# 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 consolidated financial statements in accordance with the UK-adopted International Accounting Standards and the 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 UK-adopted International Accounting Standards 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 154 to 158 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 the UK-adopted International Accounting Standards, 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 17 May 2022 and signed on its behalf by:

**Jonathan Akeroyd**
Chief Executive Officer

**Julie Brown**
Chief Operating and Financial Officer

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BURBERRY GROUP PLC

## 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 2 April 2022 and of the Group's profit for the 53-week period then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Burberry Group plc (the 'Company') and its subsidiaries (the 'Group') for the 53 weeks ended 2 April 2022 which comprise:

| Group | Company |
|---|---|
| Balance sheet as at 2 April 2022 | Balance sheet as at 2 April 2022 |
| Income statement for the 53-week period then ended | Statement of changes in equity for the 53-week period then ended |
| Statement of comprehensive income for the 53-week period then ended | Related notes A to M to the financial statements including a summary of significant accounting policies |
| Statement of changes in equity for the 53-week period then ended | |
| Statement of cash flows for the 53-week period then ended | |
| Related notes 1 to 32 to the financial statements, including a summary of significant accounting policies | |

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK-adopted International Accounting Standards. The financial reporting framework that has been applied in the preparation of the Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's 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 are independent of the Group and Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company and we remain independent of the Group and the Company in conducting the audit.

**Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group and Company's ability to continue to adopt the going concern basis of accounting included:

- We assessed the risk around going concern at the planning and year end phases of the audit.
- In conjunction with our walkthrough of the Group's financial statement close process, we confirmed our understanding of management's going concern assessment process and engaged with management early to understand and assess the key assumptions made in their assessment.
- We checked the logic and arithmetical integrity of management's going concern model that includes the cash forecasts for the going concern assessment period covering the period up to 30 September 2023.
- We considered the appropriateness of the assumptions used to calculate the cash forecasts under base and plausible downside case scenarios and that the downside scenarios utilised were sufficiently severe for a going concern assessment.
- We reviewed the group's debt agreements to check the covenant requirements and tested to check that no covenants have been breached and there is no forecasted covenant breach in either the base or plausible downside case scenarios during the going concern assessment period.
- We agreed the 2 April 2022 cash balances included in the going concern assessment to the Group's year end cash balances.
- We assessed the reasonableness of the cashflow forecasts included in the going concern assessment by analysing management's historical forecasting accuracy and understanding potential impact of principal risks such as COVID-19, current geopolitical matters and the impact of climate change have been reflected in the forecasts.
- We evaluated the key assumptions by searching for contrary evidence to challenge these assumptions, including third party sector forecasts and analyst expectations. Further, we ensured these assumptions were consistent with the budget approved by Burberry's Board.
- We also challenged the measurement and completeness of the downside scenario modelled by management, whether the risks considered are sufficiently severe, and how these compare with the principal risks and uncertainties of the Group.
- We considered the mitigating factors included in the cash forecasts that are within control of the Group. This includes review of the Group's non-operating cash outflows and evaluating the Group's ability to control these outflows as mitigating actions if required.
- We considered whether the Group's forecasts in the going concern assessment were consistent with other forecasts used by the Group in its accounting estimates, including goodwill impairment, retail store impairment and deferred tax asset recognition.
- We performed reverse stress testing to identify the magnitude of decline in revenue that would lead to the Group utilising all liquidity during the going concern assessment period and we have considered the likelihood of such a decline.
- We reviewed the Group's going concern disclosures included in the Annual Report to assess that they were accurate, sufficiently detailed and in conformity with the reporting standards.

We observe that in management's base case and severe but plausible downside scenarios, there is significant headroom without taking the benefit of any identified mitigations.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and Company's ability to continue as a going concern for a period up to 30 September 2023.

In relation to the Group and Company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group and Company's ability to continue as a going concern.

| **Overview of our audit approach** | |
|---|---|
| Audit scope | • We performed an audit of the complete financial information of seven components and audit procedures on specific balances for a further one component.<br>• The components where we performed full or specific audit procedures accounted for 94% of adjusted profit before tax (on an absolute basis), 83% of revenue and 82% of total assets. |
| Key audit matters | • Valuation of Finished Goods inventory provision.<br>• Impairment and impairment reversals of retail store right-of-use assets and property, plant and equipment.<br>• Provision for uncertain tax positions. |
| Materiality | • Overall Group materiality of £24m which represents 4.9% of adjusted profit before tax. |

An overview of the scope of the Company and Group audits

*Tailoring the scope*

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the Group and effectiveness of Group-wide controls, changes in the business environment and other factors such as recent Internal Audit results when assessing the level of work to be performed at each component.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, we selected eight components covering entities within the United Kingdom, Mainland China, Japan, Korea, the United States and Hong Kong S.A.R., China, which represent the principal business units within the Group.

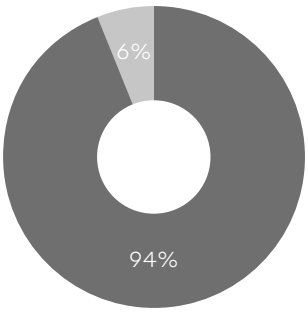
Of the eight components selected, we performed an audit of the complete financial information of seven components ("full scope components") which were selected based on their size or risk characteristics or to ensure that, at an overall group level, we reduced and appropriately covered the residual risk of error. For one component ("the specific scope component"), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

The reporting components where we performed audit procedures accounted for 94% (2021: 84%) of the Group's adjusted profit before tax (on an absolute basis), 83% (2021: 82%) of the Group's revenue and 82% (2021: 83%) of the Group's total assets. For the current year, the full scope components contributed 94% (2021: 84%) of the Group's adjusted profit before tax (on an absolute basis), 79% (2021: 82%) of the Group's revenue and 78% (2021: 83%) of the Group's total assets. The coverage obtained from the specific scope component is 4% (2021: 0%) of the Group's revenue and 4% (2021: 0%) of the Group's total assets. We have not taken any coverage of the Group's adjusted profit before tax for the specific scope component. The audit scope of this component may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group.

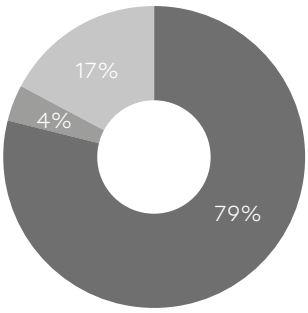
Of the remaining components that together represent 6% of the Group's adjusted profit before tax (on an absolute basis), none are individually greater than 5% of the Group's adjusted profit before tax (on an absolute basis). For these components, we performed other procedures, including analytical review, testing of consolidation journals and intercompany eliminations and foreign currency translation recalculations to respond to potential risks of material misstatement to the Group financial statements.

The charts below illustrate the coverage obtained from the work performed by our audit teams.

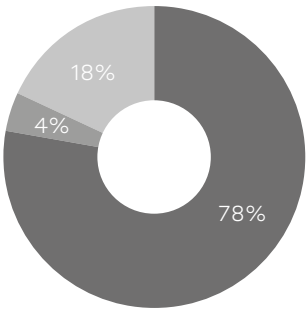
**Adjusted profit before tax (on an absolute basis)**




**Revenue**




**Total assets**




- Full scope components
- Specific scope component
- Other procedures

**Changes from the prior year**

The only change in component scoping compared to the prior year is a reduction in the scope for Japan from a full scope component to a specific scope component as it represented a lower proportion of the Group's adjusted profit before tax (on an absolute basis) than in the previous year.

**Involvement with component teams**

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors from other EY global network firms operating under our instruction. Of the seven full scope components, audit procedures were performed on four of these directly by the primary audit team. For the three full scope components not audited by the primary audit team and for the specific scope component (where the work was performed by component auditors), we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

As was the case in the prior period, physical visits to the component teams were not possible due to travel restrictions arising from the COVID-19 pandemic. We performed alternative procedures, including virtual visits and live reviews of our component audit teams' working papers.

The Group audit team continued to follow a programme of planned virtual visits that has been designed to ensure that the Senior Statutory Auditor virtually visited all full and specific scope audit locations at least once in the year. During the current year's audit cycle, virtual visits were undertaken by the Group audit team to the component teams in Mainland China, Korea, Japan and Hong Kong S.A.R., China. These visits involved video calls with local management, including members of finance, supply chain, marketing and property teams depending on the component. During the visits we held discussions on the audit approach and understood any issues arising from their work and were responsible for the scope and direction of the audit process. We reviewed the component team's working papers remotely to validate that the required procedures had been performed to the appropriate quality. We also virtually attended year end closing meetings at all components and interacted regularly with the component teams throughout the year.

As the primary team, we perform the audit for the components in the United Kingdom and the United States. We also met in person where possible, or virtually, with local management for these components. This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

**Climate change**

There has been increasing interest from stakeholders as to how climate change will impact the Group. The Group has determined that the most significant future impact from climate change on their operations is expected to be from transitional policy and market risks. These are explained on pages 130 to 143 in the required Task Force for Climate-related Financial Disclosures and on pages 127 to 129 in the principal risks and uncertainties, which form part of the "Other information," rather than the audited financial statements. Our procedures on these disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated.

As explained in Basis of Preparation note, the key areas of the financial statements that may be impacted by climate change have been described and the Group concluded there is no material financial statement impact from climate change. Governmental and societal responses to climate change risks are still developing, and are interdependent upon each other, and consequently financial statements cannot capture all possible future outcomes as these are not yet known. The degree of certainty of these changes may also mean that they cannot be taken into account when determining asset and liability valuations and the timing of future cash flows under the requirements of UK-adopted International Accounting Standards.

Our audit effort in considering climate change was focused on considering that the effects of material climate risks disclosed in the TCFD report on pages 130 to 143 have been appropriately reflected in asset values and associated disclosures where values are determined through modelling future cash flows, this primarily being impairment assessments. We also challenged the Directors' considerations of climate change in their assessment of going concern and viability and associated disclosures.

**Key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our 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) that we identified. These matters included 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 were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

| Risk | Our response to the risk | Key observations communicated to the Audit Committee |
|---|---|---|
| **Valuation of Finished goods Inventory provision**<br>As described in the Audit Committee Report (page 180); Accounting Policies (page 250); and Note 17 of the Consolidated Financial Statements (page 271) management raises a finished goods inventory provision to reflect where the expected net realisable value is lower than the carrying value of finished goods inventory at the balance sheet date. The Group has £83m of inventory provisions, representing 16.3% of the gross value of inventory of £509m as at 2 April 2022. Of the net inventory of £426m, £413m relates to finished goods.<br><br>The Group determines the inventory provision considering the aging of inventory by season, identifying problem inventory and considering historical loss rates and future sales forecasts and the expected channel by which the inventory will be exited. This process is inherently judgmental and there is therefore potential for management bias in relation to its allocation of inventory to certain sales channels.<br><br>Additionally, we have determined there is also a risk that any reversal of the COVID-19 related provision is inappropriately recorded through underlying trading rather than as adjusting items. | The primary audit team, full scope components teams and specific scope component team performed the audit procedures over the Group's inventory valuation. The principal procedures performed are described below.<br><br>We performed a walkthrough of each provisioning process (i.e. loss rate, specific and slow-moving provisions) and identified key controls. We also evaluated the appropriateness of the Group's inventory provisioning policy.<br><br>We assessed the inventory provisioning model for each component for consistency with the Group's accounting policy. We tested the integrity and accuracy of the provisioning model and inputs (such as loss rates, seasonality, and categorisation of inventory), considering the source of information being used by management.<br><br>We considered the completeness of provisioned inventory by considering sell-through data.<br><br>We understood the planned sales channels and exit routes for problem stock and challenged whether these were consistent with prior periods, the overall sales profile of the Group and comparable to the Board approved forecasts used elsewhere across the Group. We considered whether there was any evidence of management bias in the exit routes used.<br><br>We performed analytical procedures around key assumptions and corroborated to our work performed across other accounts to identify and consider if any contrary evidence existed.<br><br>We used data analytics to corroborate explanations from management and to consider any contrary evidence of slow-moving inventory items. | We are satisfied the finished goods inventory provisions are appropriate and the Group's disclosures are appropriate. We are also satisfied with the classification of the inventory provision charges and reversals in relation to the COVID-19 provision. |

| Risk | Our response to the risk | Key observations communicated to the Audit Committee |
|---|---|---|
| **Valuation of Finished goods Inventory provision continued** | We performed sensitivity analysis to assess the significance and risk of changed assumptions on the provision. This included consideration of the possible impact of COVID-19, geopolitical matters, and climate change.<br><br>We considered the impact of the COVID-19 restrictions in Mainland China and whether that gave rise to any further inventory risk.<br><br>For inventory identified with COVID-19 related provisions, we assessed the utilisation or reversal of the corresponding provision to validate that it was appropriately recorded in the income statement.<br><br>We reviewed disclosures in the financial statements for appropriateness including consideration of the presentation of COVID-19 provision releases of £16m in the financial statements and the sensitivity analysis disclosed. | |

| Risk | Our response to the risk | Key observations communicated to the Audit Committee |
|---|---|---|
| **Impairment and impairment reversals of retail store right-of-use assets and property, plant and equipment**<br>As described in the Audit Committee Report (page 180); Accounting Policies (page 250); and Notes 13 and 14 of the Consolidated Financial Statements (pages 267 and 269) management assess the retail store right-of-use assets and property, plant and equipment for impairment charges and reversals of previous impairment charges. The Group has £880m of retail store right-of-use assets and £739m of property, plant and equipment as at 2 April 2022.<br><br>As described in Notes 13 and 14, the Group recognised an impairment charge of £157 million for impairment of retail store right-of-use assets and property, plant and equipment due to the impact of COVID-19 during the 52 weeks to 28 March 2020. During the 53 weeks to 2 April 2022, the Group recorded a net impairment charge of £7 million on right-of-use assets and £1 million on property, plant and equipment.<br><br>There is judgement and estimation uncertainty involved in determining the store forecast cash flows to measure impairment charges and reversals, in particular, revenue growth, profit margin and discount rate assumptions.<br><br>Additionally, we have determined there is also a risk that any reversal of the COVID-19 related impairment provision is inappropriately recorded through underlying trading rather than as adjusting items. | Our procedures on the carrying value of retail store right-of-use assets and property, plant and equipment were performed centrally by the primary team.<br><br>Our procedures included, among others, performing a walkthrough of the retail store impairment process and evaluating the design of controls.<br><br>We also reviewed and challenged the appropriateness of the Group's impairment policy.<br><br>Management considered whether indicators of impairment charges or reversals were present for the Group's retail store portfolio based on the Group's latest forecast. We assessed the completeness of the factors considered and assessed the accuracy of the forecast information in conjunction with our testing of the Group's forecasts further outlined below.<br><br>For the stores identified with indicators of impairment charge or reversal, the Group prepared value-in-use impairment models. Our procedures over the value-in-use calculation included:<br><br>i) Assessing the methodology against the requirements of IAS36;<br>ii) Testing the integrity of the model and data inputs used back to source data, for example agreeing store right of use asset and property plant and equipment values back to accounting records;<br>iii) Involving our valuations specialists to conclude on the appropriateness of the discount rate used;<br>iv) Challenging assumptions used in cash flow forecasts such as revenue growth and profit margins assumptions against historical results and third party luxury sector forecasts; and<br>v) Performing sensitivity analysis on key assumptions. | We are satisfied that the consideration of indicators of impairment, value-in-use impairment model methodology, significant underlying assumptions and judgements applied are reasonable and support management's conclusion to recognise a net impairment charge totalling £8 million against the retail store right-of-use assets and property, plant and equipment.<br><br>We are also satisfied with the disclosure and classification of the impairment charges and reversals. |

| Risk | Our response to the risk | Key observations communicated to the Audit Committee |
|---|---|---|
| **Impairment and impairment reversals of retail store right-of-use assets and property, plant and equipment continued** | We challenged whether cash flow forecasts adequately factored in known costs associated with physical and transition climate-related risks and any cash flows required to meet Burberry's publicly stated climate commitments.<br><br>We assessed the disclosures in the financial statements, including the requirement to disclose sensitivities where a reasonably possible change in a key assumption would result in a material change to the impairment charge or reversal recorded. We tested management's sensitivity analysis and re-calculated the sensitivities disclosed as a result of changing revenue assumptions.<br><br>We reviewed disclosures to the financial statements for appropriateness, including the presentation of any COVID-19 charges or releases in the financial statements. | |

| Risk | Our response to the risk | Key observations communicated to the Audit Committee |
|---|---|---|
| **Provision for uncertain tax positions**<br>As described in the Audit Committee Report (page 181); Accounting Policies (page 250); and Note 9 of the Consolidated Financial Statements (page 263) the Group is subject to tax regulation in multiple jurisdictions and the centralised operating structure of the Group requires management to exercise judgement in making determinations as to the amount of tax that is payable.<br><br>The Group is subject to tax authority audits and has a number of open tax enquiries in multiple jurisdictions at any point in time.<br><br>As a result, the Group has recognised a number of provisions against uncertain tax positions, the valuation of which requires significant assumptions and judgement. We focused on this area due to the complexity, subjectivity, quantification of the provision and the judgement around the trigger for recognition or release impacting the provision and the effective tax rate. | Our procedures on the uncertain tax position provisions were performed centrally by the primary team supported subject matter specialists (UK transfer pricing team) and supported by overseas teams with expertise in local tax regulations where appropriate.<br><br>Our procedures included:<br><br>• Performing a walkthrough of the tax provisioning process and identifying key controls. We also evaluated the appropriateness of the Group's transfer pricing and uncertain tax provisioning policies.<br>• Reviewing and challenging the appropriateness of the Group's tax policy in the current year.<br>• Meeting with tax management to understand the group cross-border transactions, status of all significant matters, including those provided for, and any changes to management's judgements in the year.<br>• Reviewing correspondence with tax authorities and external advisors to inform our assessment of recorded estimates and evaluate the completeness of the provisions recorded, directly contacting external advisors where appropriate.<br>• Independently assessing management's significant assumptions and judgements to record or release provisions following tax audits, settlements and the expiry of timeframes.<br>• Testing the accuracy of the calculation of the year end provisions by inspecting underlying documentation and supporting schedules.<br><br>Evaluating the adequacy of tax disclosures. | We are satisfied that management's judgements in relation to the extent of provisions for uncertain tax positions are appropriate. We are also satisfied that the tax disclosures are appropriate. |

In the prior year, our auditor's report included a key audit matter in relation to alternative performance measures. The impact of adjusting items has decreased in the current period as the COVID-19 related items have reduced. Therefore we no longer consider this to be a key audit matter. However, we continue to address the risk of adjusting items within the inventory valuation and carrying value of retail store right-of-use asset and property, plant and equipment as described in the key audit matters above.

**Our application of materiality**

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

**Materiality**

*The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.*

We determined materiality for the Group to be £24m (2021: £17.5m), which is 4.9% (2021: 4.8%) of adjusted profit before tax. We believe that adjusted profit before tax provides us with the most relevant performance measure to the stakeholders of the Group.

We determined materiality for the Company to be £21.5m (2021: £20.5m), which is 1% (2021: 1%) of total assets. For any Company balances that are consolidated into the Group financial statements, an allocation of Group performance materiality was used.

| Starting basis | Adjustments | Materiality |
|---|---|---|
| • Profit before tax - £511m | • Retail store cash generating units impairment - £5m<br>• Reveral of inventory provisions - £(16m)<br>• Reversal of receivables impairment - £(1m)<br>• COVID-19 related rent concessions - £(18m)<br>• Restructuring Costs - £11m<br>• COVID-19 related government grants - £(2m)<br>• Revaluation of deferred consideration liability - £1m<br>• Interest Unwind on financing items - £1m | • Total £492m Adjusted Profit before tax<br>• Materiality of £24m (4.9% of Adjusted Profit before tax) |

During the course of our audit, we reassessed initial materiality with the only change in the final materiality from our original assessment at planning being to reflect the actual reported performance during the year.

