,199**	5,267
Americas	**1,730**	1,830
Asia Pacific	**2,963**	2,765
Total	**9,892**	9,862

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

29. EMPLOYEE COSTS (CONTINUED)

Share options granted to directors and employees

The Group operates a number of equity-settled share-based compensation schemes for its directors and employees. Details of each of these schemes are set out in this note. The share option schemes have been valued using the Black-Scholes option pricing model.

The key inputs used in the Black-Scholes pricing model to determine the fair value include the share price at the commencement date; the exercise price attached to the option; the vesting period of the award; an appropriate risk-free interest rate; a dividend yield discount for those schemes that do not accrue dividends during the course of the vesting period; and an expected share price volatility, which is determined by calculating the historical annualised standard deviation of the market price of Burberry Group plc shares over a period of time, prior to the grant, equivalent to the vesting period of the option.

Where applicable, equity swaps have been entered into to cover future employer's national insurance liability (or overseas equivalent) that may arise in respect of these schemes.

The Burberry Group plc Executive Share Plan ('the ESP')

The ESP was set up in the year ended 31 March 2015. The ESP aims to reward executives and senior management for sustainable long-term performance and successful execution of the Group's long-term strategy.

Under the ESP, participants are awarded shares, structured as nil-cost options, up to a maximum value of four times base salary per annum. Awards may be subject to a combination of non-market performance conditions, including compound annual Group adjusted PBT growth; compound annual Group revenue growth; and average retail/wholesale adjusted return on invested capital ('ROIC'). Performance conditions will be measured over a three-year period from the last reporting period prior to the grant date. Each performance condition will stipulate a threshold and maximum target. The portion of the scheme relating to each performance target will vest 25% if the threshold target is met, and then on a straight-line basis up to 100% if the maximum target is met. The portion of the scheme relating to each performance target for the Senior Leadership Team for awards made in the current year will vest 15% if the threshold target is met. Dependent on the performance of the vesting conditions, 50% of the award will vest on the third anniversary of the grant date, and the remaining 50% of the award will vest on the fourth anniversary of the grant date.

Awards made to the Senior Leadership Team are subject to all three non-market performance conditions and are measured 50% based on annual adjusted PBT growth; 25% based on annual revenue growth; and 25% based on adjusted retail/wholesale ROIC.

The non-market performance conditions for ESP awards which have not vested are as follows: awards made to senior management during prior years are subject to two non-market performance conditions and will be measured 50% based on annual adjusted PBT growth and 50% based on annual revenue growth.

Awards made to management will not be subject to performance conditions apart from continued service during the vesting period.

During the year, the following grants were made under the ESP:

					Targets	
Date of grant	**Options granted**	**Fair value**	**Participant group**	**Performance conditions**	**Threshold**	**Maximum**
31 July 2019	191,709	£22.59	Management	Continued service	N/A	N/A
31 July 2019	680	£22.59	Senior Management	3-year growth in Group adjusted PBT	–	7.5%
				3-year growth in Group revenue	1.0%	5.5%
31 July 2019	915,154	£22.59	Senior Management	3-year growth in Group adjusted PBT	4.0%	12.0%
				3-year growth in Group revenue	3.0%	8.0%
				3-year average retail/wholesale adjusted ROIC	13.5%	17.0%
31 July 2019	462,437	£22.59	Senior Leadership Team	3-year growth in Group adjusted PBT	4.0%	12.0%
				3-year growth in Group revenue	3.0%	8.0%
				3-year average retail/wholesale adjusted ROIC	13.5%	17.0%
20 November 2019	19,310	£20.50	Management	Continued service	N/A	N/A
20 November 2019	7,836	£20.50	Senior Management	3-year growth in Group adjusted PBT	4.0%	12.0%
				3-year growth in Group revenue	3.0%	8.0%
				3-year average retail/wholesale adjusted ROIC	13.5%	17.0%
27 February 2020	22,641	£16.76	Senior Management	3-year growth in Group adjusted PBT	4.0%	12.0%
				3-year growth in Group revenue	3.0%	8.0%
				3-year average retail/wholesale adjusted ROIC	13.5%	17.0%

The annual ESP grant usually occurs in July, aligned with the timing of the Group's performance review process.

29. EMPLOYEE COSTS (CONTINUED)

Share options granted to directors and employees (continued)

The fair values for the above grants have been determined by applying the Black-Scholes option pricing model. The key factors used in determining the fair value were as follows:

	31 July 2019	20 November 2019	27 February 2020
Share price at contract commencement date	£22.59	£20.50	£16.76
Exercise price	£nil	£nil	£nil
Life of award	Equivalent to vesting period	Equivalent to vesting period	Equivalent to vesting period
Expected volatility	27.82%	28.00%	30.73%
Risk-free interest rate	0.36%	0.36%	0.32%

Obligations under this plan will be met either by market purchase shares via the ESOP trust or by the issue of ordinary shares of the Company.

Movements in the number of ESP share awards outstanding are as follows:

	52 weeks to 28 March 2020	52 weeks to 30 March 2019
Outstanding at start of year	**4,997,807**	6,137,145
Granted during the year	**1,619,767**	1,459,795
Lapsed and forfeited during the year	**(1,980,421)**	(2,483,277)
Exercised during the year	**(195,879)**	(115,856)
Outstanding at end of year	**4,441,274**	4,997,807
Exercisable at end of year	**103,415**	28,772

Share awards outstanding at the end of the year have the following terms:

Term of the award	**Number of awards as at 28 March 2020**	Number of awards as at 30 March 2019
22 July 2015 – 21 July 2025	**28,508**	138,365
18 November 2015 – 17 November 2025	**988**	7,654
30 January 2017 – 30 January 2027	**184,761**	1,717,023
31 July 2017 – 31 July 2027	**1,451,362**	1,694,199
27 November 2017 – 27 November 2027	**25,598**	27,348
31 July 2018 – 31 July 2028	**1,190,527**	1,389,726
19 November 2018 – 19 November 2028	**22,104**	23,492
31 July 2018 – 31 July 2028	**680**	–
31 July 2019 – 31 July 2029	**1,490,709**	–
29 November 2019 – 20 November 2029	**23,396**	–
27 February 2020 – 27 February 2030	**22,641**	–
Total	**4,441,274**	4,997,807

One-off awards

The Company grants certain options in respect of ordinary shares as one-off awards with a £nil exercise price. Some of these awards vest in stages, which vary by award, and are dependent upon continued employment over the vesting period, as well as key strategic performance objectives linked to long-term growth of the Group for certain awards.

During the 52 weeks to 28 March 2020, no one-off awards were granted.

