FINANCIAL STATEMENTS

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

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

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

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

Each of the directors, whose names and functions are listed on pages 94 to 97 confirm that, to the best of their knowledge:

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

These statements were approved by the Board on 15 May 2019 and signed on its behalf by:

MARCO GOBBETTI
Chief Executive Officer

JULIE BROWN
Chief Operating and Financial Officer

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

In our opinion:

- Burberry Group plc's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 30 March 2019 and of the Group's profit and cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standard's (IFRSs) as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report, which comprise: the Group Balance sheet as at 30 March 2019, the Group Income Statement and Group Statement of Comprehensive Income for the year then ended, the Group Statement of Changes in Equity for the year then ended, the Group Statement of Cash Flows for the year then ended, and the Company Balance Sheet as at 30 March 2019, the Company Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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

BASIS FOR OPINION

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

INDEPENDENCE

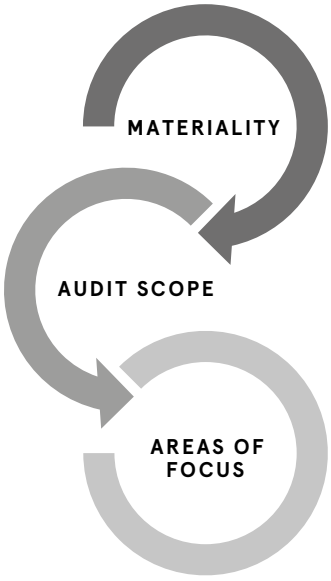
We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities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

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

Other than those disclosed in note 8 to the financial statements, we have provided no non-audit services to the Group or the Company in the period from 1 April 2018 to 30 March 2019.

OUR AUDIT APPROACH

OVERVIEW



- Overall Group materiality: £20 million (last year: £20 million), based on 5% of profit before tax.
- Overall Company materiality: £16 million (last year: £16 million), based on 1% of total assets.

- We conducted audit work over seven reporting units across five territories in which the Group has significant operations.
- The reporting units where we performed an audit of their complete financial information account for 74% of Group revenue and 82% of Group profit before tax.
- The Group engagement team visited, in person, all component audit teams, attended audit clearance meetings and discussed the audit approach and findings with those teams.
- We maintained regular contact with our component teams and evaluated the outcome of their audit work.

- Inventory provisioning.
- Impairment of property, plant and equipment and onerous lease provisions.
- Uncertain tax positions.
- Presentation of results and non-GAAP measures.