**Performance materiality**
*The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.*

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality for the Group should be 75% (2021: 50%) of our planning materiality, namely £18m (2021: £8.75m). We have increased our assessment of performance materiality from 50% to 75% during the year due to our assessment of the Group's overall control environment, the likelihood of undetected misstatements and the reduced uncertainty around COVID-19 relative to the prior year.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £3.3m to £14.8m (2021: £1.5m to £7.7m).

**Reporting threshold**
*An amount below which identified misstatements are considered as being clearly trivial.*

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £1.2m (2021: £0.875m), which is set at 5% of materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

**Other information**
The other information comprises the information included in the annual report as set out on pages 2 to 219, including the Strategic Report and Corporate Governance Statement, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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 course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

**Opinions on other matters prescribed by the Companies Act 2006**
In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

**Matters on which we are required to report by exception**
In the light of the knowledge and understanding of the Group and the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- 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
- 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; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**Corporate Governance Statement**
We have reviewed the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group and Company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 216;
- Directors' explanation as to its assessment of the Company's prospects, the period this assessment covers and why the period is appropriate set out on page 146;
- Director's statement on whether it has a reasonable expectation that the Group will be able to continue in operation and meets its liabilities set out on page 149;
- Directors' statement on fair, balanced and understandable set out on page 220;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 183;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 183; and
- The section describing the work of the Audit Committee set out on pages 180 and 181.

**Responsibilities of directors**
As explained more fully in the directors' responsibilities statement set out on page 220, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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 and 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.

**Auditor's 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 auditor's 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.

**Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. 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. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Company and management. Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant frameworks which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework (UK-adopted International Accounting Standards, UK GAAP, the Companies Act 2006 and the UK Corporate Governance Code) and the relevant tax laws and regulations in the jurisdictions in which the Group operates. In addition, we concluded that there are certain significant laws and regulations which may have an effect on the determination of the amounts and disclosures in the financial statements being the Listing Rules of the UK Listing Authority, and those laws and regulations relating to health and safety, employee matters, environmental and bribery and corruption practices.
- We understood how the Group is complying with those frameworks by making enquiries of management, Internal Audit, those responsible for legal and compliance procedures and the company secretary. We corroborated our enquiries through our review of Board minutes and papers provided to the Audit Committee and observation in Audit Committee meetings, as well as consideration of the results of our audit procedures across the Group.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur and met with finance and operational management from various parts of the business to understand where it considered there was susceptibility to fraud. We also considered performance targets and their potential to influence management to manage earnings or influence the perceptions of analysts. We have determined there is a risk of fraud associated to inventory provisions and a risk of management override in manual revenue journals that do not follow the expected process. We considered the policies, processes and controls that the Group has established to address the risks identified, including the design of controls over each significant revenue stream and inventory provisions. We also considered the controls that the Group has that otherwise prevent, deter and detect fraud, and how senior management monitors those controls. We performed audit procedures to address each identified fraud risk. These procedures were designed to provide reasonable assurance that the financial statements as a whole are free from material misstatement, due to fraud or error.
- Based on this understanding we designed our audit procedures to identify non-compliance with laws and regulations, including specific instructions to full scope and specific scope component teams. Our procedures included journal entry testing, with a focus on manual journal entries, consolidation journals and journal entries indicating large or unusual transactions using data analytics. We based this testing on our understanding of the business; enquiries of legal counsel, Group management, Internal Audit and local management. We performed specific searches derived from forensic investigations experience and leveraged our data analytics platform in performing our testing. We have also reviewed the whistleblower reporting issued during the year.
- In addition, we completed procedures to conclude on the compliance of the disclosures in the Annual Report and Accounts with all applicable requirements. Any instances of non-compliance with laws and regulations were communicated by/to components and considered in our audit approach, if applicable.

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

**Other matters we are required to address**

- Following the recommendation from the Audit Committee we were appointed by the Company at its annual general meeting on 15 July 2020 to audit the financial statements of the Company for the period ending 27 March 2021 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is two years, covering the periods from our appointment through to the period ending 2 April 2022.
- The audit opinion is consistent with the additional report to the Audit Committee.

**Use of our report**

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Michael Rudberg (Senior statutory auditor)**
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

18 May 2022

## GROUP INCOME STATEMENT

| | Note | **53 weeks to 2 April 2022 £m** | 52 weeks to 27 March 2021 £m |
|---|---|---|---|
| Revenue | 3 | **2,826** | 2,344 |
| Cost of sales | | **(815)** | (682) |
| **Gross profit** | | **2,011** | 1,662 |
| Net operating expenses | 4 | **(1,468)** | (1,141) |
| **Operating profit** | | **543** | 521 |
| | | | |
| **Financing** | | | |
| Finance income | | **3** | 3 |
| Finance expense | | **(34)** | (33) |
| Other financing charge | | **(1)** | (1) |
| **Net finance expense** | 8 | **(32)** | (31) |
| **Profit before taxation** | 5 | **511** | 490 |
| Taxation | 9 | **(114)** | (114) |
| **Profit for the year** | | **397** | 376 |
| | | | |
| **Attributable to:** | | | |
| Owners of the Company | | **396** | 376 |
| Non-controlling interest | | **1** | – |
| **Profit for the year** | | **397** | 376 |
| | | | |
| **Earnings per share** | | | |
| Basic | 10 | **98.2p** | 93.0p |
| Diluted | 10 | **97.7p** | 92.7p |

| | | **£m** | £m |
|---|---|---|---|
| **Reconciliation of adjusted profit before taxation:** | | | |
| Profit before taxation | | **511** | 490 |
| Adjusting operating items: | | | |
| Cost of sales income | 5 | **(16)** | (22) |
| Net operating income | 5 | **(4)** | (103) |
| Adjusting financing items | 5 | **1** | 1 |
| **Adjusted profit before taxation – non-GAAP measure** | | **492** | 366 |
| | | | |
| **Adjusted earnings per share – non-GAAP measure** | | | |
| Basic | 10 | **94.5p** | 67.5p |
| Diluted | 10 | **94.0p** | 67.3p |
| | | | |
| **Dividends per share** | | | |
| Interim | 11 | **11.6p** | – |
| Proposed final (not recognised as a liability at 2 April/27 March) | 11 | **35.4p** | 42.5p |

# GROUP STATEMENT OF COMPREHENSIVE INCOME

| | Note | **53 weeks to 2 April 2022 £m** | 52 weeks to 27 March 2021 £m |
|---|---|---|---|
| Profit for the year | | **397** | 376 |
| Other comprehensive income[1]: | | | |
| Cash flow hedges | 25 | **(1)** | – |
| Foreign currency translation differences | | **22** | (51) |
| Actuarial gains on post-employment benefit plans | | **–** | 1 |
| Tax on other comprehensive income: | | | |
| Foreign currency translation differences | 9 | **–** | 2 |
| Other comprehensive (loss)/income for the year, net of tax | | **21** | (48) |
| **Total comprehensive income for the year** | | **418** | 328 |
| | | | |
| Total comprehensive income attributable to: | | | |
| Owners of the Company | | **417** | 328 |
| Non-controlling interest | | **1** | – |
| | | **418** | 328 |

1. All items included in other comprehensive income, with the exception of actuarial gains on post-employment benefit plans, may subsequently be reclassified to profit and loss in a future period.

## GROUP BALANCE SHEET

| | Note | As at 2 April 2022 £m | As at 27 March 2021 £m |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Intangible assets | 12 | **240** | 237 |
| Property, plant and equipment | 13 | **322** | 280 |
| Right-of-use assets | 14 | **880** | 818 |
| Investment properties | | **–** | 3 |
| Deferred tax assets | 15 | **175** | 137 |
| Trade and other receivables | 16 | **45** | 45 |
| | | **1,662** | 1,520 |
| **Current assets** | | | |
| Inventories | 17 | **426** | 402 |
| Trade and other receivables | 16 | **283** | 277 |
| Derivative financial assets | 18 | **5** | 2 |
| Income tax receivables | | **86** | 40 |
| Cash and cash equivalents | 19 | **1,222** | 1,261 |
| Assets held for sale | 13 | **13** | – |
| | | **2,035** | 1,982 |
| **Total assets** | | **3,697** | 3,502 |
| | | | |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Trade and other payables | 20 | **(91)** | (99) |
| Lease liabilities | 21 | **(849)** | (810) |
| Borrowings | 24 | **(298)** | (297) |
| Deferred tax liabilities | 15 | **(1)** | (1) |
| Retirement benefit obligations | | **(1)** | (1) |
| Provisions for other liabilities and charges | 22 | **(36)** | (32) |
| | | **(1,276)** | (1,240) |
| **Current liabilities** | | | |
| Trade and other payables | 20 | **(481)** | (393) |
| Bank overdrafts | 23 | **(45)** | (45) |
| Lease liabilities | 21 | **(209)** | (210) |
| Derivative financial liabilities | 18 | **(2)** | (2) |
| Income tax liabilities | | **(39)** | (28) |
| Provisions for other liabilities and charges | 22 | **(28)** | (24) |
| | | **(804)** | (702) |
| **Total liabilities** | | **(2,080)** | (1,942) |
| **Net assets** | | **1,617** | 1,560 |
| | | | |
| **EQUITY** | | | |
| **Capital and reserves attributable to owners of the Company** | | | |
| Ordinary share capital | 25 | **–** | – |
| Share premium account | | **227** | 223 |
| Capital reserve | 25 | **41** | 41 |
| Hedging reserve | 25 | **4** | 5 |
| Foreign currency translation reserve | 25 | **218** | 196 |
| Retained earnings | | **1,123** | 1,092 |
| **Equity attributable to owners of the Company** | | **1,613** | 1,557 |
| **Non-controlling interest in equity** | | **4** | 3 |
| **Total equity** | | **1,617** | 1,560 |

The consolidated financial statements of Burberry Group plc (registered number 03458224) on pages 220 to 294 were approved and authorised for issue by the Board on 17 May 2022 and signed on its behalf by:

**Jonathan Akeroyd**
Chief Executive Officer

**Julie Brown**
Chief Operating and Financial Officer

## GROUP STATEMENT OF CHANGES IN EQUITY

| | Note | Attributable to owners of the Company | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Ordinary share capital £m | Share premium account £m | Other reserves £m | Retained earnings £m | Total £m | Non-controlling interest £m | Total equity £m |
| **Balance as at 28 March 2020** | | **–** | **221** | **291** | **702** | **1,214** | **5** | **1,219** |
| Profit for the year | | – | – | – | 376 | 376 | – | 376 |
| Other comprehensive income: | | | | | | | | |
| Foreign currency translation differences | 25 | – | – | (51) | – | (51) | – | (51) |
| Actuarial gains on post-employment benefit plans | | – | – | – | 1 | 1 | – | 1 |
| Tax on other comprehensive income | 25 | – | – | 2 | – | 2 | – | 2 |
| Total comprehensive income for the year | | – | – | (49) | 377 | 328 | – | 328 |
| Transactions with owners: | | | | | | | | |
| Employee share incentive schemes | | | | | | | | |
| Equity share awards | | – | – | – | 12 | 12 | – | 12 |
| Tax on share awards | | – | – | – | 1 | 1 | – | 1 |
| Exercise of share options | | – | 2 | – | – | 2 | – | 2 |
| Acquisition of additional interest in subsidiary | | – | – | – | – | – | (2) | (2) |
| Balance as at 27 March 2021 | | – | **223** | **242** | **1,092** | **1,557** | **3** | **1,560** |
| Profit for the year | | – | – | – | 396 | 396 | 1 | 397 |
| Other comprehensive income: | | | | | | | | |
| Cash flow hedges | | – | – | (1) | – | (1) | – | (1) |
| Foreign currency translation differences | 25 | – | – | 22 | – | 22 | – | 22 |
| Total comprehensive income for the year | | – | – | 21 | 396 | 417 | **1** | 418 |
| Transactions with owners: | | | | | | | | |
| Employee share incentive schemes | | | | | | | | |
| Equity share awards | | – | – | – | 16 | 16 | – | 16 |
| Equity share awards transferred to liabilities | | – | – | – | (1) | (1) | – | (1) |
| Exercise of share options | | – | 4 | – | – | 4 | – | 4 |
| Purchase of own shares | | | | | | | | |
| Share buyback | | – | – | – | (153) | (153) | – | (153) |
| Held by ESOP trusts | | – | – | – | (8) | (8) | – | (8) |
| Dividends paid in the year | | – | – | – | (219) | (219) | – | (219) |
| **Balance as at 2 April 2022** | | – | **227** | **263** | **1,123** | **1,613** | **4** | **1,617** |

# GROUP STATEMENT OF CASH FLOWS

| | Note | **53 weeks to 2 April 2022 £m** | 52 weeks to 27 March 2021 £m |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Operating profit | | **543** | 521 |
| Amortisation of intangible assets | 12 | **39** | 33 |
| Depreciation of property, plant and equipment | 13 | **86** | 71 |
| Depreciation of right-of-use assets | 14 | **188** | 172 |
| COVID-19-related rent concessions | 1 | **(18)** | (54) |
| Impairment charge of intangible assets | 12 | **–** | 9 |
| Net impairment charge/(reversal) of property, plant and equipment | 13 | **1** | (7) |
| Net impairment charge/(reversal) of right-of-use assets | 14 | **7** | (34) |
| Gain on disposal of property, plant and equipment and intangible assets | | **(3)** | (23) |
| Gain on disposal of right-of-use assets | | **–** | (1) |
| (Gain)/loss on derivative instruments | | **(4)** | 4 |
| Charge in respect of employee share incentive schemes | | **16** | 12 |
| Payment of settlement of equity swap contracts | | **–** | (1) |
| (Increase)/decrease in inventories | | **(22)** | 21 |
| Increase in receivables | | **(5)** | (39) |
| Increase/(decrease) in payables and provisions | | **81** | (7) |
| Cash generated from operating activities | | **909** | 677 |
| Interest received | | **2** | 3 |
| Interest paid | | **(32)** | (30) |
| Taxation paid | | **(180)** | (58) |
| **Net cash generated from operating activities** | | **699** | 592 |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | | **(124)** | (73) |
| Purchase of intangible assets | | **(37)** | (42) |
| Proceeds from sale of property, plant and equipment | | **8** | 27 |
| Initial direct costs of right-of-use assets | | **(4)** | (3) |
| Payment in respect of acquisition of subsidiary | | **(7)** | – |
| **Net cash outflow from investing activities** | | **(164)** | (91) |
| **Cash flows from financing activities** | | | |
| Dividends paid in the year | 11 | **(219)** | – |
| Payment of deferred consideration for acquisition of non-controlling interest | 20 | **(3)** | (3) |
| Proceeds from borrowings | 24 | **–** | 595 |
| Repayment of borrowings | 24 | **–** | (600) |
| Payment of lease principal | 21 | **(202)** | (151) |
| Payment on termination of lease | | **–** | – |
| Payment to acquire additional interest in subsidiary from non-controlling interest | | **–** | (2) |
| Issue of ordinary share capital | | **4** | 2 |
| Purchase of own shares through share buyback | 25 | **(150)** | – |
| Purchase of own shares through share buyback – stamp duty and fees | 25 | **(3)** | – |
| Purchase of own shares by ESOP trusts | | **(8)** | – |
| **Net cash outflow from financing activities** | | **(581)** | (159) |
| **Net (decrease)/increase in cash net of overdrafts** | | **(46)** | 342 |
| Effect of exchange rate changes | | **7** | (13) |
| Cash net of overdrafts at beginning of year | | **1,216** | 887 |
| **Cash net of overdrafts** | | **1,177** | 1,216 |

| | Note | **53 weeks to 2 April 2022 £m** | As at 27 March 2021 £m |
|---|---|---|---|
| Cash and cash equivalents | 19 | **1,222** | 1,261 |
| Bank overdrafts | 23 | **(45)** | (45) |
| **Cash net of overdrafts** | | **1,177** | 1,216 |

## 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 requirements of the Companies Act 2006 and UK-adopted International Accounting Standards. 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 consolidated financial statements are presented in £m in order to align external reporting with the information presented to the Chief Operating Decision Maker. Financial ratios are calculated using unrounded numbers. Prior year comparatives have been rounded accordingly.

**Consideration of climate-related matters**

The Group has performed a climate-related scenario analysis as required by the Task Force for Climate Related Financial Disclosures. This scenario analysis takes into consideration different climate-related scenarios, including a 2°C or lower scenario. Based on this scenario analysis, consideration has been given to the impact of climate-related risks on management's judgements and estimates, including inventory provisions and the impairment of property, plant and equipment and right-of-use assets.

The impact of climate-related risks on the consolidated financial statements for the 53 weeks to 2 April 2022 is not material.

The incurred costs and investments associated with our sustainability strategy are reflected in the Group's financial statements, including within inventories, property, plant and equipment, and operating profit.

The committed future financial investments associated with our sustainability strategy are included within our budget and three year forward looking financial plans. These financial plans have been used to support our impairment reviews and going concern and viability assessment. Future plans may incur additional investment on research and development and higher expenditure on raw materials.

**Going concern**

The impact of the COVID-19 pandemic on the global economy and the operating activities of many businesses, including the luxury market, has resulted in a volatile business environment and continued uncertainty. The future impact of this pandemic and the challenging economic conditions is uncertain at the date of signing these financial statements. In considering the appropriateness of adopting the going concern basis in preparing the financial statements, the directors have assessed the potential cash generation of the Group and considered a range of downside scenarios. This assessment for any indicators that the going concern basis of preparation is not appropriate covers the period from the date of signing the financial statements up to 30 September 2023.

The directors have assessed the potential cash generation of the Group against a range of projected scenarios (including a severe but plausible downside). These scenarios were informed by a comprehensive review of the macroeconomic scenarios using third party projections of scientific, epidemiological and macroeconomic data for the luxury fashion industry:

- The Group central planning scenario reflects a balanced projection with a continued focus on growing markets and maintaining momentum built as part of the strategy
- As a sensitivity, this central planning scenario has been flexed to reflect a 15% downgrade to revenues in FY 2022/23, as well as the associated consequences for EBITDA and cash. Management consider this represents a severe but plausible downside scenario appropriate for assessing going concern

## 1. Basis of preparation continued

The severe but plausible downside considered the Group's principal risks and aggregated:

- A longer term significant impact of the COVID-19 pandemic on revenue to September 2023 compared to the central planning scenario
- A significant reputational incident such as negative sentiment propagated through social media
- A reduction in the GDP growth assumptions in the Eurozone and Americas materialising in the second half of FY 2022/23
- The impact of a 1 month interruption in one of our channels arising from a technology vulnerability
- The introduction of carbon taxes in FY 2023/24 in line with a scenario reflecting a 2°C global temperature increase compared to pre-industrial levels
- A short term impact of a 10% weakening in a key non-sterling currency for the Group before it is recovered through price adjustment

The directors have considered mitigating actions, which may be taken to reduce discretionary and other operating cash outflows. The directors have also considered the Group's current liquidity and available facilities. Details of cash, overdrafts, borrowings and facilities are set out in notes 19, 23 and 24 respectively of these financial statements, which includes access to a £300 million revolving credit facility, currently undrawn and not relied upon in this going concern assessment.

In all the scenarios assessed, taking into account current liquidity and available facilities, the Group was able to maintain sufficient liquidity to continue trading. On the basis of the assessment performed, the directors consider it is appropriate to continue to adopt the going concern basis in preparing the consolidated financial statements for the 53 weeks ended 2 April 2022.

**New standards, amendments and interpretations adopted in the period**

There have been no new standards or interpretations issued and made effective for the financial period commencing 28 March 2021 that have had a material impact on the financial statements of the Group. The following amendment to IFRS 16 was applied in the financial statements for the 52 weeks to 27 March 2021 and continued to be applied in the financial statements for the 53 weeks to 2 April 2022.