29. EMPLOYEE COSTS (CONTINUED)

Share options granted to directors and employees (continued)

One-off awards (continued)

Movements in the number of one-off share awards outstanding are as follows:

	52 weeks to 28 March 2020	52 weeks to 30 March 2019
Outstanding at start of year	**909,998**	1,780,838
Granted during the year	**–**	731,368
Lapsed and forfeited during the year	**(3,303)**	(71,183)
Exercised during the year	**(41,222)**	(1,531,025)
Outstanding at end of year	**865,473**	909,998
Exercisable at end of year	**157,903**	90,289

Share awards outstanding at the end of the year have the following terms:

Term of the award	**Number of awards as at 28 March 2020**	Number of awards as at 30 March 2019
18 November 2015 – 18 November 2025	**26,318**	40,145
30 January 2017 – 22 December 2026	**22,539**	22,539
30 January 2017 – 30 January 2027	**73,000**	81,250
08 February 2018 – 07 February 2028	**34,696**	34,696
31 July 2018 – 31 July 2028	**667,626**	667,626
12 February 2019 – 12 February 2029	**41,294**	63,742
Total	**865,473**	909,998

Other schemes

The Group also issues options to employees under Savings-Related Share Option Schemes (Sharesave) and free shares to employees under an All Employee Share Plan. In the 52 weeks to 28 March 2020, options were granted under Sharesave with a three-year and five-year vesting period.

Additional awards were granted under an All Employee Share Plan, offering employees awards of ordinary shares in the Company at a £nil exercise price. All awards vest after three years and the vesting of these share awards is dependent on continued employment over the vesting period.

The charge for these schemes is not significant to the Group.

30. 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 28 March 2020 £m	52 weeks to 30 March 2019 £m
Salaries, short-term benefits and social security costs	**7.9**	12.4
Termination benefits	**–**	2.9
Share-based compensation (all awards and options settled in shares)	**(0.8)**	3.2
Total	**7.1**	18.5

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

31. SUBSIDIARY UNDERTAKINGS AND INVESTMENTS

In accordance with Section 409 of the Companies Act 2006 a full list of related undertakings as at 28 March 2020, including their country of incorporation and percentage share ownership, is disclosed below. Unless otherwise stated, all undertakings are indirectly owned by Burberry Group plc and operate in the country of incorporation. All the subsidiary undertakings have been consolidated as at 28 March 2020.

Company name	Country of incorporation	Interest	Holding (%)	Registered office
Burberry Pacific Pty Ltd	Australia	Ordinary shares	100	1
Burberry (Austria) GmbH	Austria	Ordinary shares	100	2
Sandringham Bahrain SPC owned by Essam Al Tamimi[2]	Bahrain	Ordinary shares	100	3
Burberry Antwerp NV	Belgium	Ordinary shares	100	4
Burberry Brasil Comércio de Artigos de Vestuário e Acessórios Ltda	Brazil	Quota	100	5
Burberry Canada Inc	Canada	Common shares	100	6
Burberry (Shanghai) Trading Co., Ltd	China	Equity interest	100	7
Burberry Czech Rep s.r.o.	Czech Republic	Ordinary shares	100	8
Burberry France SASU	France	Ordinary shares	100	9
Burberry (Deutschland) GmbH	Germany	Ordinary shares	100	10
Burberry Asia Holdings Limited	Hong Kong S.A.R.	Ordinary shares	100	11
Burberry Asia Limited	Hong Kong S.A.R.	Ordinary shares	100	11
Burberry China Holdings Limited	Hong Kong S.A.R.	Ordinary shares	100	11
Burberry Hungary Kereskedelmi Korlátolt Felelősségű Társaság	Hungary	Ordinary shares	100	12
Burberry India Private Limited	India	Ordinary shares	51	13
Burberry Ireland Investments Unlimited Company	Ireland	Ordinary A shares Ordinary B shares	100 100	14
Burberry Ireland Limited	Ireland	Ordinary shares	100	15
Burberry Italy (Rome) S.R.L.	Italy	Quota	100	16
Burberry Italy S.R.L.[1]	Italy	Quota	100	16
Burberry Manifattura S.R.L.	Italy	Quota	100	17
Burberry Japan K.K.	Japan	Ordinary shares	100	18
Burberry Kuwait General Trading Textiles and Accessories Company \With Limited Liability[3]	Kuwait	Parts	49	19
Burberry Macau Limited	Macau	Quota	100	20
Burberry (Malaysia) Sdn. Bhd.	Malaysia	Ordinary shares	100	21
Horseferry México S.A. de C.V.	Mexico	Ordinary (fixed) shares Ordinary (variable) shares	100 100	22
Horseferry México Servicios Administrativos, S.A. de C.V.	Mexico	Ordinary (fixed) shares	100	22
Burberry Netherlands B.V.	Netherlands	Ordinary shares	100	23
Burberry New Zealand Limited[4]	New Zealand	Ordinary shares	100	24
Burberry Qatar W.L.L[3]	Qatar	Ordinary shares	49	25
Burberry Korea Limited	Republic of Korea	Common stock	100	26
Burberry Retail LLC	Russian Federation	Participatory share	100	27
Burberry Saudi Company Limited	Kingdom of Saudi Arabia	Ordinary shares	75	28
Burberry (Singapore) Distribution Company PTE Ltd	Singapore	Ordinary shares	100	29
Burberry (Spain) Retail S.L.	Spain	Ordinary shares	100	30
Burberry Latin America Holdings S.L.	Spain	Ordinary shares	100	30
Burberry (Suisse) SA[1]	Switzerland	Ordinary shares	100	31
Burberry (Taiwan) Co., Ltd	Taiwan	Common shares	100	32
Burberry (Thailand) Limited	Thailand	Common shares	100	33
Burberry Turkey Giyim Toptan Ve Perakende Satış Limited Şirketi	Turkey	Ordinary shares	100	34
Burberry FZ-LLC	United Arab Emirates	Ordinary shares	100	35
Burberry Middle East LLC[3]	United Arab Emirates	Ordinary shares	49	36
Burberry (Espana) Holdings Limited	United Kingdom	Ordinary shares	100	37
Burberry (No. 7) Unlimited	United Kingdom	Ordinary shares	100	37
Burberry (UK) Limited	United Kingdom	Ordinary shares	100	37
Burberry Beauty Limited[1]	United Kingdom	Ordinary shares	100	37
Burberry Distribution Limited	United Kingdom	Ordinary shares	100	37
Burberry Europe Holdings Limited[1]	United Kingdom	Ordinary shares	100	37