THE SCOPE OF OUR AUDIT

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

CAPABILITY OF THE AUDIT IN DETECTING IRREGULARITIES, INCLUDING FRAUD

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

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

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

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Inventory provisioning	
The Group manufactures and sells luxury goods and is subject to changing consumer demands and fashion trends, increasing the level of judgement involved in estimating inventory provisions (inventory as at 30 March 2019: £465.1 million; refer to note 17 to the financial statements). This key audit matter includes the consideration of inventory provisions relating to both finished goods and raw materials. Judgement is required to assess the appropriate level of provisioning for items that may be exited or sold below cost, particularly in light of current uncertain trading conditions and the Group's strategy to elevate the brand and manage creative transition. The judgement relates to management's expectations for future sales based on current forecasts, and its intentions with respect to alternative exit routes for inventory.	For both finished goods and raw materials, we critically assessed the basis for the inventory provisions, the consistency of provisioning in line with the Group's policy and the rationale for the recording of specific provisions in the context of management's product strategy. In doing so we tested the provision calculations and determined that they appropriately took into account the ageing profile of inventory, the process for identifying specific problem inventory and historical loss rates. We assessed the key assumptions in management's estimates including expected future use of both raw materials and finished goods. Given the announcement made by the Group in September 2018 that it would no longer destroy fashion finished goods, we have worked to understand management's latest plans for exiting problem stock, and ensured that the inventory provision appropriately reflected the impact of changes in planned exit routes. As a result, we satisfied ourselves that both finished goods and raw materials inventory provisions have been prepared in line with policy and have been calculated and recorded based on historical sales information, as well as appropriately taking into account management's intentions with respect to future sales and inventory exit routes.
Impairment of property, plant and equipment and onerous retail lease provisions	
The Group has a material operational asset base which may be vulnerable to impairment in the event of trading performance being below expectations. The value-in-use models used to determine the amount of any impairment charge are based on assumptions, including revenue forecasts and margins, which are store specific, and discount rates, which are country specific (refer to note 14 to the financial statements). Such stores may be located in both emerging markets, which are typically more volatile, as well as more established economies such as the US, where the Group is working towards elevating its position within the market. The same judgements are used in determining whether an onerous lease provision is required on a retail store and in calculating the appropriate amount of the provision. In addition, judgement is required in assessing whether there are any alternative uses for stores which may affect the amount of onerous lease provision required. As set in note 14 to the financial statements, management's assessment resulted in the recognition of a net charge for the year ended 30 March 2019 of £11.2 million, including £7.5 million for store impairments and £3.7 million for onerous retail store leases. We focussed on this area because of the inherent judgement involved in determining key assumptions such as future sales growth, profit margins and discount rates, and the magnitude of the assets under consideration and lease obligations.	We tested management's assessment of indicators for both impairment and onerous lease provisions taking into consideration the challenging trading conditions in some territories, and are satisfied that they appropriately reflect internal and external impairment indicators, including the trading performance of each store. We tested the value-in-use models for assets where an impairment trigger or potential requirement for an onerous lease provision has been identified, including challenging management forecasts and other assumptions such as discount rates and long-term growth rates, and found that these assumptions were reasonable. In particular we focused on the forecasts for sales growth and are satisfied that they reflect reasonable expectations for each store, taking into account the store's maturity, the market in which it is located and management's specific plans for improving store performance. Given the judgement inherent in the impairment and onerous lease provision calculations, particularly relating to revenue growth assumptions, management has disclosed a sensitivity analysis in the financial statements (refer to note 14 to the financial statements). Having re-performed the sensitivity calculations and considered whether any other sensitivities might be more appropriate, we are satisfied that the financial statements adequately disclose the potential risk of future impairment if the performance of the stores with indicators of impairment does not meet management's expectations.

Key audit matter	How our audit addressed the key audit matter
Uncertain tax positions	
The Group operates in a multi-national tax environment which, together with its centralised operating model, means it is subject to tax risks associated with transfer pricing. As at 30 March 2019, the Group has current income taxes payable of £37.1 million. Where the amount of tax payable is uncertain, the Group establishes provisions based on management's best estimate of the most likely outcome. There is inherent judgement and estimation uncertainty involved in determining provisions for uncertain tax positions, as described by management in note 1.	In conjunction with our tax specialists, we evaluated management's rationale in relation to the level of tax provisions recognised. We considered the status of recent and current tax audits as well as discussions with HMRC and local tax authorities in relation to transfer pricing arrangements. We utilised our specialist tax knowledge and experience of similar situations elsewhere to assess management's judgements. We reviewed the disclosures within the financial statements to verify that the impact of the estimates taken was clearly explained. In addition, together with our tax specialists, we have assessed management's estimate of the potential variability of outcomes of these provisions, as summarised in note 1, and concluded that this disclosure is reasonable. Overall, we found the level of provisioning and the related disclosures to be appropriate.
Presentation of results and non-GAAP measures	
Management use a number of adjusted measures to explain business performance. There is a risk that the use of such measures means that the overall presentation of results is not fair, balanced and understandable. In the year ended 30 March 2019 the Group has identified four adjusting items, being the gain on disposal of Beauty operations, restructuring costs, revaluation of deferred consideration liability and the finance charge thereon (refer to note 6 and note 7 to the financial statements).	We considered management's recognition of adjusting items and the related presentation and accompanying disclosures and are satisfied that the selection of adjusting items is consistent with prior years, is in line with management's accounting policies and is adequately explained in the financial statements. We noted no instances of inappropriate or inconsistent presentation of results and non-GAAP measures. Specifically, we are satisfied that non-GAAP measures are adequately explained and reconciled to GAAP measures.

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

HOW WE TAILORED THE AUDIT SCOPE

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

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

The financial statements are a consolidation of 98 reporting units, comprising the Group's operating businesses and holding companies across the two segments.

Based on our risk and materiality assessments, we determined which reporting units required an audit of their complete financial information having considered the relative significance of each entity to the Group, locations with significant inherent risks and the overall coverage obtained over each material line item in the consolidated financial statements. We identified seven reporting units which, in our view, required an audit of their complete financial information, either due to their size or their risk characteristics. Included within these seven components was the parent Company. These reporting units are located in China, Hong Kong, and Korea and two are located in each of the US and the UK. We used local teams in these countries to perform those full scope audits relating to the relevant reporting units.