*IFRS 16 Leases – COVID-19-Related Rent Concessions*

The COVID-19-Related Rent Concessions amendment to IFRS 16 Leases was adopted by the IASB on 28 May 2020 and endorsed by the United Kingdom on 12 October 2020. The amendment was intended to apply until 30 June 2021, but as the impact of the COVID-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment allows for a simplified approach to accounting for rent concessions occurring as a direct result of COVID-19 and for which the following criteria are met:

- The revised consideration is substantially the same, or less than, the consideration prior to the change
- The concessions affect only payments originally due on or before 30 June 2022 and
- There is no substantive change to other terms and conditions of the lease

Lessees are not required to assess whether eligible rent concessions are lease modifications, allowing the lessee to account for eligible rent concessions as if they were not lease modifications. During the period, the Group has agreed rent concessions both in the form of rent forgiveness in which the landlord has agreed to forgive all or a portion of rents due with no obligation to be repaid in the future, and rent deferrals in which the landlord has agreed to forego rents in one period with a proportional increase in rents due in a future period.

The Group has chosen to account for eligible rent forgiveness as negative variable lease payments. The rent concession has been recognised once a legally binding agreement is made between both parties by derecognising the portion of the lease liability that has been forgiven and recognising the benefit in the Income Statement. As a result, the Group has recognised £18 million (last year: £54 million) in COVID-19-related rent concessions in the Income Statement within "net operating expenses" in the current period. This has been presented as an adjusting item (refer to note 6). In the Statement of Cash Flows, the forgiveness results in lower payments of lease principal. The negative variable lease payments in the Income Statement is a non-cash item which is added back to calculate cash generated from operating activities.

## 1. Basis of preparation continued

Rent deferrals do not change the total consideration due over the life of the lease. Deferred rent payments are recognised as a payable until the period the original rent payment is due. As a result, the Group has recognised £nil million (last year: £4 million) within other payables. Payments relating to rent deferrals are recognised as payments of lease principal when the payment is made.

**Standards not yet adopted**

Certain new accounting standards and interpretations have been published that are not mandatory for the 53 weeks to 2 April 2022 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.

The financial year is the 53 weeks ended 2 April 2022 (last year: 52 weeks ended 27 March 2021).

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 continued to have an impact on the global economy throughout the current year. While the adverse impact on the Group's operations and financial position has significantly diminished during the course of the financial year, at the date of signing these financial statements, there remains significant uncertainty regarding the timing of any global recovery from COVID-19, and the return to previous levels of footfall in city centres, travel and tourism in some locations. As a result, the impact of COVID-19 on the Group's assets remains a significant source of estimation uncertainty.

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.

## 1. Basis of preparation continued

**Key sources of estimation uncertainty continued**

*Impairment, or reversals of 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.

*Impairment, or reversals of impairment, of property, plant and equipment and right-of-use assets continued*

In March 2020, management recorded impairments of retail property, plant and equipment and right-of-use assets, based on the estimated impact of COVID-19 on the Group. At that time, the impact of COVID-19 was at its highest and many of the Group's retail stores worldwide were closed. Since March 2020, the rate of recovery has exceeded management estimates, and a partial reversal of this initial impairment was recognised at March 2021. Management has updated these assumptions again as at 2 April 2022, reflecting their latest plans over the next three years to March 2025, followed by longer-term growth rates of mid-single digits and inflation rates appropriate to each store's location.

Management has also reviewed the remaining retail property, plant and equipment and right-of-use assets, not covered by the above reassessment, for any indications of impairment.

Refer to notes 13 and 14 for further details of retail property, plant and equipment, right-of-use assets and impairment reviews carried out in the period and for sensitivities relating to this key source of estimation uncertainty.

*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.

In March 2020, management recorded provisions against inventory, based on the estimated impact of COVID-19 on the Group. As noted above, performance since March 2020 has exceeded the estimates made at the time. Management has updated their assumptions regarding future performance as part of the current year estimate. This has resulted in a release of inventory provisions, both relating to inventory sold during the current year, where this was for a higher net realisable value than had been assumed, and relating to assumptions regarding the net realisable value of inventory held at both 27 March 2021 and 2 April 2022.

Management has also reviewed the remaining inventory, not covered by the above reassessment, and provisions have been recorded where appropriate based on future trading expectations.

Refer to note 17 for further details of the carrying value of inventory and inventory provisions and for sensitivities relating to this key source of estimation uncertainty.

*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, the Group could, in future periods, experience adjustments to these tax liabilities that have a material positive or negative effect on the Group's results for a particular period.

## 1. Basis of preparation continued

Refer to note 9 for further details of management estimates surrounding the outcome of all matters under dispute or negotiation between governments in relation to current tax liabilities recognised at 2 April 2022, and for sensitivities relating to this key source of estimation uncertainty.

**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 53 weeks to 2 April 2022 and the 52 weeks to 27 March 2021 are as follows:

Where the Group is a lessee, judgement is required in determining the lease term at initial recognition 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.

Refer to note 21 for further details surrounding the judgements regarding the impact of breaks and options on lease liabilities.

## 2. Accounting policies

The principal accounting policies of the Group are:

**a) Revenue**

The Group obtains revenue from contracts relating to sales of luxury goods to retail and wholesale customers. Retail purchases are paid at time of purchase while wholesale and licensing purchases are paid on short-term credit terms. 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. Retail customers typically have the right to return product within a limited time frame while wholesale customers typically have the right to return damaged products. 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.

## 2. Accounting policies continued

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.

**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 receivable 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, including share awards and options. Appropriate option pricing models, including Black-Scholes, are used to determine the fair value of the option 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 share awards or options expected to vest. The estimate of the number of share awards or options expected to vest is revised at each balance sheet date.

## 2. Accounting policies continued

**d) Share schemes continued**

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 share awards, or options, with a corresponding increase in equity.

When share awards or 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.

*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 exercising 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, including lease payments based on a percentage of turnover, 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.

## 2. Accounting policies continued

**e) Leases continued**

*Lessee accounting continued*

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 Statement of Cash Flows 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.

*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.

**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.

## 2. Accounting policies continued

### 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.

*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.

## 2. Accounting policies continued

**j) Discontinued operations and assets held for sale**

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.

**k) Impairment of non-financial assets**

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets under construction are also tested annually. 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 being individual stores (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.

**l) 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 first point of sale 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.

**m) 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.

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.

## 2. Accounting policies continued

**n) 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.

**o) 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.

**p) 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.

At initial recognition, all financial liabilities are stated at fair value. 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. Financial assets are classified as either amortised cost or fair value through profit and loss depending on their cash flow characteristics. Assets with cash flows that represent solely payments of principal and interest are measured at amortised cost. 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

### p) 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 receivables | 16 | Fair value through profit and loss | Fair value through profit and loss | 2 |
| Trade and other payables | 20 | Other financial liabilities | Amortised cost | N/A |
| Borrowings | 24 | Other financial liabilities | Amortised cost | N/A |
| Leases | 21 | Lease 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 IAS 39 hedge accounting has been applied.

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 those cash and cash equivalents measured at fair value through profit and loss, principally money market funds, is derived from their net asset value which is based on the value of the portfolio investment holdings at the balance sheet date. This is considered to be a Level 2 measurement.

The fair value of forward foreign exchange contracts, equity swap contracts and trade and other receivables, principally cash settled equity swaps, 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.

## 2. Accounting policies continued

**p) Financial instruments continued**

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

*Cash and cash equivalents*

Cash and short-term deposits on the Balance Sheet comprise cash at banks and on hand and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value. 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.

*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. Most 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 credit losses 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.

Cash settled equity swaps are classified as fair value through profit and loss.

*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.

## 2. Accounting policies continued

**p) Financial instruments continued**

*Derivative instruments continued*

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.

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.

**q) Government grants**

Government grants related to assets are recognised as deferred income when there is reasonable certainty that any conditions attached to the grant will be met and the grant will be received. They are amortised to operating income over the useful life of the asset. Government grants related to income are presented as operating income when it is reasonably certain that any conditions attached will be met and that the grant will be received.

## 2. Accounting policies continued

**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 | |
|---|---|---|---|---|
| | **53 weeks to 2 April 2022** | 52 weeks to 27 March 2021 | **As at 2 April 2022** | As at 27 March 2021 |
| Euro | **1.18** | 1.12 | **1.19** | 1.17 |
| US Dollar | **1.36** | 1.30 | **1.31** | 1.38 |
| Chinese Yuan Renminbi | **8.73** | 8.85 | **8.34** | 9.02 |
| Hong Kong Dollar | **10.63** | 10.08 | **10.26** | 10.72 |
| Korean Won | **1,596** | 1,514 | **1,592** | 1,558 |

**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, the US, Mainland China and Hong Kong, S.A.R. China.

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 | |
|---|---|---|---|---|---|---|
| | **53 weeks to 2 April 2022 £m** | 52 weeks to 27 March 2021 £m | **53 weeks to 2 April 2022 £m** | 52 weeks to 27 March 2021 £m | **53 weeks to 2 April 2022 £m** | 52 weeks to 27 March 2021 £m |
| Retail | **2,273** | 1,910 | **–** | – | **2,273** | 1,910 |
| Wholesale | **512** | 396 | **–** | – | **512** | 396 |
| Licensing | **–** | – | **42** | 39 | **42** | 39 |
| **Total segment revenue** | **2,785** | 2,306 | **42** | 39 | **2,827** | 2,345 |
| Inter-segment revenue[1] | **–** | – | **(1)** | (1) | **(1)** | (1) |
| **Revenue from external customers** | **2,785** | 2,306 | **41** | 38 | **2,826** | 2,344 |
| Depreciation and amortisation | **(313)** | (277) | **–** | – | **(313)** | (277) |
| Impairment of intangible assets | **–** | (9) | **–** | – | **–** | (9) |
| Net impairment of property, plant and equipment[2] | **(2)** | (1) | **–** | – | **(2)** | (1) |
| Net impairment of right-of-use assets[3] | **(1)** | – | **–** | – | **(1)** | – |
| Other non-cash items: | | | | | | |
| Share-based payments | **(16)** | (12) | **–** | – | **(16)** | (12) |
| **Adjusted operating profit** | **486** | 361 | **37** | 35 | **523** | 396 |
| Adjusting items[4] | | | | | **19** | 124 |
| Finance income | | | | | **3** | 3 |
| Finance expense | | | | | **(34)** | (33) |
| **Profit before taxation** | | | | | **511** | 490 |

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. Net impairment charge relating to property, plant and equipment for the 53 weeks to 2 April 2022 is presented excluding a net reversal of £1 million (last year: reversal of £9 million) relating to charges as a result of the impact of COVID-19. These have been presented as adjusting items (refer to note 6).
3. Net impairment charge of right-of-use assets for the 53 weeks to 2 April 2022 is presented excluding a net charge of £6 million (last year: reversal of £38 million) relating to charges as a result of the impact of COVID-19 and a charge of £ nil (last year: charge of £4 million) relating to restructuring costs, which have been presented as adjusting items (refer to note 6).
4. Adjusting items relate to the Retail and Wholesale segment. Refer to note 6 for details of adjusting items.

## 3. Segmental analysis continued

| | Retail/Wholesale | | Licensing | | Total | |
|---|---|---|---|---|---|---|
| | **53 weeks to 2 April 2022 £m** | 52 weeks to 27 March 2021 £m | **53 weeks to 2 April 2022 £m** | 52 weeks to 27 March 2021 £m | **53 weeks to 2 April 2022 £m** | 52 weeks to 27 March 2021 £m |
| Additions to non-current assets | **400** | 234 | **–** | – | **400** | 234 |
| **Total segment assets** | **2,099** | 1,952 | **6** | 7 | **2,105** | 1,959 |
| Goodwill | | | | | **109** | 105 |
| Cash and cash equivalents | | | | | **1,222** | 1,261 |
| Taxation | | | | | **261** | 177 |
| **Total assets per Balance Sheet** | | | | | **3,697** | 3,502 |

**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 | **53 weeks to 2 April 2022 £m** | 52 weeks to 27 March 2021 £m |
|---|---|---|
| Accessories | **1,017** | 841 |
| Women's | **784** | 653 |
| Men's | **807** | 668 |
| Children's/Other | **177** | 144 |
| **Retail/Wholesale** | **2,785** | 2,306 |
| **Licensing** | **41** | 38 |
| **Total** | **2,826** | 2,344 |

| Revenue by destination | **53 weeks to 2 April 2022 £m** | 52 weeks to 27 March 2021 £m |
|---|---|---|
| Asia Pacific | **1,276** | 1,203 |
| EMEIA[1] | **813** | 628 |
| Americas | **696** | 475 |
| **Retail/Wholesale** | **2,785** | 2,306 |
| **Licensing** | **41** | 38 |
| **Total** | **2,826** | 2,344 |

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

**Entity-wide disclosures**

Revenue derived from external customers in the UK totalled £210 million for the 53 weeks to 2 April 2022 (last year: £145 million).

Revenue derived from external customers in foreign countries totalled £2,616 million for the 53 weeks to 2 April 2022 (last year: £2,199 million). This amount includes £626 million of external revenues derived from customers in the US (last year: £408 million) and £765 million of external revenues derived from customers in Mainland China (last year: £752 million).

The total of non-current assets, other than financial instruments, and deferred tax assets located in the UK is £439 million (last year: £477 million). The remaining £1,005 million of non-current assets are located in other countries (last year: £865 million), with £263 million located in the US (last year: £223 million) and £214 million located in Mainland China (last year: £115 million).

## 4. Net operating expenses

| | Note | **53 weeks to 2 April 2022 £m** | 52 weeks to 27 March 2021 £m |
|---|---|---|---|
| Operating income | | **(18)** | (16) |
| Selling and distribution costs | | **1,113** | 943 |
| Administrative expenses | | **377** | 317 |
| | | **1,472** | 1,244 |
| Adjusting operating income | 6 | **(20)** | (81) |
| Adjusting operating expenses | 6 | **16** | (22) |
| | | **(4)** | (103) |
| **Net operating expenses** | | **1,468** | 1,141 |

## 5. Profit before taxation

| | Note | **53 weeks to 2 April 2022 £m** | 52 weeks to 27 March 2021 £m |
|---|---|---|---|
| Adjusted profit before taxation is stated after charging/(crediting): | | | |
| Depreciation of property, plant and equipment | | | |
| Within cost of sales | | **2** | 2 |
| Within selling and distribution costs | | **68** | 56 |
| Within administrative expenses | | **16** | 13 |
| Depreciation of right-of-use assets | | | |
| Within selling and distribution costs | | **171** | 155 |
| Within administrative expenses | | **17** | 17 |
| Amortisation of intangible assets | | | |
| Within selling and distribution costs | | **2** | 2 |
| Within administrative expenses | | **37** | 31 |
| Gain on disposal of property, plant and equipment and intangible assets[1] | | **(3)** | – |
| Gain on disposal of right-of-use assets | | **–** | (1) |
| Net impairment charge relating to property, plant and equipment[2] | 13 | **2** | 1 |
| Net impairment charge relating to right-of-use assets[3] | 14 | **1** | – |
| Impairment of intangible assets | 12 | **–** | 9 |
| Employee costs[4] | 29 | **537** | 488 |
| Other lease expense | | | |
| Property lease variable lease expense | 21 | **122** | 118 |
| Property lease in holdover expense | 21 | **17** | 15 |
| Non-property short-term lease expense | 21 | **5** | 5 |
| Net exchange (gain) on revaluation of monetary assets and liabilities | | **(10)** | (5) |
| Net loss on derivatives – fair value through profit and loss | | **9** | 7 |
| Receivables net impairment charge/(reversal)[5] | | **1** | (1) |

1. Gain on disposal of property of £18 million was presented as an adjusting item last year (refer to note 6).
2. Net impairment charge relating to property, plant and equipment for the 53 weeks to 2 April 2022 is presented excluding a net reversal of £1 million (last year: reversal of £9 million) relating to charges as a result of the impact of COVID-19. These have been presented as adjusting items (refer to note 6).
3. Net impairment charge of right-of-use assets for the 53 weeks to 2 April 2022 is presented excluding a net charge of £6 million (last year: reversal of £38 million) relating to charges as a result of the impact of COVID-19 and a charge of £nil (last year: charge of £4 million) relating to restructuring costs, which have been presented as adjusting items (refer to note 6).
4. Employee costs for the 53 weeks to 2 April 2022 are presented excluding a charge of £10 million (last year: £21 million) arising as a result of the Group's restructuring programmes and a charge of £nil relating to employee profit sharing agreements (last year £4 million on the sale of property in France) , which have been presented as adjusting items (refer to note 6).
5. Receivables net impairment charge for the 53 weeks to 2 April 2022 is presented excluding reversal of £1 million (last year: reversal of £5 million) 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 | **53 weeks to 2 April 2022 £m** | 52 weeks to 27 March 2021 £m |
|---|---|---|---|
| **Adjusting items** | | | |
| Adjusting operating items | | | |
| Impact of COVID-19: | | | |
| Impairment charge/(reversal) relating to retail cash generating units | 6 | **5** | (47) |
| Impairment reversal relating to inventory | 6 | **(16)** | (22) |
| Impairment reversal relating to receivables | 6 | **(1)** | (5) |
| COVID-19-related rent concessions | 6 | **(18)** | (54) |
| COVID-19 related government grant income | 6 | **(2)** | (9) |
| Other adjusting items: | | | |
| Gain on disposal of property | 6 | **–** | (18) |
| Restructuring costs | 6 | **11** | 30 |
| Revaluation of deferred consideration liability | 6 | **1** | – |
| **Total adjusting operating items** | | **(20)** | (125) |
| Adjusting financing items | | | |
| Finance charge on deferred consideration liability | 6 | **1** | 1 |
| **Total adjusting financing items** | | **1** | 1 |

| | Note | **53 weeks to 2 April 2022 £m** | 52 weeks to 27 March 2021 £m |
|---|---|---|---|
| **Analysis of adjusting operating items:** | | | |
| Included in Cost of sales (Impairment reversal relating to inventory) | | **(16)** | (22) |
| Included in Operating expenses | 4 | **(4)** | (103) |
| **Total** | | **(20)** | (125) |

## 6. Adjusting items

| | **53 weeks to 2 April 2022 £m** | 52 weeks to 27 March 2021 £m |
|---|---|---|
| Total adjusting operating items (pre-tax) | **(20)** | (125) |
| Tax charge on adjusting operating items | **5** | 22 |
| **Total adjusting operating items (post-tax)** | **(15)** | (103) |

**Impact of COVID-19**

COVID-19 continued to impact both business operations and financial markets worldwide. COVID-19 has also had a significant impact on the financial results of the Group during the current and previous year.

As at the beginning of the last financial year, the Group had balances relating to COVID-19 impairment charges that had previously been charged as adjusting items in prior years, as they were considered to be material and one-off in nature. £246 million COVID-19 impairment charges were recognised at 28 March 2020. The charges related to impairments of retail cash generating units (£157 million), intangible assets (£10 million) and receivables (£11 million) and to inventory provisions (£68 million).

At 2 April 2022, these impairments and provisions have been reviewed and the assumptions updated where appropriate, to reflect management's latest expectations. The impact of changes in assumptions has been presented as an update to the adjusting item charge. Further details regarding the approach applied to measure these updates are set out below for each of the specific adjusting items.

Other items, where they are considered one-off in nature and directly related to the impact of COVID-19, have been presented as adjusting items. Income recorded in the year following application of the temporary COVID-19 Related Rent Concession amendment to IFRS 16 has been presented as an adjusting item. This is considered appropriate given that the amendment to IFRS 16 is only applicable for a limited period of time and it is explicitly related to COVID-19. Grant income recorded in the year, relating to government arrangements worldwide, has also been presented as an adjusting item, as it is also explicitly related to COVID-19, and the arrangements are expected to last for a limited period of time. In aggregate these items give rise to a material amount of income in the year. Further details of these adjusting items are set out below.