31. SUBSIDIARY UNDERTAKINGS AND INVESTMENTS (CONTINUED)

Company name	Country of incorporation	Interest	Holding (%)	Registered office
Burberry Finance Limited	United Kingdom	Ordinary shares	100	37
Burberry Haymarket Limited[1]	United Kingdom	Ordinary shares	100	37
Burberry Holdings Limited	United Kingdom	Ordinary shares	100	37
Burberry International Holdings Limited[1]	United Kingdom	Ordinary shares	100	37
Burberry Italy Retail Limited[5]	United Kingdom	Ordinary shares	100	37
Burberry Latin America Limited	United Kingdom	Ordinary shares	100	37
Burberry Limited	United Kingdom	Ordinary shares	100	37
Burberry London Limited	United Kingdom	Ordinary shares	100	37
Burberry New York 2005 Limited[6]	United Kingdom	Ordinary shares	100	37
Burberry New York Unlimited[6]	United Kingdom	Ordinary A shares	100	37
		Ordinary B shares	100	
Burberry Treasury Limited	United Kingdom	Ordinary shares	100	37
Burberry Wholesale 2005 Limited[6]	United Kingdom	Ordinary shares	100	37
Burberry Wholesale Unlimited[6]	United Kingdom	Ordinary A shares	100	37
		Ordinary B shares	100	
Burberrys Limited[1]	United Kingdom	Ordinary shares	100	37
Hampstead (UK) Limited[1]	United Kingdom	Ordinary shares	100	37
Sweet Street Developments Limited	United Kingdom	Ordinary shares	100	37
Temple Works Limited[6]	United Kingdom	Ordinary shares	100	37
The Scotch House Limited[1]	United Kingdom	Ordinary shares	100	37
Thomas Burberry Holdings Limited[1]	United Kingdom	Ordinary shares	100	37
Thomas Burberry Limited[1]	United Kingdom	Ordinary shares	100	37
Woodrow-Universal Limited[1]	United Kingdom	Ordinary shares	100	37
Woodrow-Universal Pension Trustee Limited[1]	United Kingdom	Ordinary shares	100	37
Worldwide Debt Collections Limited[7]	United Kingdom	Ordinary shares	100	38
Burberry (Wholesale) Limited	United States	Class X common stock	100	39
		Class Y common stock	100	
Burberry Limited	United States	Class X common stock	100	39
		Class Y common stock	100	
Burberry North America, Inc.	United States	Common stock	100	40
Burberry Warehousing Corporation	United States	Common stock	100	40
Castleford Industries, Ltd.	United States	Series A common stock	100	40
Castleford Tailors, Ltd.	United States	Common stock	100	40

1. Held directly by Burberry Group plc.
2. The Group has an indirect holding of 100% of the issued share capital through a nominee.
3. The Group has a 100% share of profits of Burberry Middle East LLC as well as a 100% and 88% share of profits in Burberry Middle East LLC's subsidiaries in Kuwait and Qatar respectively. The Group has the power to control these companies under the agreements relating to Burberry Middle East LLC.
4. Incorporated on 24 January 2020.
5. Merged into Burberry Italy S.R.L. and closed on 17 May 2019.
6. Dissolved via voluntary strike-off on 4 February 2020.
7. Dissolved via voluntary strike-off on 25 February 2020.

Ref	Registered office address
1	Level 5, 343 George Street, Sydney NSW 2000, Australia
2	Kohlmarkt 2, 1010 Wien, Austria
3	Building 1A, Road 365 (Isa Al Kabeer Avenue), Manama Center 316, Unit 8, Moda Mall, Manama, Bahrain
4	Waterloolaan 16, 1000 Brussel, Belgium
5	City of São Paulo, State of São Paulo, at Rua do Rocio, 350, 3rd Pavement of Condominium Atrium IX, suites No. 31 and No. 32, 28th subdistrict, Vila Olimpia, CEP 04552-000, Brazil
6	100 King Street West, 1 First Canadian Place, Suite 1600, Toronto ON M5X 1G5, Canada
7	Suites 3302-3305, 1717 Nanjing West Road, Jing'an District, Shanghai 200040, China
8	Praha 1, Pařížská 11/67, PSČ 11000, Czech Republic
9	56 rue du Faubourg Saint-Honoré, 75008, Paris, France
10	Königsallee 50, 40212, Düsseldorf, Germany
11	Suites 2201-02 & 11-14, 22/F Devon House, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong S.A.R.

31. SUBSIDIARY UNDERTAKINGS AND INVESTMENTS (CONTINUED)

Ref	Registered office address
12	1124 Budapest, Csörsz utca 49-51, Hungary
13	3 A-1 Taj Apartment, Rao Tula Ram Marg, New Delhi, DL 110022, India
14	Suite 9, Bunkilla Plaza, Bracetown Business Park, Clonee, Co. Meath., D15 XR27, Ireland
15	Suite 9, Bunkilla Plaza, Bracetown Office Park, Clonee, Co. Meath., D15 XR27, Ireland
16	Via Monte Napoleone 12, 20121, Milano, Italy
17	Via delle Fonti n.10, 50018 Scandicci (Fi), Italy
18	5-14 Ginza 2-chome, Chuo-ku, Tokyo, Japan
19	Hawali, Tunis Street, Block 93, Plt B, Office No 12, Floor 7, Kuwait
20	Avenida Dr. Sun Yat Sen, One Central Building, 1st floor, Shops 125-127, Macau
21	Level 21, Suite 21.01, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Wilayah Persekutuan, Malaysia
22	Ejercito Nacional Mexicano 843B Col. Granada Del. Miguel Hidalgo, Distrito Federal, 11520, Mexico
23	Pieter Cornelisz. Hooftstraat 48 H, -50, 1071BZ Amsterdam, Netherlands
24	KPMG AUCKLAND, 18 Viaduct Harbour Avenue, Auckland, 1010, New Zealand
25	First Floor, Building No. 660, 54 Al Marikh, Street no. 364, Located near Al Rayyan Municipality South, Doha, Qatar
26	(Cheongdam-dong) 459, Dosan-daero, Gangnam-gu, Seoul, Republic of Korea
27	Ulitsa Petrovka, 16, floor 3, Premise I, rooms 47-53, 127051, Moscow, Russian Federation
28	Riyadh, Al Olaya District, Akaria Plaza, First Floor, Office No (119), 11411, Kingdom of Saudi Arabia
29	391B Orchard Road, #15-02/03, Ngee Ann City, 238874, Singapore
30	Calle Valencia 640, 08026 Barcelona, Spain
31	Route de Chêne 30A, c/o L&S Trust Services SA, 1208 Genève, Switzerland
32	(105) 5F, No. 451, Changchun Rd., Taipei City, Taiwan
33	No. 989 Siam Piwat Tower, 12A Floor, Unit B1, B2, Rama I Road, Pathumwan Sub-district, Pathumwan District, Bangkok, Thailand
34	Reşitpaşa Mahallessi Eski Büyükdere Cad. Windowist Tower Sit. No: 26/1 Sariyer/Istanbul, Turkey
35	Dubai Design District, Premises: 301, 312, 313, 314 & 315, Floor: 03, Building: 08, Dubai, United Arab Emirates
36	Dubai Design District, Building 8, Level 3, PO Box 333266, Dubai, United Arab Emirates
37	Horseferry House, Horseferry Road, London, SW1P 2AW, United Kingdom
38	Adelaide House, London Bridge, London, EC4R 9HA, United Kingdom
39	CT Corporation System, 28 Liberty St., New York, New York, 10005, United States
40	The Corporation Trust Company, Corporation Trust Center 1209 Orange St, Wilmington, New Castle, DE 19801, United States

32. 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. The Group does not expect the outcome of current similar contingent liabilities to have a material effect on the Group's financial condition.

33. EVENTS AFTER THE BALANCE SHEET DATE

On 14 May 2020, Burberry Limited issued commercial paper with a face value of £300.0 million and a maturity of 17 March 2021. The commercial paper was issued under the UK Government sponsored COVID Corporate Finance Facility (CCFF). Proceeds of £298.4 million were received by Burberry Limited on 14 May 2020.

To end of year	2016	2017	2018	2019	Pro forma[5] 2020	2020
Revenue by channel	£m	£m	£m	£m	£m	£m
Retail	1,837.7	2,127.2	2,176.3	2,185.8	**2,110.2**	**2,110.2**
Wholesale	634.6	613.9	526.4	487.9	**475.8**	**475.8**
Retail/Wholesale	2,472.3	2,741.1	2,702.7	2,673.7	**2,586.0**	**2,586.0**
Licensing	42.4	24.9	30.1	46.5	**47.1**	**47.1**
Total revenue	2,514.7	2,766.0	2,732.8	2,720.2	**2,633.1**	**2,633.1**
Profit by channel	£m	£m	£m	£m	£m	£m
Retail/Wholesale[1]	380.9	437.0	440.7	395.7	**360.8**	**389.8**
Licensing	36.9	21.7	25.9	42.4	**43.3**	**43.3**
Adjusted operating profit[1]	417.8	458.7	466.6	438.1	**404.1**	**433.1**
Segmental analysis of adjusted profit	%	%	%	%	%	%
Retail/Wholesale gross margin	69.6	69.6	69.1	67.9	**66.8**	**66.8**
Retail/Wholesale operating expenses as a percentage of sales	54.2	53.7	52.8	53.1	**52.8**	**51.7**
Retail/Wholesale operating margin	15.4	15.9	16.3	14.8	**14.0**	**15.1**
Licensing operating margin	87.0	87.1	86.0	91.2	**91.9**	**91.9**
Summary profit analysis	£m	£m	£m	£m	£m	£m
Adjusted operating profit[1]	417.8	458.7	466.6	438.1	**404.1**	**433.1**
Net finance income/(expense)[1]	2.8	3.7	4.3	5.1	**5.9**	**(19.0)**
Adjusted profit before taxation[1]	420.6	462.4	470.9	443.2	**410.0**	**414.1**
Adjusting items	(5.0)	(67.6)	(58.3)	(2.6)	**(245.6)**	**(245.6)**
Profit before taxation	415.6	394.8	412.6	440.6	**164.4**	**168.5**
Taxation	(101.0)	(107.1)	(119.0)	(101.5)	**(46.0)**	**(46.9)**
Non-controlling interest	(5.1)	(0.9)	(0.1)	0.2	**0.1**	**0.1**
Attributable profit	309.5	286.8	293.5	339.3	**118.5**	**121.7**
Retail/Wholesale revenue by product division	£m	£m	£m	£m	£m	£m
Accessories	901.7	1,033.2	1,046.5	1,012.7	**947.5**	**947.5**
Women's	729.0	791.9	808.4	836.8	**796.5**	**796.5**
Men's	548.4	623.5	647.3	698.2	**714.8**	**714.8**
Children's/Other[2]	293.2	292.5	200.5	126.0	**127.2**	**127.2**
Retail/Wholesale revenue by destination	£m	£m	£m	£m	£m	£m
Asia Pacific	932.9	1,069.0	1,089.0	1,104.3	**1,040.5**	**1,040.5**
EMEIA[3]	878.5	991.2	975.2	957.4	**960.6**	**960.6**
Americas	660.9	680.9	638.5	612.0	**584.9**	**584.9**
Financial KPIs						
Total revenue growth[4]	-1%	-2%	-1%	-1%	**-4%**	**-4%**
Adjusted operating profit growth[1, 4]	-11%	-21%	+5%	+0%	**-8%**	**-1%**
Adjusted PBT growth[1, 4]	-10%	-21%	+5%	+0%	**-7%**	**-6%**
Adjusted retail/wholesale return on invested capital (ROIC)[1, 6]	14.7%	15.4%	16.3%	15.5%	**13.5%**	**20.0%**
Comparable store sales growth	-1%	+1%	+3%	+2%	**-3%**	**-3%**
Adjusted operating profit margin[1]	16.6%	16.6%	17.1%	16.1%	**15.3%**	**16.4%**
Adjusted diluted EPS growth[1]	-9%	+11%	+6%	+0%	**-5%**	**-4%**

1. Excludes the impact of adjusting items. Refer to note 2s for the Group's policy on adjusting items.
2. Includes Beauty wholesale revenue up to the disposal of Beauty operations during the year ended 31 March 2018.
3. EMEIA comprises Europe, Middle East, India and Africa.
4. Growth rate is year-on-year underlying change, i.e. at constant exchange rates.
5. The pro forma income statement for 2020 is an estimation of the results for 2020 applying the previous accounting standard for leases, IAS 17 Leases. The actual results for 2020 are reported applying IFRS 16 Leases. See page 260 for the pro forma 2020 income statement. A pro forma balance sheet and net cash flow for 2020 are not presented in the five year summary. The comparability of the 2019 and 2020 balance sheet and net cash flow is impacted by the adoption of IFRS 16.
6. From 2020 onwards, reported ROIC is measured on a Group basis.

To end of year Earnings and dividends	2016 pence per share	2017 pence per share	2018 pence per share	2019 pence per share	**Pro forma 2020 pence per share**	**2020 pence per share**
Adjusted earnings per share – diluted[1]	69.9	77.4	82.1	82.1	**77.9**	**78.7**
Earnings per share – diluted	69.4	64.9	68.4	81.7	**29.0**	**29.8**
Diluted weighted average number of ordinary shares (millions)	446.1	442.2	429.4	415.1	**409.0**	**409.0**
Dividend per share (on a paid basis)	35.7	37.3	39.4	41.3	**42.8**	**42.8**

To end of year Net cash flow	2016 £m	2017 £m	2018 £m	2019 £m	**2020 £m**
Adjusted operating profit	417.8	458.7	466.6	438.1	**433.1**
Adjusting items	(14.9)	(64.4)	(56.3)	(0.9)	**(244.4)**
Operating profit	402.9	394.3	410.3	437.2	**188.7**
Depreciation and amortisation	147.1	151.5	130.5	115.8	**330.8**
Employee share scheme costs	(0.3)	13.1	17.1	15.7	**2.8**
(Increase)/decrease in inventories	(49.3)	8.4	37.2	(59.3)	**27.4**
(Increase)/decrease in receivables	(31.7)	19.7	68.1	(54.6)	**(9.8)**
Increase/(decrease) in payables and provisions	5.1	43.6	27.6	54.9	**(84.0)**
Other cash items	(1.6)	–	0.5	2.5	**0.2**
Other non-cash items	30.8	58.0	11.2	3.7	**168.8**
Cash flow from operations	503.0	688.6	702.5	515.9	**624.9**
Net interest	3.1	3.7	5.6	6.3	**(18.8)**
Tax paid	(94.8)	(131.6)	(118.4)	(110.8)	**(150.3)**
Net cash flow from operations[2]	411.3	560.7	589.7	411.4	**455.8**
Capital expenditure	(138.0)	(104.1)	(106.0)	(110.6)	**(148.8)**
Proceeds from disposal of non-current assets	0.5	8.5	–	–	**3.0**
Initial direct costs of right-of-use assets	–	–	–	–	**(5.6)**
Payment of lease principal and other lease outflows	–	–	–	–	**(238.1)**
Free cash flow	273.8	465.1	483.7	300.8	**66.3**
Proceeds on disposal of Beauty operations and related licence	–	–	149.8	0.6	**–**
Acquisitions	–	(68.8)	(3.0)	(25.6)	**(2.7)**
Dividends	(158.4)	(164.5)	(169.4)	(171.1)	**(175.2)**
Purchase of shares through share buy-back	–	(97.2)	(355.0)	(150.7)	**(150.7)**
Proceeds from borrowings	–	–	–	–	**300.0**
Other	(8.7)	(11.7)	(8.7)	(10.5)	**3.8**
Exchange difference	1.4	26.0	(14.5)	1.7	**8.5**
Total movement in net cash	108.1	148.9	82.9	(54.8)	**50.0**
Net cash	660.3	809.2	892.1	837.3	**887.3**