All other financial impacts of COVID-19 are included in adjusted operating profit. As a result, additional costs recorded in the year, including masks, other personal protection equipment, hand sanitisers, production inefficiencies due to social distancing, operating costs of retail stores during closure and the cost of voluntary payment of UK rates, have not been separately presented as adjusting items. The discrete impact of COVID-19 on these costs cannot be reliably measured, hence it is considered more appropriate to include these additional costs in adjusted operating profit.

*Impairment of retail cash generating units*

During the 53 weeks to 2 April 2022, the impairment provisions remaining have been reassessed, using management's latest expectations, with a charge of £5 million recorded (last year: £47 million net reversal). A related tax credit of £1 million (last year: charge of £5 million) has also been recognised in the year. Any charges or reversals which did not arise from the reassessment of the original impairment adjusting item, had they arisen, would not have been included in this adjusting item. Refer to notes 13 and 14 for details of impairment of retail cash generating units.

*Impairment of inventory*

During the 53 weeks to 2 April 2022, reversals of inventory provisions, relating to inventory which had been provided for as an adjusting item at the previous year end and has either been sold, or is now expected to be sold, at a higher net realisable value than had been assumed when the provision had been initially estimated, of £16 million (last year: £22 million) have been recorded and presented as an adjusting item. A related tax charge of £4 million (last year: £5 million) has also been recognised in the year. All other charges and reversals relating to inventory provisions have been recorded in adjusted operating profit. Refer to note 17 for details of inventory provisions.

## 6. Adjusting items continued

*Impairment of receivables*

During the 53 weeks to 2 April 2022, the expected credit loss rates have been reassessed, taking into account the experience of losses incurred during the year and changes in market conditions at 2 April 2022 compared to the previous year end. As a result of this reassessment, management has revised the expected credit loss rates, with a reversal of £1 million recorded as an adjusting item (last year: £5 million), resulting from the reduction in credit loss rate assumption. A related tax charge of £nil (last year: £1 million) has also been recognised in the year. All other charges and reversals relating to impairment of receivables, arising from changes in the value and aging of the receivables portfolio, have been included in adjusted operating profit. Refer to note 16 for details of impairment of receivables.

*COVID-19-related rent concessions*

Eligible rent forgiveness amounts have been treated as negative variable lease payments, resulting in a credit of £18 million (last year: £54 million) for the 53 weeks to 2 April 2022 being recorded in net operating expenses. This income has been presented as an adjusting item, as set out above. A related tax charge of £4 million (last year: £10 million) has also been recognised in the current year.

*COVID-19-related grant income*

The Group has recorded grant income of £2 million (last year: £9 million) within selling and distribution costs in net operating expenses for the 53 weeks to 2 April 2022, relating to government support for the retention of employees, as a result of COVID-19. These grants related to income received from a number of government arrangements worldwide. None of the income related to UK based employees. This income has been presented as an adjusting item, as set out above. A related tax charge of £1 million (last year: £2 million) has also been recognised in the current year.

**Other adjusting items**

*Restructuring costs*

Restructuring costs of £11 million (last year: £30 million) were incurred in the current year, arising primarily as a result of the organisational efficiency programme announced in July 2020 that included the creation of three new business units to enhance product focus, increase agility and elevate quality and, to further streamline of office-based functions and facilities. The costs for the 53 weeks to 2 April 2022 principally relate to redundancies and consulting costs and are recorded in operating expenses. They are presented as an adjusting item, in accordance with the Group's accounting policy, as the anticipated cost of the restructuring programme is considered material and discrete in nature. A related tax credit of £3 million (last year: £6 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 of the non-controlling interest in Burberry Middle East LLC to the Group in exchange for consideration of contingent payments to be made to the minority shareholder over the period to 2023.

A charge of £1 million in relation to the revaluation of this balance has been recognised in net operating expenses for the 53 weeks to 2 April 2022 (last year: £nil). A financing charge of £1 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 53 weeks to 2 April 2022 (last year: £1 million). 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.

## 6. Adjusting items continued

**Adjusting items relating to prior years**

*Gain on disposal of property*

During the 52 weeks to 27 March 2021, the Group completed the sale of an owned property in France for cash proceeds of £27 million resulting in a net gain on disposal of £23 million, recorded within administrative expenses in net operating expenses. A profit of £18 million was presented as an adjusting item, after deducting incremental costs of £4 million relating to employee profit sharing agreements. This charge was recognised as an adjusting item, in accordance with the Group's accounting policy, as this profit from asset disposal is considered to be material and one-off in nature. A related tax charge of £5 million was also recognised in the year.

## 7. Auditor remuneration

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

| | **53 weeks to 2 April 2022 £m** | 52 weeks to 27 March 2021 £m |
|---|---|---|
| Audit services in respect of the financial statements of the Company and consolidation | **0.5** | 0.4 |
| Audit services in respect of the financial statements of subsidiary companies | **2.3** | 2.3 |
| Audit-related assurance services | **0.2** | 0.1 |
| Other non-audit-related services | **0.1** | 0.1 |
| **Total** | **3.1** | 2.9 |

## 8. Financing

| | Note | **53 weeks to 2 April 2022 £m** | 52 weeks to 27 March 2021 £m |
|---|---|---|---|
| Bank interest income – amortised cost | | **–** | 1 |
| Other finance income – amortised cost | | **1** | – |
| Finance income – amortised cost | | **1** | 1 |
| Bank interest income – fair value through profit and loss | | **2** | 2 |
| **Finance income** | | **3** | 3 |
| | | | |
| Interest expense on lease liabilities | 21 | **(27)** | (25) |
| Interest expense on overdrafts | | **–** | – |
| Interest expense on borrowings | | **(4)** | (5) |
| Bank charges | | **(2)** | (1) |
| Other finance expense | | **(1)** | (2) |
| **Finance expense** | | **(34)** | (33) |
| Finance charge on deferred consideration liability | 6 | **(1)** | (1) |
| **Net finance expense** | | **(32)** | (31) |

## 9. Taxation

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

| | **53 weeks to 2 April 2022 £m** | 52 weeks to 27 March 2021 £m |
|---|---|---|
| **Current tax** | | |
| **UK corporation tax** | | |
| Current tax on income for the 53 weeks to 2 April 2022 at 19% (last year: 19%) | **114** | 48 |
| Double taxation relief | **(7)** | (7) |
| Adjustments in respect of prior years[1] | **25** | (23) |
| | **132** | 18 |
| **Foreign tax** | | |
| Current tax on income for the year | **28** | 51 |
| Adjustments in respect of prior years[1] | **(15)** | 19 |
| **Total current tax** | **145** | 88 |
| | | |
| **Deferred tax** | | |
| **UK deferred tax** | | |
| Origination and reversal of temporary differences | **(3)** | 23 |
| Impact of changes to tax rates | **(4)** | – |
| Adjustments in respect of prior years[1] | **1** | 9 |
| | **(6)** | 32 |
| **Foreign deferred tax** | | |
| Origination and reversal of temporary differences | **(27)** | (7) |
| Impact of changes to tax rates | **–** | – |
| Adjustments in respect of prior years[1] | **2** | 1 |
| **Total deferred tax** | **(31)** | 26 |
| **Total tax charge on profit** | **114** | 114 |

1. Adjustments in respect of prior years relate mainly to tax return adjustments and a net increase in provisions for tax contingencies and tax accruals.

Analysis of charge for the year recognised in Other Comprehensive Income and directly in Equity:

| | **53 weeks to 2 April 2022 £m** | 52 weeks to 27 March 2021 £m |
|---|---|---|
| **Current tax** | | |
| Recognised in Other Comprehensive Income | | |
| Current tax (credit)/charge on exchange differences on loans (foreign currency translation reserve) | **–** | (2) |
| Current tax charge on net investment hedges deferred in Equity (hedging reserve) | **1** | – |
| **Total current tax recognised in Other Comprehensive Income** | **1** | (2) |
| | | |
| **Deferred tax** | | |
| Recognised in Other Comprehensive Income | | |
| Deferred tax credit on net investment hedges deferred in Equity (hedging reserve) | **(1)** | – |
| **Total deferred tax recognised in Other Comprehensive Income** | **(1)** | – |
| | | |
| Recognised in Equity | | |
| Deferred tax (credit)/charge on share options (retained earnings) | **–** | (1) |
| **Total deferred tax recognised directly in Equity** | **–** | (1) |

## 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:

| | **53 weeks to 2 April 2022 £m** | 52 weeks to 27 March 2021 £m |
|---|---|---|
| Profit before taxation | **511** | 490 |
| | | |
| Tax at 19% (last year: 19%) on profit before taxation | **97** | 93 |
| Rate adjustments relating to overseas profits | **3** | 18 |
| Permanent differences | **6** | (1) |
| Tax on dividends not creditable | **2** | 1 |
| Current year tax losses not recognised | **–** | – |
| Prior year temporary differences and tax losses recognised | **(3)** | (3) |
| Adjustments in respect of prior years | **13** | 6 |
| Adjustments to deferred tax relating to changes in tax rates | **(4)** | – |
| **Total taxation charge** | **114** | 114 |

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

| | **53 weeks to 2 April 2022 £m** | 52 weeks to 27 March 2021 £m |
|---|---|---|
| Tax on adjusted profit before taxation | **109** | 92 |
| Tax on adjusting items | **5** | 22 |
| **Total taxation charge** | **114** | 114 |

During the next year it is possible that some or all of the current disputes are resolved. Management estimates that the outcome across all matters under dispute or in negotiation between governments could be in the range of a decrease of £20 million to an increase of £20 million relative to the current tax liabilities recognised at 2 April 2022. This would have an impact of approximately (4%) to 4% on the Group's effective tax rate.

## 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.

| | **53 weeks to 2 April 2022 £m** | 52 weeks to 27 March 2021 £m |
|---|---|---|
| Attributable profit for the year before adjusting items[1] | **382** | 273 |
| Effect of adjusting items[1] (after taxation) | **14** | 103 |
| **Attributable profit for the year** | **396** | 376 |

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.

## 10. Earnings per share continued

| | **53 weeks to 2 April 2022 Millions** | 52 weeks to 27 March 2021 Millions |
|---|---|---|
| Weighted average number of ordinary shares in issue during the year | **402.5** | 404.1 |
| Dilutive effect of the employee share incentive schemes | **2.3** | 1.0 |
| **Diluted weighted average number of ordinary shares in issue during the year** | **404.8** | 405.1 |

## 11. Dividends paid to owners of the Company

| | **53 weeks to 2 April 2022 £m** | 52 weeks to 27 March 2021 £m |
|---|---|---|
| Prior year final dividend paid 42.5p per share (last year: nil) | **172** | – |
| Interim dividend paid 11.6p per share (last year: nil) | **47** | – |
| **Total** | **219** | – |

A final dividend in respect of the 53 weeks to 2 April 2022 of 35.4p (last year: 42.5p) per share, amounting to £140 million, has been proposed for approval by the shareholders at the Annual General Meeting subsequent to the balance sheet date. The final dividend has not been recognised as a liability at the year end and will be paid on 5 August 2022 to the shareholders on the register at the close of business on 1 July 2022. The ex-dividend date is 30 June 2022 and the final day for dividend reinvestment plan ('DRIP') elections is 15 July 2022.

## 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 28 March 2020** | 116 | 13 | 198 | 65 | 392 |
| Effect of foreign exchange rate changes | (5) | – | (2) | – | (7) |
| Additions | – | 1 | 25 | 11 | 37 |
| Disposals | – | – | (15) | – | (15) |
| Reclassifications from assets in the course of construction | – | – | 31 | (31) | – |
| **As at 27 March 2021** | **111** | **14** | **237** | **45** | **407** |
| Effect of foreign exchange rate changes | 4 | – | 1 | – | 5 |
| Additions | – | – | 12 | 25 | 37 |
| Disposals | – | (1) | (7) | – | (8) |
| Reclassifications from assets in the course of construction | – | – | 15 | (15) | – |
| **As at 2 April 2022** | **115** | **13** | **258** | **55** | **441** |
| **Accumulated amortisation and impairment** | | | | | |
| **As at 28 March 2020** | 7 | 6 | 121 | 12 | 146 |
| Effect of foreign exchange rate changes | (1) | – | (2) | – | (3) |
| Charge for the year | – | 1 | 32 | – | 33 |
| Disposals | – | – | (15) | – | (15) |
| Impairment charge on assets | – | – | 1 | 8 | 9 |
| **As at 27 March 2021** | **6** | **7** | **137** | **20** | **170** |
| Effect of foreign exchange rate changes | **–** | **–** | **1** | **(1)** | **–** |
| Charge for the year | **–** | **1** | **38** | **–** | **39** |
| Disposals | **–** | **(1)** | **(7)** | **–** | **(8)** |
| Impairment charge on assets | **–** | **–** | **–** | **–** | **–** |
| **As at 2 April 2022** | **6** | **7** | **169** | **19** | **201** |
| **Net book value** | | | | | |
| **As at 2 April 2022** | **109** | **6** | **89** | **36** | **240** |
| As at 27 March 2021 | **105** | **7** | **100** | **25** | **237** |

## 12. Intangible assets continued

During the 52 weeks to 27 March 2021 an impairment charge of £8 million was recognised in relation to computer software assets under construction and £1 million was recognised in relation to computer software assets following a review of supply chain strategy and future software requirements. No such charge was incurred in the 53 weeks to 2 April 2022.

**Impairment testing of goodwill**

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

| | **53 weeks to 2 April 2022 £m** | 52 weeks to 27 March 2021 £m |
|---|---|---|
| Mainland China | **50** | 47 |
| Korea | **26** | 26 |
| Retail and Wholesale segment[1] | **19** | 19 |
| Other | **14** | 13 |
| **Total** | **109** | 105 |

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 when 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 and the discount rates applied.

The value-in-use calculations have been prepared using management's cost and revenue projections for the next three years to 29 March 2025 and a longer-term growth rate of 4% to 27 March 2027. A terminal value has been included in the value-in-use calculation based on the cash flows for the year ending 27 March 2027 incorporating the assumption that growth beyond 27 March 2027 is equivalent to nominal inflation rates, assumed to be 2%, which are not significant to the assessment.

The value-in-use estimates indicated that the recoverable amount of the cash generating unit 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 Mainland China, Korea and the Retail and Wholesale segment, sensitivity analyses have been performed by management. The sensitivities include applying a 10% reduction in revenue and gross profit from management's base cash flow projections, considering the potential outcome from a more severe long-term impact of COVID-19. Under this scenario, the estimated recoverable amount of goodwill in Mainland China, Korea and the Retail and Wholesale segment still exceeded the carrying value.

The pre-tax discount rates for Mainland China, Korea and the Retail and Wholesale segment were 13%, 12% and 10% respectively (last year: Mainland China 14%, Korea 12%, and the Retail and Wholesale segment 10%).

The other goodwill balance of £14 million (last year: £13 million) consists of amounts relating to seven cash generating units none of which have goodwill balances individually exceeding £7 million as at 2 April 2022 (last year: £6 million).

## 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 28 March 2020** | 147 | 497 | 373 | 24 | 1,041 |
| Effect of foreign exchange rate changes | (12) | (30) | (22) | (1) | (65) |
| Additions | – | 44 | 11 | 15 | 70 |
| Disposals | (6) | (27) | (45) | – | (78) |
| Reclassifications from assets in the course of construction | – | 9 | 12 | (21) | – |
| **As at 27 March 2021** | 129 | 493 | 329 | 17 | 968 |
| Effect of foreign exchange rate changes | 6 | 17 | 9 | 1 | 33 |
| Additions | – | 68 | 23 | 45 | 136 |
| Disposals | – | (37) | (18) | (2) | (57) |
| Reclassifications from assets in the course of construction | – | 9 | 5 | (14) | – |
| Reclassifications to assets held for sale | (19) | – | – | – | (19) |
| **As at 2 April 2022** | **116** | **550** | **348** | **47** | **1,061** |
| **Accumulated depreciation and impairment** | | | | | |
| **As at 28 March 2020** | 59 | 363 | 323 | 1 | 746 |
| Effect of foreign exchange rate changes | (6) | (22) | (20) | – | (48) |
| Charge for the year | 4 | 45 | 22 | – | 71 |
| Disposals | (2) | (27) | (45) | – | (74) |
| Impairment charge on assets | 1 | 2 | – | – | 3 |
| Impairment reversal on assets | – | (8) | (2) | – | (10) |
| **As at 27 March 2021** | 56 | 353 | 278 | 1 | 688 |
| Effect of foreign exchange rate changes | 3 | 14 | 8 | – | 25 |
| Charge for the year | 3 | 58 | 25 | – | 86 |
| Disposals | – | (37) | (18) | – | (55) |
| Impairment charge on assets | – | 1 | 1 | – | 2 |
| Impairment reversal on assets | – | (1) | – | – | (1) |
| Reclassifications to assets held for sale | (6) | – | – | – | (6) |
| **As at 2 April 2022** | **56** | **388** | **294** | **1** | **739** |
| **Net book value** | | | | | |
| **As at 2 April 2022** | **60** | **162** | **54** | **46** | **322** |
| As at 27 March 2021 | 73 | 140 | 51 | 16 | 280 |

During the 53 weeks to 2 April 2022, management carried out a review of retail cash generating units for any indication of impairment or reversal of impairments previously recorded. Where indications of impairment charges or reversals were identified, the impairment review compared the value-in-use of the cash generating units to their net book values at 2 April 2022. The pre-tax cash flow projections used for this review were based on financial plans of expected revenues and costs of each retail cash generating unit, approved by management, reflecting their latest plans over the next three years to 29 March 2025, followed by longer-term growth rates of mid-single digits and inflation rates appropriate to each store's location. The pre-tax discount rates used in these calculations were between 9.9% and 18.4% (last year: between 9.6% and 14.1%) based on the Group's weighted average cost of capital adjusted for country-specific borrowing costs, tax rates and risks for those countries in which a charge or reversal was incurred. Where indicators of impairment have been identified and 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. Where the value-in-use was greater than the net book value, and the cash generating unit had been previously impaired, the impairment was reversed, to the extent that could be supported by the value-in use and allowing for any depreciation that would have been incurred during the period since the impairment was recorded. The fair value less cost to sell of the cash generating units was also considered, taking into account potential alternative uses for property, such as subletting of leasehold or sale of freehold. A review for any other indicators of impairment charges or reversals across the retail portfolio was also carried out.

## 13. Property, plant and equipment continued

In the financial statements for the 52 weeks to 27 March 2021 a net impairment reversal of £47 million was recorded, as an adjusting item within net operating expenses, relating to the impairment of retail cash generating units as a result of the impact of COVID-19. This net reversal reflected improved trading expectations compared to those assumed at 28 March 2020. During the 53 weeks to 2 April 2022, where these impairments, previously charged as an adjusting item, were reassessed and updated, any reversal or additional charge was also recorded as an adjusting item. This resulted in a net impairment charge of £5 million, which has also been presented as an adjusting item in the current year. A net impairment reversal of £1 million was recorded against property, plant and equipment (last year: net impairment reversal of £9 million) and a charge of £6 million was recorded against right-of-use assets (last year: net impairment reversal of £38 million). Refer to note 14 for further details of right-of-use assets. Refer to note 6 for details of adjusting items.

A net charge of £3 million (last year: £nil) was recorded within net operating expenses as a result of the annual review of impairment for all other retail store assets, excluding those impaired as a result of the impact of COVID-19. A charge of £2 million (last year: charge of £nil) was recorded against property, plant and equipment and a net charge of £1 million (last year: charge of £nil) was recorded against right-of-use assets.

The net impairment charge recorded in property, plant and equipment related to 13 retail cash generating units (last year: net impairment reversal related to 25 retail cash generating units) for which the total recoverable amount at the balance sheet date is £7 million (last year: £33 million).