1. Excludes the impact of adjusting items. Refer to note 2s for the Group's policy on adjusting items.
2. Following the adoption of IFRS 16 in the year ending 28 March 2020, Net cash flow from operations excludes cash outflows for lease principal and other lease payments. Free cash flow is presented including these lease payments and hence free cash flow is on a comparable basis to prior years.

At end of year Balance Sheet	2016 £m	2017 £m	2018 £m	2019 £m	**2020 £m**
Intangible assets	189.6	170.1	180.1	221.0	**247.0**
Property, plant and equipment	426.2	399.6	313.6	306.9	**294.9**
Right-of-use assets	–	–	–	–	**834.0**
Inventories	486.7	505.3	411.8	465.1	**450.5**
Trade and other receivables	351.9	352.0	275.5	321.2	**305.8**
Trade and other payables	(501.9)	(561.0)	(629.0)	(702.2)	**(549.8)**
Lease liabilities	–	–	–	–	**(1,125.5)**
Taxation (including deferred taxation)	56.4	83.7	85.1	97.5	**213.9**
Net cash	660.3	809.2	892.1	837.3	**887.3**
Borrowings	–	–	–	–	**(300.0)**
Other net assets	(48.3)	(61.1)	(103.8)	(86.8)	**(39.3)**
Net assets	1,620.9	1,697.8	1,425.4	1,460.0	**1,218.8**

Reconciliation of Adjusted Retail/Wholesale ROIC	2016 £m	2017 £m	2018 £m	2019 £m	Pro forma **2020 £m**
Retail/Wholesale adjusted operating profit[1]	380.9	437.0	440.7	395.7	**360.8**
Adjusted effective tax rate[1]	24.7%	25.8%	25.1%	23.1%	**22.3%**
Retail/Wholesale adjusted operating profit after tax[1]	286.7	324.3	330.1	304.3	**280.3**
Net assets excluding licensing segment assets and liabilities	1,617.4	1,694.2	1,512.6	1,540.7	**1,354.5**
Net cash	(660.3)	(809.2)	(892.1)	(837.3)	**(887.3)**
Borrowings	–	–	–	–	**300.0**
Assumed lease assets[2]	1,101.0	1,197.0	1,219.0	1,245.5	**1,233.0**
Exclude adjusting items:					
Deferred consideration	–	34.7	29.2	21.9	**18.4**
Restructuring liabilities/other	19.7	11.3	51.8	26.7	**125.6**
Adjusted operating assets	2,077.8	2,128.0	1,920.5	1,997.5	**2,144.2**
Average operating assets	1,955.3	2,102.9	2,024.3	1,959.0	**2,079.9**
Adjusted Retail/Wholesale ROIC	14.7%	15.4%	16.3%	15.5%	**13.5%**

Adjusted Group ROIC, as reported under IFRS 16 has been presented for 2020 below using the profit for 2020 and opening and closing balance sheets applying IFRS 16. Adjusted Retail/Wholesale ROIC for 2020 using pro forma results, has been included in the five year summary but will be replaced by Adjusted Group ROIC, as reported under IFRS 16, in future reports. See page 260 for details of the pro forma for 2020.

Reconciliation of Adjusted Group ROIC as reported under IFRS 16	2019 £m	**2020 £m**
Adjusted operating profit[1]		**433.1**
Adjusted profit effective tax rate[1]		**22.3%**
Adjusted net operating profit after tax[1]		**336.5**
Net assets	1,460.0	**1,218.8**
Adjustments to net assets on adoption of IFRS 16 and IFRIC 23	(61.9)	**–**
Deduct net cash	(837.3)	**(887.3)**
Add back borrowings	–	**300.0**
Add back lease debt	1,045.0	**1,125.5**
Deduct tax assets	(97.5)	**(213.9)**
Operating assets	1,508.3	**1,543.1**
Add back net liabilities related to adjusting items:		
Deferred consideration	21.6	**18.4**
Restructuring liabilities/other	26.7	**253.7**
Adjusted operating assets	1,556.6	**1,815.2**
Average adjusted operating assets	–	**1,685.9**
Adjusted Group ROIC	–	**20.0%**

1. Excludes the impact of adjusting items. Refer to note 2s for the Group's policy on adjusting items.
2. Assumed operating lease assets and assumed operating lease debt are calculated as a factor of five times minimum operating lease payments.

PRO FORMA INCOME STATEMENT (UNAUDITED)

The re-presented income statements set out below do not form part of the consolidated financial statements for the 52 weeks to 28 March 2020. They are included to provide an understanding of the underlying performance for the 52 weeks to 28 March 2020, given that IFRS 16 Leases has been adopted for the current period without restatement of the comparative period. The re-presented income statements consist of:

- the reported income statement for the current period;
- a pro forma income statement for the current period; and
- the reported income statement for the prior year.

The pro forma income statement for the current period is an estimation of the results for the period when applying the previous accounting standard for leases, IAS 17 Leases.

Re-presented Group Income Statement	**52 weeks to 28 March 2020 Reported £m**	52 weeks to 28 March 2020 Pro forma £m	52 weeks to 30 March 2019 Reported £m
Revenue	**2,633.1**	2,633.1	2,720.2
Cost of sales	**(927.6)**	(927.6)	(859.4)
Gross profit	**1,705.5**	1,705.5	1,860.8
Net operating expenses	**(1,516.8)**	(1,545.8)	(1,423.6)
Operating profit	**188.7**	159.7	437.2
Net finance (expense)/income	**(20.2)**	4.7	3.4
Profit before taxation	**168.5**	164.4	440.6
Taxation	**(46.9)**	(46.0)	(101.5)
Profit for the period	**121.6**	118.4	339.1
Attributable to:			
Owners of the Company	**121.7**	118.5	339.3
Non-controlling interest	**(0.1)**	(0.1)	(0.2)
Profit for the period	**121.6**	118.4	339.1

	£m	£m	£m
Reconciliation of adjusted profit before taxation:			
Profit before taxation	**168.5**	164.4	440.6
Adjusting operating items:			
Cost of sales	**68.3**	68.3	–
Operating expenses	**176.1**	176.1	0.9
Adjusting financing items	**1.2**	1.2	1.7
Adjusted profit before taxation – non-GAAP measure	**414.1**	410.0	443.2
Adjusted earnings per share – diluted	**78.7p**	77.9p	82.1p
Earnings per share – diluted	**29.8p**	29.0p	81.7p

The pro forma income statement has been prepared using the reported results for the current period and replacing the accounting entries related to IFRS 16 Leases, on adoption and during the period, with an estimate of the accounting entries that would have arisen when applying IAS 17 Leases. The effective tax rate has been assumed to be unaltered by this change and the impairment charges arising during the period on right-of-use assets have not been remeasured, but have been reclassified as charges for onerous lease provisions.

The pro forma income statement for the current period has been prepared by making adjustments to the reported income statement for the current period to:

- reverse depreciation of £221.1 million on the right-of-use assets and interest of £24.9 million on lease liabilities in the period;
- record fixed rent of £245.9 million on leases in the period measured on an IAS 17 basis, excluding charges for onerous lease provisions;
- adjust for other minor impacts including reversal of the gain on disposal of right-of-use assets in the period of £2.1 million; and
- reduce the tax charge by £0.9 million to reflect the change in profit before tax as a result of the adjustments above.

	Note	As at 28 March 2020 £m	As at 30 March 2019 £m
Fixed assets			
Investments in subsidiaries	D	**1,379.8**	1,378.0
		1,379.8	1,378.0
Current assets			
Trade and other receivables – amounts falling due after more than one year	E	**0.1**	0.4
Trade and other receivables – amounts falling due within one year	E	**445.7**	553.4
Derivative assets maturing within one year		**–**	0.5
Cash at bank and in hand		**0.7**	0.4
		446.5	554.7
Creditors – amounts falling due within one year	F	**(277.9)**	(195.3)
Derivative liabilities maturing within one year		**(2.2)**	(0.4)
Net current assets		**166.4**	359.0
Total assets less current liabilities		**1,546.2**	1,737.0
Creditors – amounts falling due after more than one year	F	**–**	(70.7)
Provisions for liabilities		**(1.0)**	(1.0)
Derivative liabilities maturing after more than one year		**–**	(0.1)
Net assets		**1,545.2**	1,665.2
Equity			
Called up share capital	H	**0.2**	0.2
Share premium account		**220.8**	216.9
Capital reserve		**0.9**	0.9
Hedging reserve		**4.6**	4.6
Profit and loss account		**1,318.7**	1,442.6
Total equity		**1,545.2**	1,665.2

Profit for the year on ordinary activities was £199.2 million (last year: £426.9 million). The directors consider that, at 28 March 2020, £650.6 million (last year: £617.5 million) of the profit and loss account is non-distributable.

The financial statements on pages 261 to 269 were approved by the Board on 22 May 2020 and signed on its behalf by:

MARCO GOBBETTI
Chief Executive Officer

JULIE BROWN
Chief Operating and Financial Officer

COMPANY STATEMENT OF CHANGES IN EQUITY

	Note	Called up share capital £m	Share premium account £m	Capital reserve £m	Hedging reserve £m	Profit and loss account £m	Total equity £m
Balance as at 31 March 2018		**0.2**	**214.6**	**0.9**	**4.6**	**1,334.6**	**1,554.9**
Profit for the year		–	–	–	–	426.9	426.9
Total comprehensive income for the year		–	–	–	–	426.9	426.9
Employee share incentive schemes							
Value of share options granted		–	–	–	–	15.7	15.7
Exercise of share options		–	2.3	–	–	–	2.3
Purchase of own shares							
Share buy-back		–	–	–	–	(150.7)	(150.7)
Held by ESOP trusts		–	–	–	–	(12.8)	(12.8)
Dividends paid in the year	I	–	–	–	–	(171.1)	(171.1)
Balance as at 30 March 2019		**0.2**	**216.9**	**0.9**	**4.6**	**1,442.6**	**1,665.2**
Profit for the year		–	–	–	–	199.2	199.2
Total comprehensive income for the year		–	–	–	–	199.2	199.2
Employee share incentive schemes							
Value of share options granted		–	–	–	–	2.8	2.8
Exercise of share options		–	3.9	–	–	–	3.9
Purchase of own shares							
Share buy-back		–	–	–	–	(150.7)	(150.7)
Dividends paid in the year	I	–	–	–	–	(175.2)	(175.2)
Balance as at 28 March 2020		**0.2**	**220.8**	**0.9**	**4.6**	**1,318.7**	**1,545.2**

A. BASIS OF PREPARATION

Burberry Group plc (the Company) is the parent Company of the Burberry Group. Burberry Group plc is a public company which is limited by shares and is listed on the London Stock Exchange. The Company's principal business is investment and it is incorporated and domiciled in the UK. The Company is registered in England and Wales and the address of its registered office is Horseferry House, Horseferry Road, London, SW1P 2AW. The Company is the sponsoring entity of The Burberry Group plc ESOP Trust and The Burberry Group plc SIP Trust (collectively known as the ESOP trusts). These financial statements have been prepared by including the ESOP trusts within the financial statements of the Company. The purpose of the ESOP trusts is to purchase shares of the Company in order to satisfy Group share-based payment arrangements.

Burberry Group plc and its subsidiaries (the Group) is a global luxury goods manufacturer, retailer and wholesaler. The Group also licenses third parties to manufacture and distribute products using the 'Burberry' trademarks. All of the companies which comprise the Group are controlled by the Company directly or indirectly.

The financial statements of the Company have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ('FRS 101'). The financial statements have been prepared on a going concern basis under the historical cost convention, as modified by derivative financial assets and derivative financial liabilities measured at fair value through profit or loss, and in accordance with the Companies Act 2006. As permitted by Section 408 of the Companies Act 2006, the Company has not presented its own Income Statement.

The preparation of the financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (refer to note C).

Financial Reporting Standard 101 – reduced disclosure exemptions

The Company has taken advantage of the applicable disclosure exemptions permitted by FRS 101 in the financial statements, which are summarised below:

Standard	Disclosure exemption
IFRS 7, 'Financial Instruments: Disclosures'	• Full exemption
IFRS 13, 'Fair Value Measurement'	• para 91-99 – disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities
IAS 1, 'Presentation of the Financial Statements'	• para 10(d) – statement of cash flows • para 10(f) – a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective statement of items in its financial statements, or when it reclassifies items in its financial statements • para 16 – statement of compliance with all IFRS • para 38 – present comparative information in respect of paragraph 79(a)(iv) of IAS 1 • para 38A – requirement for minimum of two primary statements, including cash flow statements • para 38B-D – additional comparative information • para 111 – cash flow statement information • para 134-136 – capital management disclosures
IAS 7, 'Statement of Cash Flows'	• Full exemption
IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors'	• para 30-31 – requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective
IAS 24, 'Related Party Disclosures'	• para 17 – key management compensation • The requirements to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
IAS 36, 'Impairment of Assets'	• para 134(d)-134(f) and 135(c)-135(e)

B. ACCOUNTING POLICIES

Accounting policies

The following principal accounting policies have been applied in the preparation of these financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated:

Going concern

The impact of the COVID-19 pandemic on the global economy and the operating activities of many businesses has resulted in a climate of considerable uncertainty. The ultimate impact of this pandemic on the Group is uncertain at the date of signing these financial statements. The Directors have assessed the potential cash generation of the Group against a range of projected scenarios (including a severe but plausible outcome), the liquidity of the Group, existing funding available to the Group and mitigating actions which may be taken to reduce discretionary cash outflows. On the basis of these assessments the Directors consider it appropriate to continue to adopt the going concern basis in preparing the financial statements for the 52 weeks to 28 March 2020. The Directors' assessment of the prospects and viability of the Group over the next three years are set out in the strategic report on pages 117 to 118 of the Annual Report.