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 has 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 10% from the estimate used to determine the impairment charge or reversal. We have also considered retail cash generating units with no indicators of impairment but with a significant asset balance. It is estimated that a 10% decrease/increase in revenue assumptions for the 52 weeks to 1 April 2023, with no change to subsequent forecast revenue growth rate assumptions, would result in a less than £10 million increase / less than £10 million decrease in the impairment charge of retail store assets in the 53 weeks to 2 April 2022.

An impairment charge of £nil (last year: £1 million) was recognised in relation to non-retail property, plant and equipment. Refer to note 6 for details of adjusting items. As a result the total net impairment charge for property, plant and equipment was £1 million (last year: net impairment reversal of £7 million).

As of 2 April 2022 the Group had three freehold properties that met the criteria to be classified as held for sale. These assets were required to be recorded at the lower of carrying value or fair value less any costs to sell. As the fair value less any costs to sell exceeded the carrying value for each, the related assets and liabilities were recorded at their carrying value. The sale of these properties is expected to complete within the next 12 months.

## 14. Right-of-use assets

| Net book value | Property right-of-use assets £m |
|---|---|
| **As at 28 March 2020** | 834 |
| Effect of foreign exchange rate changes | (39) |
| Additions | 127 |
| Remeasurements[1] | 34 |
| Depreciation for the year | (172) |
| Impairment charge on assets | (15) |
| Impairment reversal on assets | 49 |
| **As at 27 March 2021** | 818 |
| Effect of foreign exchange rate changes | 9 |
| Additions | 227 |
| Remeasurements[1] | 21 |
| Depreciation for the year | (188) |
| Impairment charge on assets | (10) |
| Impairment reversal on assets | 3 |
| **As at 2 April 2022** | **880** |

1. Remeasurements of lease liabilities include COVID-19-related rent forgiveness of £18 million (last year: £54 million) which have been recognised as a credit in the Income Statement at 2 April 2022 (refer to note 21).

As a result of the assessment of retail cash generating units for impairment, a net impairment charge of £7 million (last year: net impairment reversal of £34 million) was recorded for impairment of right-of-use assets. Refer to note 13 for further details of impairment assessment of retail cash generating units. This net impairment charge comprises £6 million relating to the impact of COVID-19 on the value-in-use of retail cash generating units (last year: £38 million reversal) and £1 million relating to other trading impacts was recognised during the year (last year: £nil). The charge relating to COVID-19 has been presented as an adjusting item (refer to note 6).

The net impairment charge recorded in right-of-use assets relates to 12 retail cash generating units (last year: net impairment reversal related to 27 retail cash generating units) for which the total recoverable amount at the balance sheet date is £26 million (last year: £200 million).

In the prior year, an impairment charge of £4 million was recognised in relation to vacant office premises as part of restructuring costs in adjusting items.

As a result, the net impairment charge for right-of-use assets was, in total, £7 million (last year: net impairment reversal of £34 million).

## 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, after offset, are shown in the table below:

| | **53 weeks to 2 April 2022 £m** | 52 weeks to 27 March 2021 £m |
|---|---|---|
| Deferred tax assets | **175** | 137 |
| Deferred tax liabilities | **(1)** | (1) |
| **Net amount** | **174** | 136 |

| The movement in the deferred tax account is as follows: | **53 weeks to 2 April 2022 £m** | 52 weeks to 27 March 2021 £m |
|---|---|---|
| **At start of year** | **136** | 171 |
| Effect of foreign exchange rate changes | **6** | (10) |
| Credited/(charged) to the Income Statement | **31** | (26) |
| Credited to Other Comprehensive Income | **1** | – |
| Credited to Equity | **–** | 1 |
| **At end of year** | **174** | 136 |

The movement in the net deferred tax balances during the year is as follows:

**Deferred tax balances**

| | Capital allowances £m | Unrealised inventory profit and other inventory provisions £m | Share schemes £m | Derivative Instruments £m | Unused tax losses £m | Leases £m | Other[1] £m | Total £m |
|---|---|---|---|---|---|---|---|---|
| **As at 28 March 2020** | 20 | 72 | 2 | (1) | 5 | 53 | 20 | 171 |
| Effect of foreign exchange rate changes | (2) | (5) | – | – | – | (1) | (2) | (10) |
| (Charged)/credited to the Income Statement | (1) | (5) | 1 | – | (4) | (17) | – | (26) |
| Credited to Equity | – | – | 1 | – | – | – | – | 1 |
| **As at 27 March 2021** | 17 | 62 | 4 | (1) | 1 | 35 | 18 | 136 |
| Effect of foreign exchange rate changes | – | 4 | – | – | – | 1 | 1 | 6 |
| Credited/(charged) to the Income Statement | 2 | 31 | 1 | – | 2 | (4) | (1) | 31 |
| Credited to Other Comprehensive Income | – | – | – | 1 | – | – | – | 1 |
| **As at 2 April 2022** | **19** | **97** | **5** | **–** | **3** | **32** | **18** | **174** |

1. Deferred balances within 'Other' category in the analysis above include temporary differences arising on other provisions and accruals of £18 million (last year: £18 million) and property provisions of £nil (last year: £nil).

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 £47 million (last year: £51 million) in respect of losses and temporary timing differences amounting to £185 million (last year: £197 million) that can be set off against future taxable income. There is a time limit for the recovery of £6 million of these potential assets (last year: £7 million) which ranges from one to seven years (last year: two to eight years).

Included within other temporary differences above is a deferred tax liability of £1 million (last year: £1 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 is £287 million (last year: £288 million).

## 16. Trade and other receivables

| | **53 weeks to 2 April 2022 £m** | 52 weeks to 27 March 2021 £m |
|---|---|---|
| **Non-current** | | |
| Other financial receivables[1] | **42** | 41 |
| Other non-financial receivables[2] | **1** | 1 |
| Prepayments | **2** | 3 |
| **Total non-current trade and other receivables** | **45** | 45 |
| **Current** | | |
| Trade receivables | **151** | 155 |
| Provision for expected credit losses | **(7)** | (8) |
| Net trade receivables | **144** | 147 |
| Other financial receivables[1] | **36** | 33 |
| Other non-financial receivables[2] | **63** | 48 |
| Prepayments | **32** | 40 |
| Accrued income | **8** | 9 |
| **Total current trade and other receivables** | **283** | 277 |
| **Total trade and other receivables** | **328** | 322 |

1. Other financial receivables include rental deposits, cash settled equity swaps and other sundry debtors.
2. Other non-financial receivables relates to indirect taxes, other taxes and duties and COVID-19 related government grant receivables.

Included in total trade and other receivables are non-financial assets of £98 million (last year: £92 million).

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

## 17. Inventories

| | **53 weeks to 2 April 2022 £m** | 52 weeks to 27 March 2021 £m |
|---|---|---|
| Raw materials | **12** | 12 |
| Work in progress | **1** | 1 |
| Finished goods | **413** | 389 |
| **Total inventories** | **426** | 402 |

| | **53 weeks to 2 April 2022 £m** | 52 weeks to 27 March 2021 £m |
|---|---|---|
| Total inventories, gross | **509** | 519 |
| Provisions | **(83)** | (117) |
| **Total inventories, net** | **426** | 402 |

Inventory provisions of £83 million (last year: £117 million) are recorded, representing 16.3% (last year: 22.5%) 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 £786 million (last year: £652 million).

## 17. Inventories continued

As at 28 March 2020, £68 million of the provision was included in cost of sales as a result of the estimated reduction in net realisable value of inventory due to COVID-19 and was presented as an adjusting item. This provision related to the current season and recent seasons that, under more normal circumstances, would be expected to sell through with limited loss. In the current year, £14 million of the provision has been utilised (last year: £4 million), where inventory previously provided for had been sold below cost in the current year and is recognised in cost of sales. An additional £16 million has been released upon re-assessment of the provision (last year: £22 million), where inventory previously provided for has been sold, or is now expected to be sold, for a higher net realisable value than has been estimated last year as performance during the current year has exceeded, and is expected to continue to exceed, the assumptions made at last year end. This reversal is presented as an adjusting item. Refer to note 6 for details of adjusting items. All other charges and reversals relating to inventory provisions have been included in adjusted operating profit.

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 including trading assumptions being higher or lower than expected, management considers that a reasonable potential range of outcomes could result in an increase or decrease in inventory provisions of £17 million in the next 12 months. This would result in a potential range of inventory provisions of 13.1% to 19.8% as a percentage of the gross value of inventory as at 2 April 2022.

The net movement in inventory provisions included in cost of sales for the 53 weeks to 2 April 2022 was a release of £1 million (last year: release of £11 million). The total reversal of inventory provisions during the current year, which is included in the net movement, was £43 million (last year: reversal of £67 million). Both these amounts include the reversal of £16 million (last year: £22 million), referred to above, which has been presented as an adjusting item.

## 18. Derivative financial instruments

**Master netting arrangements**

The Group's forward foreign exchange 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. There were no derivatives subject to net settlement agreements and offset on the Balance Sheet at 2 April 2022 (last year: nil). The Group's Balance Sheet would not be materially different if it had offset its forward foreign exchange contracts and equity swap contracts subject to the standard ISDA agreements.

**Derivative financial assets**

| | **53 weeks to 2 April 2022 £m** | 52 weeks to 27 March 2021 £m |
|---|---|---|
| Forward foreign exchange contracts – fair value hedging instrument: cash flow hedges | **–** | – |
| Forward foreign exchange contracts – fair value through profit and loss[1] | **5** | 2 |
| **Total position** | **5** | 2 |
| Comprising: | | |
| Total current position | **5** | 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 2 April 2022, all such contracts had maturities of no greater than three months from the balance sheet date (last year: two months from the balance sheet date).

## 18. Derivative financial instruments continued

**Derivative financial liabilities**

| | **53 weeks to 2 April 2022 £m** | 52 weeks to 27 March 2021 £m |
|---|---|---|
| Forward foreign exchange contracts – fair value hedging instrument: cash flow hedges | **(1)** | – |
| Forward foreign exchange contracts – fair value through profit and loss[1] | **–** | (3) |
| Equity swap contracts – fair value through profit and loss[2] | **(1)** | – |
| **Total position** | **(2)** | (3) |
| Comprising: | | |
| Total current position | **(2)** | (3) |

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 2 April 2022, all such contracts had maturities of no greater than one month from the balance sheet date (last year: one month from the balance sheet date).
2. In September 2020 the Group entered into cash settled equity swaps, these instruments matured in September 2021 and were reported as trade and other receivables last year.

**Net derivative financial instruments**

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

| | **53 weeks to 2 April 2022 £m** | 52 weeks to 27 March 2021 £m |
|---|---|---|
| Forward foreign exchange contracts – fair value hedging instrument: cash flow hedges | **65** | 24 |
| Forward foreign exchange contracts – fair value through profit and loss | **307** | 394 |
| Equity swap contracts – fair value through profit and loss | **5** | – |

**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:

| | **53 weeks to 2 April 2022** | 52 weeks to 27 March 2021 |
|---|---|---|
| **Foreign currency forwards** | | |
| Carrying amount (assets) | **–** | – |
| Notional amount | **£15m** | – |
| Maturity date | **Dec 2022** | N/A |
| Hedge ratio | **1:1** | N/A |
| Change in spot value of outstanding hedging instruments since start of year | **–** | (£3m) |
| Change in value of hedged item used to determine hedge effectiveness | **–** | £3m |
| Weighted average hedged rate of outstanding contracts (including forward points) – EUR | **1.1812** | – |
| Carrying amount (liabilities) | **(£1m)** | (£0m) |
| Notional amount | **£50m** | £24m |
| Maturity date | **May 2022 – Nov 2022** | Oct 2021 – Nov 2021 |
| Hedge ratio | **1:1** | 1:1 |
| Change in spot value of outstanding hedging instruments since start of year | **(£1m)** | £1m |
| Change in value of hedged item used to determine hedge effectiveness | **£1m** | (£1m) |
| Weighted average hedged rate of outstanding contracts (including forward points) – EUR | **1.1552** | 1.1565 |

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.

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

## 19. Cash and cash equivalents

| | 53 weeks to 2 April 2022 £m | 52 weeks to 27 March 2021 £m |
|---|---|---|
| **Cash and cash equivalents held at amortised cost** | | |
| Cash at bank and in hand | **124** | 190 |
| Short-term deposits | **73** | 159 |
| | **197** | 349 |
| **Cash and cash equivalents held at fair value through profit and loss** | | |
| Short-term deposits | **1,025** | 912 |
| **Total** | **1,222** | 1,261 |

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. The cash is available immediately and, since the funds are managed to achieve low volatility, no significant change in value is anticipated. The funds are monitored to ensure there are no significant changes in value.

As at 2 April 2022 and 27 March 2021, no impairment losses were identified on cash and cash equivalents held at amortised cost.

## 20. Trade and other payables

| | 53 weeks to 2 April 2022 £m | 52 weeks to 27 March 2021 £m |
|---|---|---|
| **Non-current** | | |
| Other payables[1] | **5** | 8 |
| Deferred income and non-financial accruals | **18** | 14 |
| Contract liabilities | **64** | 70 |
| Deferred consideration[2] | **4** | 7 |
| **Total non-current trade and other payables** | **91** | 99 |
| **Current** | | |
| Trade payables | **181** | 129 |
| Other taxes and social security costs | **60** | 52 |
| Other payables[1] | **6** | 13 |
| Accruals | **204** | 169 |
| Deferred income and non-financial accruals | **13** | 7 |
| Contract liabilities | **13** | 13 |
| Deferred consideration[2] | **4** | 10 |
| **Total current trade and other payables** | **481** | 393 |
| **Total trade and other payables** | **572** | 492 |

1. Other payables are comprised of COVID-19 rent deferrals, interest and employee related liabilities.
2. Deferred consideration relates to the acquisition of Burberry Manifattura S.R.L. on 19 September 2018 and of the economic right to the non-controlling interest in Burberry Middle East LLC on 22 April 2016. The change in the deferred consideration liability in the period arises as a result of a financing cash outflow and non-cash movements. In the 53 weeks to 2 April 2022 payments of £3 million were made in relation to Burberry Middle East LLC (last year: £3 million) and £9 million was paid to the previous owners of Burberry Manifattura S.R.L.

Included in total trade and other payables are non-financial liabilities of £168 million (last year: £157 million).

## 20. Trade and Other Payables continued

**Contract liabilities**

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

| | **53 weeks to 2 April 2022 £m** | 52 weeks to 27 March 2021 £m |
|---|---|---|
| Retail contract liabilities | **7** | 6 |
| Licensing contract liabilities | **70** | 77 |
| **Total contract liabilities** | **77** | 83 |

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.

| | **53 weeks to 2 April 2022 £m** | 52 weeks to 27 March 2021 £m |
|---|---|---|
| Retail revenue relating to contract liabilities | **4** | 2 |
| Deferred revenue from Beauty licence | **7** | 7 |
| **Revenue recognised that was included in contract liabilities at the start of the year** | **11** | 9 |

## 21. Lease liabilities

| | Property lease liabilities £m |
|---|---|
| **Balance as at 28 March 2020** | 1,125 |
| Effect of foreign exchange rate changes | (53) |
| Created during the year | 125 |
| Amounts paid[1] | (177) |
| Discount unwind | 25 |
| Remeasurements[2] | (21) |
| Transfers | (4) |
| **Balance as at 27 March 2021** | **1,020** |
| Effect of foreign exchange rate changes | 16 |
| Created during the year | 222 |
| Amounts paid[1] | (229) |
| Discount unwind | 27 |
| Remeasurements[2] | 2 |
| **Balance as at 2 April 2022** | **1,058** |

| | **53 weeks to 2 April 2022 £m** | 52 weeks to 27 March 2021 £m |
|---|---|---|
| **Analysis of total lease liabilities:** | | |
| Non-current | **849** | 810 |
| Current | **209** | 210 |
| **Total** | **1,058** | 1,020 |

1. The amounts paid of £229 million (last year: £177 million) includes £202 million (last year: £151 million) arising as a result of a financing cash outflow and £27 million (last year: £25 million) arising as a result of an operating cash outflow.
2. Remeasurements include COVID-19-related rent forgiveness of £16 million (last year: £54 million) and other remeasurements of £20 million (last year: £33 million). COVID-19-related rent forgiveness has been recognised as a credit in the Income Statement at 2 April 2022. This credit is included as an adjusting item. Refer to note 6. Other remeasurements relate to changes in the lease liabilities that arises as a result of management's reassessment of the lease term, based on existing break or extension options in the contract.

## 21. Lease liabilities continued

The Group enters into property leases for retail properties, including stores, concessions, warehouse and storage locations and office property. The remaining lease terms for these properties range from a few months to 16 years (last year: few months to 17 years). Many of the leases include break options and/or extension options to provide operational flexibility. Some of the leases for concessions have rolling lease terms or rolling break options. Management assesses 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.

Potential future undiscounted lease payments related to periods following the exercise date of an extension or break option not included in the lease term, and therefore not included in lease liabilities, are approximately £423 million (last year: £425 million) in relation to the next available extension option which are assessed as not reasonably certain to be exercised and £157 million (last year: £125 million) in relation to break options which are expected to be exercised. During the 53 weeks to 2 April 2022, significant judgements regarding breaks and options in relation to individually material leases resulted in approximately £35 million in undiscounted future cash flows not being included in the initial right-of-use assets and lease liabilities.

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.

Future increases and decreases in rent linked to an inflation index or rate review are not included in the lease liability until the change in cash flows takes effect. Approximately 20% (last year: 20%) of the Group's lease liabilities are subject to inflation linked reviews and 33% (last year: 37%) are subject to rent reviews. Rental changes linked to inflation or rent reviews typically occur on an annual basis.

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, including the impact of regional mix.

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 from 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 53 weeks ended 2 April 2022 are £376 million (last year: £312 million). This relates to payments of £202 million on lease principal (last year: £152 million), £27 million on lease interest (last year: £25 million), £124 million on variable lease payments (last year: £115 million), and £23 million other lease payments principally relating to short-term leases and leases in holdover (last year: £20 million).

## 22. Provisions for other liabilities and charges

| | Property obligations £m | Other £m | Total £m |
|---|---|---|---|
| **Balance as at 28 March 2020** | 36 | 6 | 42 |
| Effect of foreign exchange rate changes | (2) | – | (2) |
| Created during the year | 9 | 11 | 20 |
| Discount unwind | 1 | – | 1 |
| Utilised during the year | (1) | (1) | (2) |
| Released during the year | (1) | (2) | (3) |
| **Balance as at 27 March 2021** | 42 | 14 | 56 |
| Effect of foreign exchange rate changes | 1 | – | 1 |
| Created during the year | 9 | 8 | 17 |
| Discount unwind | 1 | – | 1 |
| Utilised during the year | (3) | (2) | (5) |
| Released during the year | (1) | (5) | (6) |
| **Balance as at 2 April 2022** | **49** | **15** | **64** |

The net charge in the year for property obligations is £8 million (last year: £8 million), relating to additional property reinstatements costs. The net charge in the year for other provisions of £3 million (last year: £9 million) relates to expected future outflows for property disputes, employee matters and tax compliance.

| | **53 weeks to 2 April 2022 £m** | 52 weeks to 27 March 2021 £m |
|---|---|---|
| Analysis of total provisions: | | |
| Non-current | **36** | 32 |
| Current | **28** | 24 |
| **Total** | **64** | 56 |

The non-current provisions relate to property reinstatement costs which are expected to be utilised within 16 years (last year: 17 years).

## 23. Bank overdrafts

Included within bank overdrafts is £45 million (last year: £45 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 2 April 2022, the Group held bank overdrafts of £nil (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 21 September 2020, Burberry Group plc issued medium term notes with a face value of £300 million and 1.125% coupon maturing on 21 September 2025 (the sustainability bond). Proceeds from the sustainability bond will allow the Group to finance projects which support the Group's sustainability agenda. There are no financial penalties for not using the proceeds as anticipated. Interest on the sustainability bond is payable semi-annually. The fair value of the bond at 2 April 2022 is £298 million (last year: £297 million), all movements on the bond are non-cash.

On 26 July 2021, the Group entered into a new £300 million multi-currency sustainability linked revolving credit facility (RCF) with a syndicate of banks, replacing the previous £300 million RCF that had been in place since 2014. In March 2020, the Group drew down on the RCF in full, and it was repaid in full in June 2020. There were no drawdowns or repayments of the RCF during the current year and at 2 April 2022, there were £nil outstanding drawings.

The Group is in compliance with the financial and other covenants within the facilities and has been in compliance throughout the financial period.

On 14 May 2020, Burberry Limited issued commercial paper with a face value of £300 million, issued at a discount with zero coupon, and a maturity of 17 March 2021. The commercial paper was issued under a £300 million facility the Group agreed under the UK Government sponsored COVID Corporate Finance Facility (CCFF). An increase to the Group's CCFF of £300 million to £600 million was made available from 29 May 2020 however no further commercial paper was issued. The CCFF was repaid in full on 10 February 2021 and the facility expired on 23 March 2021.

## 25. Share capital and reserves

| **Allotted, called up and fully paid share capital** | Number | £m |
|---|---|---|
| Ordinary shares of 0.05p (as at 27 March 2021: 0.05p) each | | |
| **As at 28 March 2020** | 404,705,886 | – |
| Allotted on exercise of options during the year | 158,473 | – |
| **As at 27 March 2021** | 404,864,359 | – |
| Allotted on exercise of options during the year | 242,942 | – |
| **As at 2 April 2022** | **405,107,301** | **–** |

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 53 weeks to 2 April 2022, the Company entered into agreements to purchase £150 million of its own shares excluding stamp duty, as part of a share buyback programme (last year: £nil). Own shares purchased by the Company, as part of a share buyback programme, are classified as treasury shares and their cost offset against retained earnings, as the amounts paid reduce the profits available for distribution by the Company. 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 53 weeks to 2 April 2022, no treasury shares were cancelled (last year: no treasury shares were cancelled).

As at 2 April 2022 the Company held 8.4 million treasury shares (last year: nil), with a market value of £140 million based on the share price at the reporting date (last year: £nil).

The cost of shares purchased by ESOP trusts are offset against retained earnings, as the amounts paid reduce the profits available for distribution by the Company. As at 2 April 2022, the amount of own shares held by ESOP trusts and offset against retained earnings is £11 million (last year: £13 million). As at 2 April 2022, the ESOP trusts held 0.6 million shares (last year: 0.8 million) in the Company, with a market value of £10 million (last year: £15 million). In the 53 weeks to 2 April 2022 the ESOP trusts and the Company have waived their entitlement to dividends.

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.

## 25. Share capital and reserves continued

| | Capital reserve £m | Hedging reserves: Cash flow hedges £m | Hedging reserves: Net investment hedge £m | Foreign currency translation reserve £m | Total £m |
|---|---|---|---|---|---|
| **Balance as at 28 March 2020** | 41 | – | 5 | 245 | 291 |
| Other comprehensive income: | | | | | |
| Cash flow hedges – losses deferred in equity | – | (1) | – | – | (1) |
| Cash flow hedges – losses transferred to cost of sales | – | 1 | – | – | 1 |
| Foreign currency translation differences | – | – | – | (51) | (51) |
| Tax on other comprehensive income | – | – | – | 2 | 2 |
| **Total comprehensive loss for the year** | **–** | **–** | **–** | **(49)** | **(49)** |
| **Balance as at 27 March 2021** | 41 | – | 5 | 196 | 242 |
| Other comprehensive income: | | | | | |
| Cash flow hedges – losses deferred in equity | – | (1) | – | – | (1) |
| Foreign currency translation differences | – | – | – | 22 | 22 |
| Total comprehensive loss for the year | – | (1) | – | 22 | 21 |
| **Balance as at 2 April 2022** | **41** | **(1)** | **5** | **218** | **263** |

As at 2 April 2022 the amount held in the hedging reserve relating to matured net investment hedges is £5 million net of tax (last year: £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 2 April 2022 £m** | As at 27 March 2021 £m |
|---|---|---|
| Amounts falling due: | | |
| Within 1 year | **6** | 6 |
| Between 2 and 5 years | **31** | 59 |
| After 5 years | **30** | 49 |
| **Total** | **67** | 114 |

## 27. Capital commitments

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.

| | **As at 2 April 2022 £m** | As at 27 March 2021 £m |
|---|---|---|
| Capital commitments contracted but not provided for: | | |
| Property, plant and equipment | **29** | 25 |
| Intangible assets | **2** | 3 |
| **Total** | **31** | 28 |

## 28. Financial risk management

The Group's principal financial instruments comprise derivative instruments, cash and cash equivalents, borrowings (including overdrafts), deferred consideration, 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 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. The Group uses derivative instruments to hedge certain risk exposures. 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.

**Market risk**

*Foreign exchange risk*

The Group operates internationally and is exposed to foreign exchange risk arising from various non-sterling currencies.

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 million. Currently, the Group does not hedge anticipated 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.

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 53 weeks ending 2 April 2022 (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 2 April 2022 (last year: no outstanding net investment hedges).

At 2 April 2022, the Group has performed a sensitivity analysis to determine the effect of sterling strengthening/weakening by 10% (last year: 10%) 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 million (last year: increase/decrease £1 million). The effect on translating forward foreign exchange contracts designated as cash flow hedges would have been to decrease/increase equity by £5 million (last year: decrease/increase £1 million) on a post-tax basis.

## 28. Financial risk management continued

**Market risk continued**

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 2 April 2022** | | | As at 27 March 2021 | | |
|---|---|---|---|---|---|---|
| | **Monetary assets £m** | **Monetary liabilities £m** | **Net £m** | Monetary assets £m | Monetary liabilities £m | Net £m |
| Sterling | **1** | **(10)** | **(9)** | – | (1) | (1) |
| US Dollar | **–** | **(13)** | **(13)** | 2 | (9) | (7) |
| Euro | **15** | **(47)** | **(32)** | 24 | (54) | (30) |
| Chinese Yuan Renminbi | **9** | **–** | **9** | 4 | – | 4 |
| Other currencies | **5** | **(32)** | **(27)** | 7 | (11) | (4) |
| **Total** | **30** | **(102)** | **(72)** | 37 | (75) | (38) |

*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 2 April 2022 are £45 million (last year: £45 million) due to cash pool overdrafts. The fixed rate financial liabilities at 2 April 2022 are borrowings of £298 million (last year: £297 million). 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 £nil (last year: £nil) lower/higher, as a result of higher/lower interest expense.

The floating rate financial assets as at 2 April 2022 comprise short-term deposits of £1,097 million (last year: £1,072 million), interest bearing current accounts of £6 million (last year: £42 million) and cash pool asset balances of £41 million (last year: £48 million). At 2 April 2022, 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 £9 million (last year: £7 million) higher/lower, as a result of higher/lower interest income.

**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 5% of the total balance due (last year: 4%). 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.

## 28. Financial risk management continued

**Credit risk continued**

At 28 March 2020, management increased the expected credit 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) were identified as having a significantly elevated credit risk and were provided for on a specific basis. During the 53 weeks to 2 April 2022 and 52 weeks to 27 March 2021, the expected credit loss rates have been reassessed, taking into account the experience of losses incurred during the year and changes in market conditions at 2 April 2022 and 27 March 2021 compared to the previous year end. As a result of these reassessments, management has reduced some of the expected credit loss rates. A reversal to the impairment provision of £1 million (last year: £3 million), resulting from the reduction in credit loss rate assumption, has been recorded as an adjusting item. The remaining increase of £nil (last year: reduction £1 million), arising from changes in the value and quality of the receivables portfolio, has been included in adjusted operating profit.

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

| As at 2 April 2022 | 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 % | **2%** | **5%** | **5%** | **5%** | **63%** | |
| Gross carrying amount trade receivables | **111** | **21** | **9** | **6** | **4** | **151** |
| Loss allowance | **(3)** | **(1)** | **(1)** | **–** | **(2)** | **(7)** |
| As at 27 March 2021 | | | | | | |
| **Trade receivables** | | | | | | |
| Expected loss rate % | 3% | 6% | 15% | 19% | 62% | |
| Gross carrying amount trade receivables | 132 | 14 | 3 | 2 | 4 | 155 |
| Loss allowance | (4) | (1) | (1) | – | (2) | (8) |

The closing loss allowances for receivables reconcile as follows:

| | Receivables £m |
|---|---|
| **As at 28 March 2020** | 19 |
| Effect of foreign exchange rate changes | (1) |
| Impairment provision recognised in profit or loss during the year | 3 |
| Receivables written off during the year as uncollectable | (4) |
| Unused amount reversed | (9) |
| **As at 27 March 2021** | **8** |
| Effect of foreign exchange rate changes | – |
| Impairment provision recognised in profit or loss during the year | 1 |
| Receivables written off during the year as uncollectable | – |
| Unused amount reversed | (2) |
| **As at 2 April 2022** | **7** |

In aggregate, as at 2 April 2022 , the movement in the impairment provision on trade and other receivables and recorded in the Income Statement was a reversal of £1 million, of which £1 million relates to contracts with customers and £nil relates to other receivables (last year: reversal of £6 million of which £4 million related to contracts with customers and £2 million related to other receivables). A reversal of £1 million is presented as an adjusting item (last year: £5 million), being a partial reversal of the adjusting item charge of £11 million in the year ending 26 March 2020, relating to the one-off impact of COVID-19 on expected credit losses. Refer to note 6.

## 28. Financial risk management continued

**Credit risk continued**

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 2 April 2022 of £7 million is 5% of the amounts receivable (last year: 5%). Due to the remaining uncertainty regarding the outcome of COVID-19 and its impact on the global economy, management considers that this expected loss allowance, while representing management's 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.

*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.

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 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 2 April 2022, the discounted fair value of the loan is £14 million (last year: £15 million). The book value of the loan, recorded at amortised cost, is £13 million (last year: £14 million). Other than this arrangement, the Group does not hold any other collateral as security. Management considers that the security provided by the mortgage is sufficient risk mitigation and hence the credit loss relating to this receivable is not significant.

*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 million (last year: £7 million) was held with institutions with a rating below 'A' at 2 April 2022. These amounts are monitored on a weekly basis by the Treasury Committee.

**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, 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 £218 million (last year: £225 million).

## 28. Financial risk management continued

**Liquidity risk continued**

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 2 April 2022** | | | As at 27 March 2021 | | |
|---|---|---|---|---|---|---|
| | **Lease liabilities £m** | **Other £m** | **Total £m** | Lease liabilities £m | Other £m | Total £m |
| In more than 1 year, but not more than 2 years | **169** | **10** | **179** | 165 | 6 | 171 |
| In more than 2 years, but not more than 3 years | **158** | **–** | **158** | 126 | 9 | 135 |
| In more than 3 years, but not more than 4 years | **136** | **300** | **436** | 116 | – | 116 |
| In more than 4 years, but not more than 5 years | **112** | **–** | **112** | 99 | 300 | 399 |
| In more than 5 years | **362** | **–** | **362** | 390 | 2 | 392 |
| **Total financial liabilities** | **937** | **310** | **1247** | 896 | 317 | 1,213 |

As at 2 April 2022, other non-current financial liabilities relate to borrowings of £298 million (refer to note 24) and other payables (last year: borrowings of £297 million and other payables).

**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 a solid investment grade credit rating. 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 inorganic strategic investment and
- to the extent that there is surplus capital to these needs, provide additional returns to shareholders

At 2 April 2022, the Group had net cash of £1,177 million (last year: £1,216 million), borrowings of £298 million (last year: £297 million) and total equity excluding non-controlling interests of £1,611 million (last year: £1,557 million). The borrowings at 2 April 2022 relate to medium term notes with a face value of £300 million (last year: £300 million). For further details refer to note 24. Potential additional sources of funding available to the Group include additional bank facilities, 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.

Having considered the future cash generation, growth, productivity and investment plans, taking into consideration the current challenging external environment and relevant financial parameters, the Group decided to continue the share buyback programme it began in May 2016. During the year ended 2 April 2022, the Company entered into agreements to purchase £150 million (last year: £nil) of its own shares as part of the programme. For further details refer to note 23.

## 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 186 to 213 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.

| | **53 weeks to 2 April 2022 £m** | 52 weeks to 27 March 2021 £m |
|---|---|---|
| Wages and salaries | **446** | 420 |
| Termination benefits | **10** | 14 |
| Social security costs | **57** | 50 |
| Share-based compensation (all awards and options settled in shares) | **16** | 12 |
| Pension costs | **18** | 17 |
| **Total** | **547** | 513 |

Employee costs include a charge of £10 million (last year: charge of £21 million) arising as a result of the Group's restructuring programmes and a charge of £nil (last year: £4 million) relating to employee profit sharing agreements on the sale of property in France, 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 | |
|---|---|---|
| | **53 weeks to 2 April 2022** | 52 weeks to 27 March 2021 |
| EMEIA[1] | **4,478** | 4,819 |
| Americas | **1,292** | 1,410 |
| Asia Pacific | **3,209** | 3,005 |
| **Total** | **8,979** | 9,234 |

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

Pension costs include contributions to the Group's defined contribution plan for eligible employees.

**Shares and 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 share awards have been valued using the closing price of an ordinary share at the date of grant.

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.

## 29. Employee costs continued

**Shares and share options granted to directors and employees continued**

*The Burberry Share Plan 2020 ('the BSP')*

The BSP was approved by shareholders and adopted by the Company in the year ended 27 March 2021 to replace the Burberry Group plc Executive Share Plan ('ESP') as the Group's main long-term incentive plan.

Under the BSP rules, participants may be awarded either conditional share awards or phantom awards, up to a maximum value of three times base salary per annum. Awards may be subject to performance underpins. If the Company does not meet one or more of the performance underpins over the relevant vesting period, the Remuneration Committee would consider whether it is appropriate to scale back the level of pay-out under the BSP award. For the BSP awards made to the executive directors, 1/3 of the award will vest on the third anniversary of the grant date, 1/3 of the award will vest on the fourth anniversary of the grant date and the remaining balance of the award will vest on the fifth anniversary of the grant date.

Awards made to senior employees will not be subject to performance conditions or underpins and will vest in full on the third anniversary of the grant date, subject to continued employment.

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

| | | | | | Targets | |
|---|---|---|---|---|---|---|
| Date of grant | Options granted | Fair value | Participant group | Performance conditions/underpins | Threshold | Maximum |
| 27 July 2021 | 723,336 | £20.85 | Management | Continued service | N/A | N/A |
| 27 July 2021 | 52,111 | £20.85 | Executive Directors | Underpins: Total revenue | £2,400m | N/A |
| | | | | Brand and sustainability | Reasonable progress | N/A |
| 18 November 2021 | 6,761 | £19.50 | Management | Continued service | N/A | N/A |

The fair values for the above grants are equivalent to the closing price of an ordinary share on the grant date as follows:

| | 27 July 2021 | 18 November 2021 |
|---|---|---|
| Share price at contract commencement date | £20.85 | £19.50 |

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 BSP share awards outstanding are as follows:

| | **53 weeks to 2 April 2022** |
|---|---|
| Outstanding at start of year | **1,424,090** |
| Granted during the year | **782,208** |
| Lapsed and forfeited during the year | **(350,708)** |
| Exercised in the year | **(153,780)** |
| **Outstanding at end of year** | **1,701,810** |

## 29. Employee costs continued

**Shares and share options granted to directors and employees continued**

*The Burberry Share Plan 2020 ('the BSP') continued*

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

| Term of the award | Number of awards as at 2 April 2022 |
|---|---|
| 20 August 2020 – 20 August 2025 | **71,323** |
| 20 August 2020 – 23 July 2023 | **772,852** |
| 19 November 2020 – 19 November 2023 | **6,933** |
| 23 November 2020 – 23 November 2022 | **117,453** |
| 27 July 2021 – 27 July 2026 | **52,111** |
| 27 July 2021 – 27 July 2024 | **674,377** |
| 18 November 2021 – 23 July 2023 | **884** |
| 18 November 2021 – 18 November 2024 | **5,877** |
| **Total** | **1,701,810** |

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

The ESP was approved by the shareholders and adopted by the Company in the year ended 31 March 2015 with the final grant made on 27 February 2020.

Under the ESP, participants were awarded shares, structured as either nil-cost options, conditional share awards or phantom awards, up to a maximum value of normally 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 prior year will vest 15% if the threshold target is met. Dependent on the outcome of the performance 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 Group adjusted PBT growth; 25% based on annual Group revenue growth; and 25% based on adjusted retail/wholesale ROIC.

The non-market performance conditions for 2018 ESP awards which have not vested are as follows: awards made to senior management are subject to two non-market performance conditions and will be measured 50% based on annual adjusted Group PBT growth and 50% based on annual Group revenue growth. The non-market performance conditions for 2019 ESP awards which have not vested are as follows: awards made to senior management are subject to three non-market performance conditions and will be measured 50% based on annual adjusted Group PBT growth and 25% based on annual Group revenue growth and 25% based on adjusted retail/wholesale ROIC.

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

## 29. Employee costs continued

**Shares and share options granted to directors and employees continued**

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

The threshold and maximum targets for the ESP awards that are still within the initial vesting period as at 2 April 2022 are:

| Year of grant | Participant group | Performance conditions | Number of awards outstanding as at 2 April 2022 | Targets | |
|---|---|---|---|---|---|
| | | | | Threshold | Maximum |
| FY18/19 | Management | Continued service | 60,660 | N/A | N/A |
| FY18/19 | Senior | 3-year growth in Group adjusted PBT | | – | 7.5% |
| | Management | 3-year growth in Group revenue | 2,771 | 1.0% | 5.5% |
| FY18/19 | Senior Leadership | 3-year growth in Group adjusted PBT | | – | 7.5% |
| | Team | 3-year growth in Group revenue | | 1.0% | 5.5% |
| | | 3-year average retail/wholesale adjusted ROIC | 8,138 | 13.5% | 17.0% |
| FY19/20 | Management | Continued service | 142,840 | N/A | N/A |
| FY19/20 | Senior | 3-year growth in Group adjusted PBT | | 4.0% | 12.0% |
| | Management | 3-year growth in Group revenue | | 3.0% | 8.0% |
| | | 3-year average retail/wholesale adjusted ROIC | 638,226 | 13.5% | 17.0% |
| FY19/20 | Senior Leadership | 3-year growth in Group adjusted PBT | | 4.0% | 12.0% |
| | Team | 3-year growth in Group revenue | | 3.0% | 8.0% |
| | | 3-year average retail/wholesale adjusted ROIC | 277,875 | 13.5% | 17.0% |

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:

| | **53 weeks to 2 April 2022** | 52 weeks to 27 March 2021 |
|---|---|---|
| Outstanding at start of year | **2,691,413** | 4,441,274 |
| Granted during the year | **–** | – |
| Lapsed and forfeited during the year | **(1,259,441)** | (1,586,130) |
| Exercised during the year | **(172,931)** | (163,731) |
| **Outstanding at end of year** | **1,259,041** | 2,691,413 |
| **Exercisable at end of year** | **128,531** | 164,017 |

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

| **Term of the award** | **Number of awards as at 2 April 2022** | Number of awards as at 27 March 2021 |
|---|---|---|
| 22 July 2015 – 22 July 2025 | **15,141** | 23,720 |
| 18 November 2015 – 18 November 2025 | **395** | 395 |
| 30 January 2017 – 30 January 2027 | **30,007** | 101,627 |
| 31 July 2017 – 31 July 2027 | **53,407** | 101,376 |
| 31 July 2018 – 31 July 2028 | **96,361** | 1,104,278 |
| 19 November 2018 – 19 November 2028 | **4,561** | 19,104 |
| 31 July 2018 – 31 July 2028 | **–** | 680 |
| 31 July 2019 – 31 July 2029 | **1,030,596** | 1,309,733 |
| 20 November 2019 – 20 November 2029 | **5,932** | 7,859 |
| 27 February 2020 – 27 February 2030 | **22,641** | 22,641 |
| **Total** | **1,259,041** | 2,691,413 |

## 29. Employee costs continued

**Shares and share options granted to directors and employees continued**

*One-off awards*

The Company grants conditional share awards as one-off awards. Some of these awards vest in tranches, 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 for certain awards.