Share schemes

The Group operates a number of equity-settled share-based compensation schemes, under which services are received from employees (including Executive Directors) as consideration for equity instruments of the Company. The cost of the share-based incentives is measured with reference to the fair value of the equity instruments awarded at the date of grant. Appropriate option pricing models, including Black-Scholes, are used to determine the fair value of the awards made.

The fair value takes into account the impact of any market performance conditions, but the impact of non-market performance conditions is not considered in determining the fair value on the date of grant. Vesting conditions which relate to non-market conditions are allowed for in the assumptions used for the number of options expected to vest. The estimate of the number of options expected to vest is revised at each balance sheet date.

In some circumstances, employees may provide services in advance of the grant date. The grant date fair value is estimated for the purpose of recognising the expense during the period between the service commencement period and the grant date.

The grant by the Company of options over its equity instruments to employees of subsidiary undertakings in the Group is treated as a capital contribution. In the Company's financial statements, the cost of the share-based incentives is recognised over the vesting period of the awards as an increase in investment in subsidiary undertakings, with a corresponding increase in equity. Where amounts are received from Group companies in relation to equity instruments granted to the employees of the subsidiary undertaking, the amount is derecognised from investments in Group companies, to the extent that it was initially treated as a capital contribution, with any remaining amounts recognised as an increase in equity.

When options and awards are exercised, they are settled either via issue of new shares in the Company, or through shares held in the ESOP trusts, depending on the terms and conditions of the relevant scheme. The proceeds received from the exercises, net of any directly attributable transaction costs, are credited to share capital and share premium. Share-based payments disclosures relevant to the Company are presented within note 29 to the consolidated financial statements.

Dividend distribution

Dividend distributions to Burberry Group plc's shareholders are recognised as a liability in the year in which the dividend becomes a committed obligation. Final dividends are recognised when they are approved by the shareholders. Interim dividends are recognised when paid.

Investments in subsidiaries

Investments in subsidiaries are stated at cost, less any provisions to reflect impairment in value.

Impairment of investments in subsidiaries

Investments in subsidiaries are not subject to amortisation and are tested annually for impairment. An impairment loss is recognised for the amount by which the carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's net realisable value and value-in-use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

Taxation

Tax expense represents the sum of the tax currently payable and deferred tax charge.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit because it excludes items of income or expense which are taxable or deductible in other years and it further excludes items which are never taxable or deductible. The current tax liability is calculated using tax rates which have been enacted or substantively enacted by the balance sheet date.

B. ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

Deferred income tax is recognised, using the liabilities method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the temporary difference arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, no deferred tax will be recognised.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Financial instruments

A financial instrument is initially recognised at fair value on the Balance Sheet when the Company becomes a party to the contractual provisions of the instrument. A financial asset is derecognised when the contractual rights to the cash flow expire or substantially all risks and rewards of the asset are transferred. A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

Subsequent to initial recognition, all financial liabilities, with the exception of derivative financial instruments, are stated at amortised cost using the effective interest rate method. The fair value of the financial assets and liabilities held at amortised cost approximate their carrying amount due to the use of market interest rates.

Financial instrument category	Note	Classification	Measurement
Cash and cash equivalents		Amortised cost	Amortised cost
Trade and other receivables	E	Amortised cost	Amortised cost
Trade and other payables	F	Other financial liabilities	Amortised cost
Borrowings		Other financial liabilities	Amortised cost
Equity swap contracts		Fair value through profit and loss	Fair value through profit and loss

The Company's primary categories of financial instruments are listed below:

Cash at bank and in hand

On the Balance Sheet, cash at bank and in hand comprises cash held with banks.

Trade and other receivables

Trade and other receivables are included in current assets. The receivables are held with the objective to collect the contractual cash flows and are therefore recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for the expected loss on receivables is established at inception. This is modified when there is a change in the credit risk and hence evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the movement in the provision is recognised in the Income Statement.

Borrowings

Borrowings are recognised initially at fair value, inclusive of transaction costs incurred. Borrowings are subsequently stated at amortised cost and the difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Income Statement over the period of the borrowings using the effective interest rate method. Borrowings are classified in creditors amounts falling due within one year unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Derivative instruments

The Company uses equity swap contracts to economically hedge its exposure to fluctuations in the Company's share price which impacts the social security costs payable by Group companies in relation to share-based compensation schemes.

The equity swap contracts are initially recognised at fair value at the trade date and classified as fair value through profit and loss. All subsequent changes in fair value are recognised in the Income Statement up to the maturity date.

B. ACCOUNTING POLICIES (CONTINUED)

Foreign currency translation

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates (the functional currency). The financial statements are presented in Sterling which is the Company's functional and presentation currency.

Transactions in foreign currencies

Transactions denominated in foreign currencies are translated into the functional currency at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies, which are held at the year end, are translated into the functional currency at the exchange rate ruling at the balance sheet date. Exchange differences on monetary items are recognised in the Income Statement in the period in which they arise.

Called up share capital

Called up share capital is classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where the Company purchases its own equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs, is deducted from equity attributable to owners of the Company until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to owners of the Company.

C. KEY SOURCES OF ESTIMATION UNCERTAINTY

Preparation of the financial statements in conformity with FRS 101 requires that management make certain estimates and assumptions that affect the reported revenues, expenses, assets and liabilities and the disclosure of contingent liabilities. If in the future such estimates and assumptions, which are based on management's best estimates at the date of the financial statements, deviate from actual circumstances, the original estimate and assumptions will be updated as appropriate in the period in which the circumstances change.

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Key sources of estimation uncertainty include:

Impairment of investments in subsidiaries

Investments in subsidiaries are not subject to amortisation and are tested annually for impairment. When a review for potential impairment is conducted, the recoverable amount is determined based on the higher of an investment's fair value less costs to sell and value-in-use calculations prepared on the basis of management's assumptions and estimates. Refer to note D for further details of investments.

Impairment of trade and other receivables

The Company is required to make an estimate of the recoverable value of receivables. When assessing the expected loss on receivables, management considers factors including any specific known problems or risks. Refer to note E for further details on the net carrying value of trade and other receivables.

D. INVESTMENTS IN SUBSIDIARIES

	£m
As at 30 March 2019	1,378.0
Additions	1.8
As at 28 March 2020	**1,379.8**

During the year the Company increased its investment in Burberry Limited by £1.8 million.

The Company has reviewed the recoverable value of its investments to identify if there is any indication of impairment of the carrying value. Where applicable, the recoverable amount has been estimated using management's best estimates of future cash generation of its investments, taking into account the effects of COVID-19.