During the year, conditional share awards over 359,252 ordinary shares were granted as seven one-off awards.

On 18 November 2021, three conditional share awards over 19,874 ordinary shares were granted which vest between 11 March 2022 and 15 March 2024. On 15 March 2022, four conditional share awards over 339,378 ordinary shares were granted which vest between 15 June 2022 and 18 November 2024.

The fair values for the above grants have been determined by applying the closing price of an ordinary share on the grant date. The key factors used in determining the fair value were as follows:

| | 18 November 2021 | 15 March 2022 |
|---|---|---|
| Share price at contract commencement date | £19.50 | £15.92 |

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

| | **53 weeks to 2 April 2022** | 52 weeks to 27 March 2021 |
|---|---|---|
| Outstanding at start of year | **785,371** | 865,473 |
| Granted during the year | **359,252** | 26,184 |
| Lapsed and forfeited during the year | **(13,375)** | – |
| Exercised during the year | **(68,200)** | (106,286) |
| **Outstanding at end of year** | **1,063,048** | 785,371 |
| **Exercisable at end of year** | **31,311** | 83,611 |

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

| **Term of the award** | **Number of awards as at 2 April 2022** | Number of awards as at 27 March 2021 |
|---|---|---|
| 18 November 2015 – 18 November 2025 | **10,271** | 17,974 |
| 30 January 2017 – 22 December 2026 | **17,553** | 22,539 |
| 08 February 2018 – 07 February 2028 | | 34,696 |
| 31 July 2018 – 31 July 2028 | **667,626** | 667,626 |
| 12 February 2019 – 12 February 2029 | **3,487** | 24,937 |
| 19 February 2020 – 21 November 2022 | **7,467** | 17,599 |
| 18 November 2021 – 21 August 2023 | **1,706** | |
| 18 November 2021 31 January 2024 | **11,041** | |
| 18 November 2021 – 15 March 2024 | **4,519** | |
| 15 March 2022 – 20 March 2023 | **3,412** | |
| 15 March 2022 – 15 June 2024 | **325,856** | |
| 15 March 2022 – 18 November 2024 | **10,110** | |
| **Total** | **1,063,048** | 785,371 |

## 29. Employee costs continued

**Shares and share options granted to directors and employees continued**

*Other schemes*

The Group also grants to employees options under the Burberry Group plc Sharesave Plan 2011 ('Sharesave') and free shares under a Burberry Group plc Share Incentive Plan (SIP) for employees in the UK and the Burberry Group plc International Free Share Plan (IFSP) for employees outside the UK. In the 53 weeks to 2 April 2022 and the 52 weeks to 27 March 2021, options were granted under Sharesave with a three-year and five-year vesting period.

Additional awards were granted under a SIP and IFSP, 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.

## 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:

| | **53 weeks to 2 April 2022 £m** | 52 weeks to 27 March 2021 £m |
|---|---|---|
| Salaries, short-term benefits and social security costs[1] | **8** | 8 |
| Termination benefits | **–** | 1 |
| Share-based compensation (all awards and options settled in shares) | **1** | 1 |
| **Total** | **9** | 10 |

1. Pension cash allowance is included within salaries, short-term benefits and social security costs

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 2 April 2022, 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 2 April 2022.

| Company name | Country/territory 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 W.L.L.[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 | Mainland 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., China | Ordinary shares | 100 | 11 |
| Burberry Asia Limited | Hong Kong S.A.R., China | Ordinary shares | 100 | 11 |
| Burberry China Holdings Limited | Hong Kong S.A.R., China | 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<br>Ordinary B shares | 100<br>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 S.A.R., China | Quota | 100 | 20 |
| Burberry (Malaysia) Sdn. Bhd. | Malaysia | Ordinary shares | 100 | 21 |
| Horseferry México S.A. de C.V. | Mexico | Ordinary (fixed) shares<br>Ordinary (variable) shares | 100<br>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 | 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 | 100 | 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 | 31 |
| Burberry (Suisse) SA[1] | Switzerland | Ordinary shares | 100 | 32 |
| Burberry (Taiwan) Co., Ltd | Taiwan Area, China | Common shares | 100 | 33 |
| Burberry (Thailand) Limited | Thailand | Common shares | 100 | 34 |

## 31. Subsidiary undertakings and investments continued

| Company name | Country of incorporation | Interest | Holding (%) | Registered Office |
|---|---|---|---|---|
| Burberry Turkey Giyim Toptan Ve Perakende Satış Limited Şirketi | Turkey | Ordinary shares | 100 | 35 |
| Burberry FZ-LLC | United Arab Emirates | Ordinary shares | 100 | 36 |
| Burberry Middle East LLC[3] | United Arab Emirates | Ordinary shares | 49 | 37 |
| Burberry (Espana) Holdings Limited | United Kingdom | Ordinary shares | 100 | 38 |
| Burberry (No. 7) Unlimited | United Kingdom | Ordinary shares | 100 | 38 |
| Burberry (UK) Limited | United Kingdom | Ordinary shares | 100 | 38 |
| Burberry Beauty Limited[1,4] | United Kingdom | Ordinary shares | 100 | 38 |
| Burberry Distribution Limited[1,4] | United Kingdom | Ordinary shares | 100 | 38 |
| Burberry Europe Holdings Limited[1] | United Kingdom | Ordinary shares | 100 | 38 |
| Burberry Finance Limited | United Kingdom | Ordinary shares | 100 | 38 |
| Burberry Haymarket Limited[1] | United Kingdom | Ordinary shares | 100 | 38 |
| Burberry Holdings Limited | United Kingdom | Ordinary shares | 100 | 38 |
| Burberry International Holdings Limited[1] | United Kingdom | Ordinary shares | 100 | 38 |
| Burberry Latin America Limited | United Kingdom | Ordinary shares | 100 | 38 |
| Burberry Limited | United Kingdom | Ordinary shares | 100 | 38 |
| Burberry London Limited | United Kingdom | Ordinary shares | 100 | 38 |
| Burberry Treasury Limited[1,4] | United Kingdom | Ordinary shares | 100 | 38 |
| Burberrys Limited[1] | United Kingdom | Ordinary shares | 100 | 38 |
| Hampstead (UK) Limited[1, 4] | United Kingdom | Ordinary shares | 100 | 38 |
| Sweet Street Developments Limited | United Kingdom | Ordinary shares | 100 | 38 |
| The Scotch House Limited[1] | United Kingdom | Ordinary shares | 100 | 38 |
| Thomas Burberry Holdings Limited[1] | United Kingdom | Ordinary shares | 100 | 38 |
| Thomas Burberry Limited[1] | United Kingdom | Ordinary shares | 100 | 38 |
| Woodrow-Universal Limited[1] | United Kingdom | Ordinary shares | 100 | 38 |
| Woodrow-Universal Pension Trustee Limited[1] | 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[5] | United States | Common stock | 100 | 40 |
| Castleford Industries, Ltd. [5] | United States | Series A common stock | 100 | 40 |
| Castleford Tailors, Ltd. [5] | 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. An application for voluntary strike off was made on 25 March 2022.
5. Certificate of dissolution was filed on 28 March 2022.

## 31. Subsidiary undertakings and investments continued

| 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, Manama Center 316, Unit 8, Moda Mall, Manama, Bahrain |
| 4 | Boulevard de Waterloo 16, 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 Olímpia, CEP 04552-000, Brazil |
| 6 | 100 King Street West, 1 First Canadian Place, Suite 1600, Toronto ON M5X 1G5, Canada |
| 7 | 60th Floor (Actual Floor No.53), Wheelock Square, 1717 Nanjing West Road, Shanghai 200040, China |
| 8 | Praha 1, Pařížská 11/67, PSČ 11000, Czech Republic |
| 9 | 56A 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 |
| 12 | 1124 Budapest, Csörsz utca 49-51, Hungary |
| 13 | 3 A-1 Taj Apartment, Rao Tula Ram Marg, New Delhi, 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 Manzoni n.20, 20121, Milan |
| 17 | Via delle Fonti n.10, 50018 Scandicci |
| 18 | 5-14 Ginza 2-chome, Chuo-ku, Tokyo, Japan |
| 19 | Hawali, Street 276, Block 8, Plot 9301, 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 | Edgar Allan Poe 85-B, Col. Polanco, Delg. Miguel Hidalgo, Mexico City, 11560, Mexico |
| 23 | Pieter Cornelisz. Hooftstraat 48 H, -50, 1071BZ Amsterdam, Netherlands |
| 24 | Level 20, HSBC Tower, 188 Quay Street, Auckland, 1010, New Zealand |
| 25 | First Floor, Building No. 660, Street no. 364, Al Waab, Zone No.54, Al Marikh, Al Rayyan Municipality, 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, P.O.Box 359, 11411, Kingdom of Saudi Arabia |
| 29 | 391B Orchard Road, #15-02/03, Ngee Ann City, 238874, Singapore |
| 30 | Passeig de Gràcia, 56, 08007 Barcelona |
| 31 | Calle Valencia 640, 08026 Barcelona, Spain |
| 32 | Route de Chêne 30A, c/o L&S Trust Services SA, 1208 Genève, Switzerland |
| 33 | (105) 5F, No. 451, Changchun Rd., Taipei City, Taiwan |
| 34 | No. 989 Siam Piwat Tower, 12A Floor, Unit B1, B2, Rama I Road, Pathumwan Sub-district, Pathumwan District, Bangkok, Thailand |
| 35 | Reşitpaşa Mahallessi Eski Büyükdere Cad. Windowist Tower Sit. No: 26/1 Sariyer/Istanbul, Turkey |
| 36 | Dubai Design District, Premises: 301, 312, 313, 314 & 315, Floor: 03, Building: 08, Dubai, United Arab Emirates |
| 37 | Owned by Dubai Design District, Building 8, Level 3, PO Box 333266, Dubai, United Arab Emirates |
| 38 | Horseferry House, Horseferry Road, London, SW1P 2AW, 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 position.

# FIVE-YEAR SUMMARY (UNAUDITED)

| To end of year<br>Revenue by channel | 2018<br>£m | 2019<br>£m | Pro forma[5]<br>2020<br>£m | 2020<br>£m | 2021<br>£m | **2022<br>£m** |
|---|---|---|---|---|---|---|
| Retail | 2,176 | 2,186 | 2,110 | 2,110 | 1,910 | **2,273** |
| Wholesale | 527 | 488 | 476 | 476 | 396 | **512** |
| Retail/Wholesale | 2,703 | 2,674 | 2,586 | 2,586 | 2,306 | **2,785** |
| Licensing | 30 | 46 | 47 | 47 | 38 | **41** |
| **Total revenue** | 2,733 | 2,720 | 2,633 | 2,633 | 2,344 | **2,826** |
| **Profit by channel** | £m | £m | £m | £m | £m | **£m** |
| Retail/Wholesale[1] | 441 | 396 | 361 | 390 | 361 | **486** |
| Licensing | 26 | 42 | 43 | 43 | 35 | **37** |
| Adjusted operating profit[1] | 467 | 438 | 404 | 433 | 396 | **523** |
| **Segmental analysis of adjusted profit[1]** | % | % | % | % | % | **%** |
| Retail/Wholesale gross margin | 69.1 | 67.9 | 66.8 | 66.8 | 69.5 | **70.2** |
| Retail/Wholesale operating expenses as a percentage of sales | 52.8 | 53.1 | 52.8 | 51.7 | 53.8 | **52.7** |
| Retail/Wholesale operating margin | 16.3 | 14.8 | 14.0 | 15.1 | 15.7 | **17.5** |
| Licensing operating margin | 86.0 | 91.2 | 91.9 | 91.9 | 90.8 | **90.2** |
| Total operating margin | 17.1 | 16.1 | 15.3 | 16.4 | 16.9 | **18.5** |
| **Summary profit analysis** | £m | £m | £m | £m | £m | **£m** |
| Adjusted operating profit[1] | 467 | 438 | 404 | 433 | 396 | **523** |
| Net finance income/(expense)[1] | 4 | 5 | 6 | (19) | (30) | **(31)** |
| Adjusted profit before taxation[1] | 471 | 443 | 410 | 414 | 366 | **492** |
| Adjusting items | (58) | (2) | (245) | (245) | 125 | **19** |
| **Profit before taxation** | 413 | 441 | 165 | 169 | 491 | **511** |
| Taxation | (119) | (102) | (46) | (47) | (115) | **(114)** |
| Non-controlling interest | – | – | – | – | – | **(1)** |
| **Attributable profit** | 294 | 339 | 119 | 122 | 376 | **396** |
| **Retail/Wholesale revenue by product division** | £m | £m | £m | £m | £m | **£m** |
| Accessories | 1,047 | 1,013 | 948 | 948 | 841 | **1,017** |
| Women's | 808 | 837 | 797 | 797 | 653 | **784** |
| Men's | 647 | 698 | 715 | 715 | 668 | **807** |
| Children's/Other[2] | 201 | 126 | 127 | 127 | 145 | **177** |
| **Retail/Wholesale revenue by destination** | £m | £m | £m | £m | £m | **£m** |
| Asia Pacific | 1,089 | 1,104 | 1,041 | 1,041 | 1,203 | **1,276** |
| EMEIA[3] | 975 | 957 | 961 | 961 | 628 | **813** |
| Americas | 639 | 612 | 585 | 585 | 475 | **696** |
| **Financial KPIs** | % | % | % | % | % | **%** |
| Total revenue growth[4] | -1 | -1 | -4 | -4 | -10 | **+23** |
| Adjusted operating profit growth[1, 4] | +5 | +0 | -8 | -1 | -8 | **+38** |
| Adjusted Group return on invested capital (ROIC)[1, 6] | 16.3 | 15.5 | 13.5 | 20.0 | 17.0 | **24.6** |
| Comparable store sales growth | +3 | +2 | -3 | -3 | -9 | **+18** |
| Adjusted operating profit margin[1] | 17.1 | 16.1 | 15.3 | 16.4 | 16.9 | **19.0** |
| Adjusted diluted EPS growth[1] | +6 | +0 | -5 | -4 | -14 | **+49** |

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.
6. Prior to 2020, reported ROIC was measured on a retail/wholesale basis. From 2020 onwards, reported ROIC is measured on a Group basis and reflects the impact of the adoption of IFRS 16 on the measure.

| To end of year<br>Earnings and dividends | 2018<br>pence<br>per share | 2019<br>pence<br>per share | Pro forma<br>2020<br>pence<br>per share | 2020<br>pence<br>per share | 2021<br>pence<br>per share | **2022<br>pence<br>per share** |
|---|---|---|---|---|---|---|
| Adjusted earnings per share – diluted[1] | 82.1 | 82.1 | 77.9 | 78.7 | 67.3 | **94.0** |
| Earnings per share – diluted | 68.4 | 81.7 | 29.0 | 29.8 | 92.7 | **97.7** |
| Diluted weighted average number of ordinary shares (millions) | 429.4 | 415.1 | 409.0 | 409.0 | 405.1 | **404.8** |
| Dividend per share | | | | | | |
| Interim | 11.0 | 11.0 | 11.3 | 11.3 | – | **11.6** |
| Final | 30.3 | 31.5 | – | – | 42.5 | **35.4** |

| To end of year<br>Net cash flow | 2018<br>£m | 2019<br>£m | 2020<br>£m | 2021<br>£m | **2022<br>£m** |
|---|---|---|---|---|---|
| Adjusted operating profit | 467 | 438 | 433 | 396 | **523** |
| Adjusting items | (56) | (1) | (244) | 125 | **20** |
| Operating profit | 411 | 437 | 189 | 521 | **543** |
| Depreciation and amortisation | 130 | 116 | 331 | 277 | **313** |
| Employee share scheme costs | 17 | 16 | 3 | 12 | **16** |
| Decrease/(increase) in inventories | 37 | (59) | 27 | 21 | **(22)** |
| Decrease/(increase) in receivables | 68 | (55) | (10) | (39) | **(5)** |
| Increase/(decrease) in payables and provisions | 28 | 55 | (84) | (7) | **81** |
| Other cash items | 1 | 2 | – | (1) | **–** |
| Other non-cash items | 11 | 4 | 169 | (107) | **(17)** |
| **Cash flow from operations** | 703 | 516 | 625 | 677 | **909** |
| Net interest | 5 | 6 | (19) | (27) | **(30)** |
| Tax paid | (118) | (111) | (150) | (58) | **(180)** |
| Net cash flow from operations[2] | 590 | 411 | 456 | 592 | **699** |
| Capital expenditure | (106) | (111) | (149) | (115) | **(161)** |
| Proceeds from disposal of non-current assets | – | – | 3 | 27 | **8** |
| Initial direct costs of right-of-use assets | – | – | (6) | (3) | **(4)** |
| Payment of lease principal and other lease outflows | – | – | (238) | (152) | **(202)** |
| **Free cash flow** | 484 | 300 | 66 | 349 | **340** |
| Proceeds on disposal of Beauty operations and related licence | 150 | 1 | – | – | **–** |
| Acquisitions | (3) | (26) | (3) | (4) | **(10)** |
| Dividends | (169) | (171) | (175) | – | **(219)** |
| Purchase of shares through share buyback | (355) | (151) | (151) | – | **(153)** |
| Proceeds from borrowings | – | – | 300 | 595 | **–** |
| Repayment of borrowings | – | – | – | (600) | **–** |
| Other | (9) | (11) | 4 | 2 | **(4)** |
| Exchange difference | (15) | 2 | 9 | (13) | **7** |
| **Total movement in net cash** | 83 | (56) | 50 | 329 | **(39)** |
| **Net cash** | 892 | 837 | 887 | 1,216 | **1,777** |

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** | 2018 £m | 2019 £m | 2020 £m | 2021 £m | **2022 £m** |
|---|---|---|---|---|---|
| Intangible assets | 180 | 221 | 247 | 237 | **240** |
| Property, plant and equipment | 314 | 307 | 295 | 280 | **322** |
| Right-of-use assets | – | – | 834 | 818 | **880** |
| Inventories | 412 | 465 | 451 | 402 | **426** |
| Trade and other receivables | 276 | 321 | 306 | 322 | **328** |
| Trade and other payables | (629) | (702) | (550) | (492) | **(572)** |
| Lease liabilities | – | – | (1,126) | (1,020) | **(1,058)** |
| Taxation (including deferred taxation) | 85 | 98 | 214 | 148 | **221** |
| Net cash | 892 | 837 | 887 | 1,216 | **1,177** |
| Borrowings | – | – | (300) | (297) | **(298)** |
| Other net assets | (104) | (87) | (39) | (54) | **(49)** |
| **Net assets** | 1,426 | 1,460 | 1,219 | 1,560 | **1,617** |

| **Reconciliation of Adjusted Group ROIC as reported under IFRS 16** | 2019 £m | 2020 £m | 2021 £m | **2022 £m** |
|---|---|---|---|---|
| Adjusted operating profit[1] | | 433 | 396 | **523** |
| Adjusted profit effective tax rate[1] | | 22.3% | 25.4% | **22.2%** |
| Adjusted net operating profit after tax[1] | | 336 | 295 | **407** |
| | | | | |
| Net assets | 1,460 | 1,219 | 1,560 | **1,617** |
| Adjustments to net assets on adoption of IFRS 16 and IFRIC 23 | (62) | – | – | **–** |
| Deduct cash net of overdrafts | (837) | (887) | (1,216) | **(1,177)** |
| Add back borrowings | – | 300 | 297 | **298** |
| Add back lease debt | 1,045 | 1,125 | 1,019 | **1,058** |
| Deduct tax assets | (98) | (214) | (148) | **(221)** |
| Operating assets | 1,508 | 1,543 | 1,512 | **1,575** |
| Add back net liabilities related to adjusting items: | | | | |
| Deferred consideration | 22 | 18 | 17 | **8** |
| Restructuring liabilities/other | 27 | 253 | 128 | **63** |
| Adjusted operating assets | 1,557 | 1,815 | 1,657 | **1,646** |
| Average adjusted operating assets | – | 1,686 | 1,736 | **1,651** |
| **Adjusted Group ROIC** | – | 20.0% | 17.0% | **24.6%** |

1. Excludes the impact of adjusting items. Refer to note 2s for the Group's policy on adjusting items.

## COMPANY BALANCE SHEET

| | Note | **As at 2 April 2022 £m** | As at 27 March 2021 £m |
|---|---|---|---|
| **Fixed assets** | | | |
| Investments in subsidiaries | D | **1,535** | 1,651 |
| | | **1,535** | 1,651 |
| **Current assets** | | | |
| Trade and other receivables – amounts falling due after more than one year | E | **609** | 301 |
| Trade and other receivables – amounts falling due within one year | E | **1** | 95 |
| Cash at bank and in hand | | **1** | – |
| | | **611** | 396 |
| Creditors – amounts falling due within one year | F | **(60)** | (175) |
| **Net current assets** | | **551** | 221 |
| **Total assets less current liabilities** | | **2,086** | 1,872 |
| Creditors – amounts falling due after more than one year | F | **(123)** | – |
| Provisions for liabilities | | **–** | (1) |
| Borrowings | G | **(298)** | (297) |
| **Net assets** | | **1,665** | 1,574 |
| **Equity** | | | |
| Called up share capital | I | **–** | – |
| Share premium account | | **227** | 223 |
| Capital reserve | | **1** | 1 |
| Hedging reserve | | **–** | 5 |
| Profit and loss account | | **1,437** | 1,345 |
| **Total equity** | | **1,665** | 1,574 |

Profit for the year was £456 million (last year: £15 million). The directors consider that, at 2 April 2022, £701 million (last year: £686 million) of the profit and loss account is non-distributable.

The financial statements on pages 298 to 307 were approved and authorised for issue by the Board on 17 May 2022 and signed on its behalf by:

**Jonathan Akeroyd**
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 28 March 2020** | | – | 221 | 1 | 5 | 1,318 | 1,545 |
| Profit for the year | | – | – | – | – | 15 | 15 |
| Total comprehensive income for the year | | – | – | – | – | 15 | 15 |
| Employee share incentive schemes | | | | | | | |
| Equity share awards | | – | – | – | – | 12 | 12 |
| Exercise of share options | | – | 2 | – | – | – | 2 |
| **Balance as at 27 March 2021** | | – | 223 | 1 | 5 | 1,345 | 1,574 |
| Profit for the year | | – | – | – | – | 456 | 456 |
| Total comprehensive income for the year | | – | – | – | – | 456 | 456 |
| Employee share incentive schemes | | | | | | | |
| Equity share awards | | – | – | – | – | 16 | 16 |
| Exercise of share options | | – | 4 | – | – | – | 4 |
| Purchase of own shares | | | | | | | |
| Share buyback | I | – | – | – | – | (153) | (153) |
| Held by ESOP trusts | | – | – | – | – | (8) | (8) |
| Dividends paid in the year | J | – | – | – | – | (219) | (219) |
| Gains recognised in income | | – | – | – | (5) | – | (5) |
| **Balance as at 2 April 2022** | | **–** | **227** | **1** | **–** | **1,437** | **1,665** |

# NOTES TO THE COMPANY FINANCIAL STATEMENTS

## 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 consolidated financial statements of the Group have been prepared in accordance with the requirements of the Companies Act 2006 and UK-adopted International Accounting Standards. These consolidated financial statements have been prepared for public use and can be obtained at Horseferry House, Horseferry Road, London, SW1P 2AW.

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<br>• 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<br>• para 16 – statement of compliance with all IFRS<br>• para 38 – present comparative information in respect of paragraph 79(a)(iv) of IAS 1<br>• para 38A – requirement for minimum of two primary statements, including cash flow statements<br>• para 38B-D – additional comparative information<br>• para 111 – cash flow statement information<br>• 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<br>• 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

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 Company financial statements are prepared on a going concern basis as set out in note 1 of the Group consolidated financial statements of Burberry Group plc.

**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. Instruments used include awards and options. 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 option 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 share awards or 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 share awards or 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.

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 fair value less costs to sell 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). Investments for which an impairment has been previously recognised are reviewed for possible reversal of impairment at each reporting date.

## B. Accounting policies continued

**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.

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 expires.

At initial recognition, all financial liabilities are stated at fair value. 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. Financial assets are classified as either amortised cost or fair value through profit and loss depending on their cash flow characteristics. Assets with cash flows that represent solely payments of principal and interest are measured at amortised cost. 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.

The Company classifies its instruments in the following categories:

| 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 receivables | E | Fair value through profit and loss | Fair value through profit and loss |
| Trade and other payables | F | Other financial liabilities | Amortised cost |
| Borrowings | G | 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. Cash at bank and in hand held at amortised cost is subject to impairment testing each period end.

## B. Accounting policies continued

**Financial instruments continued**

*Trade and other receivables*

Trade and other receivables are included in current assets. Trade and other receivables with maturities greater than 12 months after the balance sheet date are classified in trade and other receivables amounts falling due after more than one year. The assessment of maturities of loan receivables takes into consideration any intention to renew the loan, where the loan is provided under a facility which has a maturity of more than 12 months from the balance sheet date. Most 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. The amount of the movement in the provision is recognised in the Income Statement.

Cash settled equity swaps are classified as fair value through profit and loss.

*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*

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.

**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 (closing rate). Exchange differences on monetary items are recognised in the Income Statement in the period in which they arise.

## B. Accounting policies continued

**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 and judgements

**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 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. There were no key sources of estimation uncertainty for the 53 weeks to 2 April 2022.

**Key judgements in applying the Company's accounting policies**

Judgements are those decisions made when applying accounting policies which have a significant impact on the amounts recognised in the Company's financial statements. Further details of the Company's accounting policies are provided in note B. There were no key judgements arising in the current year or prior year that have a significant impact on the amounts recognised in the Company's financial statements for the 53 weeks to 2 April 2022 and the 52 weeks to 27 March 2021.

## D. Investments in subsidiaries

| | £m |
|---|---|
| **As at 27 March 2021** | 1,651 |
| Additions | 15 |
| Distributions received | (131) |
| **As at 2 April 2022** | **1,535** |

During the year, the Company's investment of £131 million in Burberry Beauty Limited was recovered in full through a dividend distributed as part of the corporate simplification activities. The Company also increased its investments in Burberry Limited by £15 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 value in use has been estimated using management's best estimates of future cash generation of its investments.

The Company has not impaired the carrying value of its investments, other than as noted above, 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 2 April 2022 £m | As at 27 March 2021 £m |
|---|---|---|
| Amounts owed by Group companies | **608** | 300 |
| Prepayments | **1** | 1 |
| **Trade and other receivables – amounts falling due after more than one year** | **609** | 301 |
| | | |
| Amounts owed by Group companies | **1** | 91 |
| Other financial receivables | **–** | 3 |
| Prepayments | **–** | 1 |
| **Trade and other receivables – amounts falling due within one year** | **1** | 95 |
| **Total trade and other receivables** | **610** | 396 |

All amounts owed by Group companies are interest bearing and unsecured.

Included within amounts owed by Group companies falling due after more than one year are interest bearing loans receivable of £300 million with a facility maturity date of 21 September 2025 and £308 million with a facility maturity date of 1 March 2024. The interest rates applied to these loans are 1.125% and SONIA + adjustment spread +0.9%, respectively.

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

## F. Creditors

| | As at 2 April 2022 £m | As at 27 March 2021 £m |
|---|---|---|
| Amounts owed to Group companies | **123** | – |
| **Creditors – amounts falling due after more than one year** | **123** | – |

| | As at 2 April 2022 £m | As at 27 March 2021 £m |
|---|---|---|
| Amounts owed to Group companies | **59** | 175 |
| Other payables | **1** | – |
| **Creditors – amounts falling due within one year** | **60** | 175 |
| **Total creditors** | **183** | 175 |

Amounts owed to Group companies falling due after more than one year include interest bearing loans of £123 million (last year: £nil). The interest rate earned is set annually and was based on LIBOR plus 0.9% at the most recent update. These loans are unsecured and repayable on 17 June 2024.

Amounts owed to Group companies falling due within one year are unsecured, interest free and repayable on demand (last year: £122 million of interest bearing loans repayable on 17 June 2021, LIBOR plus 0.9%).

## G. Borrowings

On 21 September 2020, Burberry Group plc issued medium term notes with a face value of £300 million maturing on 21 September 2025 (the sustainability bond). Proceeds from the sustainability bond will allow the Group to finance projects which support the Group's sustainability agenda. There are no financial penalties for not using the proceeds as anticipated. Interest on the sustainability bond is payable semi-annually.

During the year ending 2 April 2022 the non-cash changes to borrowings amounted to £1 million.

## H. Credit risk

The Company's principal financial instruments comprise cash, borrowings, 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 2 April 2022 comprise £609 million owed by Burberry Limited, and £1 million owed by other Group companies (last year: £391 million owed by Burberry Limited).

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. 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 as at 2 April 2022.

**Other financial assets**

With respect to credit risk arising from other financial assets, which comprise cash and certain other receivables, 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.

## I. 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 27 March 2021 | 404,864,359 | – |
| Allotted on exercise of options during the year | 242,942 | – |
| **As at 2 April 2022** | **405,107,301** | **–** |

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 53 weeks to 2 April 2022, the Company entered into agreements to purchase £150 million of its own shares, excluding stamp duty, as part of a share buyback programme (last year: £nil). Own shares purchased by the Company, as part of a share buyback 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 53 weeks to 2 April 2022, no treasury shares were cancelled (last year: nil).

As at 2 April 2022 the Company held 8.4 million treasury shares (last year: nil), with a market value of £140 million based on the share price at the reporting date (last year: £nil).

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.

## I. Called up share capital continued

As at 2 April 2022, the amount of own shares held by ESOP trusts and offset against retained earnings is £11 million (last year: £13 million). As at 2 April 2022, the ESOP trusts held 0.6 million shares (last year: 0.8 million) in the Company, with a market value of £10 million (last year: £15 million). In the 53 weeks to 2 April 2022 the ESOP trusts and the Company have waived their entitlement to dividends.

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

## J. Dividends

| | **53 weeks to 2 April 2022 £m** | 52 weeks to 27 March 2021 £m |
|---|---|---|
| Prior year final dividend paid 42.5p per share (prior year: nil) | **172** | – |
| Interim dividend paid 11.6p per share (prior year: nil) | **47** | – |
| **Total** | **219** | – |

A final dividend in respect of the 53 weeks to 2 April 2022 of 35.4p (last year: 42.5p) per share, amounting to £140 million, has been proposed for approval by the shareholders at the Annual General Meeting subsequent to the balance sheet date. The final dividend has not been recognised as a liability at the year end and will be paid on 5 August 2022 to the shareholders on the register at the close of business on 1 July 2022. The ex-dividend date is 30 June 2022 and the final day for dividend reinvestment plan ('DRIP') elections is 15 July 2022.

## K. Financial guarantees

On 26 July 2021, the Group entered into a new £300 million multi-currency sustainability linked revolving credit facility (RCF) with a syndicate of banks replacing the previous £300 million RCF that had been in place since 2014. In March 2020, the Group drew down on the RCF in full and it was repaid in full in June 2020. There were no drawdowns or repayments of the RCF during the current year and at 2 April 2022, there were £nil outstanding drawings.

The Group is in compliance with the financial and other covenants within the facilities and has been in compliance throughout the financial period.

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 these financial guarantees, as at 2 April 2022, 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 these loan facilities. Each guarantor, including Burberry Group plc, would be liable to cover the amounts outstanding, including principal and interest elements.

## L. 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).

## M. Employee costs

The Company has no employees and therefore no employee costs are included in these financial statements for the 53 weeks to 2 April 2022 (last year: £nil).

# SHAREHOLDER INFORMATION

## General shareholder enquiries

Enquiries relating to shareholdings, such as the transfer of shares, change of name or address, lost share certificates or dividend cheques, should be referred to the Company's registrar at:

Equiniti
Aspect House
Spencer Road, Lancing West Sussex, BN99 6DA
Tel: 0371 384 2839 (Lines are open 8.30am to 5.30pm, Monday to Friday.)
Please dial +44 121 415 0804 if calling from outside the UK or see help.shareview.co.uk for additional information.

## American Depositary Receipts

We have a sponsored Level 1 American Depositary Receipt (ADR) programme to enable USA investors to purchase ADRs in US Dollars. Each ADR represents one Burberry ordinary share.

For queries relating to ADRs in Burberry, please use the following contact details:

BNY Mellon Shareowner Services
P.O. BOX 505000 Louisville, KY 40233-5000
Tel: toll free within the USA: +1 888 269 2377
Tel: international: +1 201 680 6825
Email enquiries: shrrelations@cpushareownerservices.com
Website: www.mybnymdr.com

## Managing your shares online

Shareholders and employees can manage their Burberry holdings online by registering with Shareview, a secure online platform provided by Equiniti. Registration is a straightforward process and allows shareholders to:

- access information on their shareholdings, including share balance and dividend information
- sign up for electronic shareholder communications
- buy and sell shares
- update their records following a change of address
- have dividends paid into their bank account
- vote by proxy online in advance of general meetings of the Company

Burberry encourages shareholders to sign up for electronic communication as it allows information to be disseminated quickly and efficiently and also reduces paper usage, which makes a valuable contribution to our global footprint.

## Website

The investor section of Burberry Group plc's website, Burberryplc.com, contains a wide range of information including:

- Regulatory news
- Share price information
- Dividend history, share analysis and the investment calculator
- Financial results announcements
- Frequently asked questions
- Financial calendar

It is also possible to sign up to receive email alerts for RNS news and press releases relating to Burberry Group plc at www.burberryplc.com/en/alerts.html.

## Annual General Meeting

Our AGM will be held at Horseferry House 2, 1a Page Street, London, SW1P 4PQ, on Tuesday, 12 July 2022. The Notice of Meeting, which includes details of the business to be conducted at the meeting, is available on our Company website at Burberryplc.com.

Further to shareholder approval at the 2021 AGM, this will be our first hybrid meeting allowing shareholders to choose whether to physically attend the meeting or to fully participate virtually including asking live questions and voting, via our online platform. Shareholders should refrain from attending the meeting if they have COVID-19, are feeling unwell or are experiencing symptoms of COVID-19 or have recently been in contact with anyone who has tested positive.

The voting results for the 2022 AGM will also be accessible on Burberryplc.com shortly after the meeting.

## Our privacy policy

Please see the privacy policy on www.burberryplc.com/en/investors/shareholder-centre/shareholder-privacy-notice.html for details on how Burberry collects and uses shareholder personal information.

## Dividends

An interim dividend for FY 2021/22 of 11.6p per ordinary share was paid on 28 January 2022. A final dividend of 35.4p per share has been proposed and, subject to approval at the AGM on 12 July 2022, will be paid according to the following timetable:

| | |
|---|---|
| Ex-dividend date: | 30 June 2022 |
| Final dividend record date: | 1 July 2022 |
| Deadline for return of DRIP mandate forms: | 15 July 2022 |
| Final dividend payment date: | 5 August 2022 |

The ADR local payment date will be approximately five business days after the proposed dividend payment date for ordinary shareholders.

Dividends can be paid by BACS directly into a UK bank account, with the dividend confirmation being sent to the shareholder's address. This is the easiest way for shareholders to receive dividend payments and avoids the risk of lost or out-of-date cheques. A dividend mandate form is available from Equiniti or online at www.shareview.co.uk/info/directdividends.

If you are a UK taxpayer, please note that you are eligible for a tax-free Dividend Allowance of £2,000 in each tax year.

Any dividends received above this amount will be subject to taxation. Dividends paid on shares held within pensions and Individual Savings Accounts (ISAs) will continue to be tax-free. Further information can be found at www.gov.uk/tax-on-dividends.

## Dividends payable in foreign currencies

Equiniti is able to pay dividends to shareholder bank accounts in over 30 currencies worldwide through the Overseas Payment Service. An administrative fee will be deducted from each dividend payment. Further details can be obtained from Equiniti or online at www.shareview.co.uk/info/ops.

## Dividend Reinvestment Plan

Our Dividend Reinvestment Plan (DRIP) enables shareholders to use their dividends to buy further Burberry shares. Full details of the DRIP can be obtained from Equiniti or online at www.shareview.co.uk/info/drip.

## Duplicate accounts

Shareholders who have more than one account due to inconsistency in account details may avoid duplicate mailings by contacting Equiniti and requesting the amalgamation of their share accounts.

## Electronic communication

Shareholders may at any time choose to receive all shareholder documentation in electronic form via the internet, rather than in paper format. Shareholders who decide to register for this option will receive an email each time a shareholder document is published on the internet. Shareholders who wish to receive documentation in electronic form should register online at www.shareview.co.uk.

Equiniti offers a range of shareholder information and services online at www.shareview.co.uk. A textphone facility for those with hearing difficulties is available by calling: 0371 384 2255. Lines are open 8.30am to 5.30pm, Monday to Friday.

## Financial calendar

| | |
|---|---|
| AGM: | 12 July 2022 |
| First quarter trading update: | 15 July 2022 |
| Interim results announcement: | November 2022 |
| Third quarter trading update: | January 2023 |
| Preliminary results announcement: | May 2023 |

## Registered office

Burberry Group plc
Horseferry House
Horseferry Road
London SW1P 2AW
Registered in England and Wales
Registered Number 03458224
Burberryplc.com

## Share dealing

Burberry Group plc shares can be traded through most banks, building societies or stock brokers. Equiniti offers a telephone and internet dealing service. Terms and conditions and details of the commission charges are available on request.

For telephone dealing, please telephone 0345 603 7037 between 8.00am and 4.30pm, Monday to Friday, and for internet dealing visit www.shareview.co.uk/dealing.

Shareholders will need their reference number which can be found on their share certificate.

## ShareGift

Shareholders with a small number of shares, the value of which makes them uneconomical to sell, may wish to consider donating their shares to charity through ShareGift, a donation scheme operated by The Orr Mackintosh Foundation. A ShareGift donation form can be obtained from Equiniti. Further information is available at www.sharegift.org or by telephone on 0207 930 3737.

## Tips on protecting your information

- Keep any documentation that contains your shareholder reference number in a safe place and shred any unwanted documentation
- Inform our registrar, Equiniti, promptly when you change address
- Be aware of dividend payment dates and contact the registrar if you do not receive your dividend cheque or, better still, make arrangements to have the dividend paid directly into your bank account
- Consider holding your shares electronically in a CREST account via a nominee

## Unauthorised brokers (boiler room scams)

Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount, or offers of free company reports. These are typically from overseas-based "brokers" who target UK shareholders offering to sell them what often turn out to be worthless or high-risk shares in USA or UK investments. These operations are commonly known as boiler rooms.

If you receive any unsolicited investment advice, get the correct name of the person and organisation, and check that they are properly authorised by the FCA before getting involved. This can be done by visiting www.fca.org.uk/register/.

If you deal with an unauthorised firm, you will not be eligible to receive payment under the Financial Services Compensation Scheme if things go wrong.

If you think you have been approached by an unauthorised firm, you should contact the FCA consumer helpline on 0800 111 6768.

More detailed information can be found on the FCA website at www.fca.org.uk/consumers/protect-yourself/unauthorised-firms.