The Company has not impaired the carrying value of its investments as their cash generation in the long term is considered sufficient to support the carrying value. The subsidiary undertakings and investments of the Burberry Group are listed in note 31 of the Group financial statements.

E. TRADE AND OTHER RECEIVABLES

	As at 28 March 2020 £m	As at 30 March 2019 £m
Prepayments	**0.1**	0.4
Trade and other receivables – amounts falling due after more than one year	**0.1**	0.4
Amounts owed by Group companies	**445.5**	553.2
Prepayments	**0.2**	0.2
Trade and other receivables – amounts falling due within one year	**445.7**	553.4
Total trade and other receivables	**445.8**	553.8

All amounts owed by Group companies are interest bearing.

The interest rate earned is based on relevant national LIBOR equivalents plus 0.9%. These loans are unsecured and repayable on 17 June 2020.

The Company's impairment policies and the calculation of the loss allowances under IFRS 9 are detailed in note G.

F. CREDITORS

	As at 28 March 2020 £m	As at 30 March 2019 £m
Amounts owed to Group companies	**–**	70.7
Creditors – amounts falling due after more than one year	**–**	70.7
Amounts owed to Group companies	**277.5**	194.9
Other payables	**0.2**	–
Accruals	**0.2**	0.4
Creditors – amounts falling due within one year	**277.9**	195.3
Total creditors	**277.9**	266.0

As at 30 March 2019, amounts owed to Group companies falling due after more than one year were interest bearing.

Included within amounts owed to Group companies falling due within one year are interest bearing loans of £213.6 million (last year: £139.4 million). The interest rate earned is based on LIBOR plus 0.5% to 0.9%. These loans are unsecured and repayable on 17 June 2020. The remaining amounts are unsecured, interest free and repayable on demand.

G. CREDIT RISK

The Company's principal financial instruments comprise equity swap contracts, cash, trade and other receivables and trade and other payables arising directly from operations.

Trade and other receivables

The trade and other receivables balance comprises of intercompany loans with companies within the Group. These Group companies are assessed at each reporting date as to their ability to repay outstanding balances. The amounts owed by Group companies at 28 March 2020 comprise £445.5 million owed by Burberry Limited (last year: £553.2 million).

The counterparty credit risk of trade and other receivables is reviewed on a regular basis and assessed for impairment as follows:

At inception the receivable is recorded net of expected 12 month credit losses. If a significant increase in the credit risk occurs during the life time, credit losses are recorded in the profit and loss account and the effective interest is calculated using the gross carrying amount of the asset. If a loss event occurs, the effective interest is calculated using the amortised cost of the asset net of any credit losses. The Company's most significant debtor, Burberry Limited, is the holder of the Burberry brand and the main operating company of the Group. Burberry Limited has cash and cash equivalents of £762.4 million at 28 March 2020 and borrowings of £300.0 million. Based on its liquidity and expected cash generation, the expected 12 months credit loss for Burberry Limited trade and other receivables is not considered to be significant. As a result, no impairment has been recorded for amounts owed by Group companies.

G. CREDIT RISK (CONTINUED)

Other financial assets

With respect to credit risk arising from other financial assets, which comprise cash and certain derivative instruments, the Company's exposure to credit risk arises from the default of the counterparty with a maximum exposure equal to the carrying value of these instruments. The Company has policies that limit the amount of credit exposure to any financial institution and only deposits funds with independently rated financial institutions with a minimum rating of 'A' other than where required for operational purposes.

H. CALLED UP SHARE CAPITAL

Allotted, called up and fully paid share capital	Number	£m
Ordinary shares of 0.05p (last year: 0.05p) each		
As at 30 March 2019	411,456,001	0.2
Allotted on exercise of options during the year	434,790	–
Cancellation of treasury shares	(7,184,905)	–
As at 28 March 2020	**404,705,886**	**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 28 March 2020, the Company entered into agreements to purchase £150.0 million of its own shares back, excluding stamp duty, as part of a share buy-back programme (last year: £150.0 million). Own shares purchased by the Company, as part of a share buy-back programme, are classified as treasury shares and their cost offset against the profit and loss account. When treasury shares are cancelled, a transfer is made from the profit and loss account to the capital redemption reserve, equivalent to the nominal value of the shares purchased and subsequently cancelled. In the 52 weeks to 28 March 2020, 7.2 million treasury shares with a nominal value of £3,600 were cancelled (last year: 7.0 million treasury shares with a nominal value of £3,500). The cost of shares purchased by ESOP trusts are offset against the profit and loss account, as the amounts paid reduce the profits available for distribution by the Company.

As at 28 March 2020 the amount of own shares held by ESOP trusts and offset against the profit and loss account is £19.5 million (last year: £26.4 million). As at 28 March 2020, the ESOP trusts held 1.2 million shares (last year: 1.6 million) in the Company, with a market value of £15.7 million (last year: £31.9 million). In the 52 weeks to 28 March 2020 the ESOP trusts and the Company have waived their entitlement to dividends of £1.0 million (last year: £0.9 million).

The capital reserve consists of the capital redemption reserve arising on the purchase of own shares.

I. DIVIDENDS

	52 weeks to 28 March 2020 £m	52 weeks to 30 March 2019 £m
Prior year final dividend paid 31.5p per share (prior year: 30.3p)	**129.2**	126.0
Interim dividend paid 11.3p per share (prior year: 11.0p)	**46.0**	45.1
Total	**175.2**	171.1

The Directors have elected not to declare a final dividend in respect of the 52 weeks to 28 March 2020 (last year: 31.5p).

J. FINANCIAL GUARANTEES

On 25 November 2014, the Group entered into a £300.0 million multi-currency revolving credit facility with a syndicate of third-party banks. At 28 March 2020, there were £300.0 million outstanding drawings made by Burberry Limited, an indirect subsidiary of the Company (last year: £nil). The facility matures in November 2021.

The companies acting as guarantor to the facility consist of Burberry Group plc, Burberry Limited, Burberry Asia Limited, Burberry (Wholesale) Limited (US) and Burberry Limited (US). Based on the liquidity and expected cash generation of Burberry Limited, the expected credit loss in respect of this financial guarantee, as at 28 March 2020, is not considered to be significant. As a result, no liability has been recorded (last year: £nil).

A potential liability may arise in the future if one of the Group members defaults on the loan facility. Each guarantor, including Burberry Group plc, would be liable to cover the amounts outstanding, including principal and interest elements.

K. AUDIT FEES

The Company has incurred audit fees of £0.1 million for the current year which are borne by Burberry Limited (last year: £0.1 million).

L. EMPLOYEE COSTS

The Company has no employees and therefore no employee costs are included in these financial statements for the 52 weeks to 28 March 2020 (last year: £nil).

M. EVENTS AFTER THE BALANCE SHEET DATE

On 14 May 2020, Burberry Limited issued commercial paper with a face value of £300.0 million and a maturity of 17 March 2021. The commercial paper was issued under the UK Government sponsored COVID Corporate Finance Facility (CCFF). The Company has guaranteed all Burberry Limited's obligations to the note holders, including repayment of the debt at maturity.