Of these, three reporting units have been determined to be financially significant based on their contribution to Group revenue or profit before taxation. The scope of work, together with additional procedures performed at the Group level in relation primarily to the consolidation, taxation, litigation, impairment and earnings per share, accounted for 74% (last year: 74%) of Group revenue and 82% (last year: 80%) of Group profit before taxation.

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

We issued formal written instructions to all component auditors setting out the audit work to be performed at each of them. The Group team visited reporting units in the UK, US, China, Hong Kong and Korea during the course of the year in order to attend local management meetings. Throughout the year, the Group audit team held regular meetings with all component teams at all stages of the audit to direct and supervise the work of these local teams and to ensure that we had a full and comprehensive understanding of the results of their work – particularly insofar as it related to the identified areas of focus. The Group engagement team also reviewed selected audit working papers for certain component teams.

MATERIALITY

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

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

	Group financial statements	Company financial statements
Overall materiality	£20 million (last year: £20 million).	£16 million (last year: £16 million).
How we determined it	5% of profit before tax.	1% of total assets.
Rationale for benchmark applied	Burberry is a profit oriented entity and hence profit before taxation has been selected as the benchmark.	We determined materiality based on total assets, which is more applicable than a performance-related measure as the Company is an investment holding company for the Group.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £4 million and £18 million.

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

GOING CONCERN

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

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Group's and the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.
We are required to report if the directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

REPORTING ON OTHER INFORMATION

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

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

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

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

Strategic Report and Directors' Report
In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the 52 weeks to 30 March 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

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

The directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group
We have nothing material to add or draw attention to regarding:

- The directors' confirmation on pages 88 to 89 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The directors' explanation on pages 88 to 89 of the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

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

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

- The statement given by the directors, on page 152, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company obtained in the course of performing our audit.
- The section of the Annual Report on page 117 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

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

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Responsibilities of the directors for the financial statements
As explained more fully in the Statement of Directors' Responsibilities set out on page 152, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

USE OF THIS REPORT

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

OTHER REQUIRED REPORTING

COMPANIES ACT 2006 EXCEPTION REPORTING

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

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

We have no exceptions to report arising from this responsibility.

APPOINTMENT

Based on available records, we were appointed by the members prior to 31 March 1968 to audit the financial statements for at least the year ended 31 March 1968 and subsequent financial periods. The period of total uninterrupted engagement is at least 52 years, covering the years ended 31 March 1968 to 30 March 2019.

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

London
15 May 2019

GROUP INCOME STATEMENT

	Note	52 weeks to 30 March 2019 £m	Year to 31 March 2018 £m
Revenue	3	**2,720.2**	2,732.8
Cost of sales		**(859.4)**	(835.4)
Gross profit		**1,860.8**	1,897.4
Net operating expenses	4	**(1,423.6)**	(1,487.1)
Operating profit		**437.2**	410.3
Financing			
Finance income		**8.7**	7.8
Finance expense		**(3.6)**	(3.5)
Other financing charge		**(1.7)**	(2.0)
Net finance income	9	**3.4**	2.3
Profit before taxation	5	**440.6**	412.6
Taxation	10	**(101.5)**	(119.0)
Profit for the year		**339.1**	293.6
Attributable to:			
Owners of the Company		**339.3**	293.5
Non-controlling interest		**(0.2)**	0.1
Profit for the year		**339.1**	293.6
Earnings per share			
Basic	11	**82.3p**	68.9p
Diluted	11	**81.7p**	68.4p
		£m	£m
Reconciliation of adjusted profit before taxation:			
Profit before taxation		**440.6**	412.6
Adjusting items:			
Adjusting operating items	5	**0.9**	56.3
Adjusting financing items	5	**1.7**	2.0
Adjusted profit before taxation – non-GAAP measure		**443.2**	470.9
Adjusted earnings per share – non-GAAP measure			
Basic	11	**82.7p**	82.8p
Diluted	11	**82.1p**	82.1p
Dividends per share			
Interim	12	**11.0p**	11.0p
Proposed final (not recognised as a liability at 30 March/31 March)	12	**31.5p**	30.3p

GROUP STATEMENT OF COMPREHENSIVE INCOME

	Note	**52 weeks to 30 March 2019 £m**	Year to 31 March 2018 £m
Profit for the year		**339.1**	293.6
Other comprehensive income[1]:			
Cash flow hedges	23	**(2.1)**	(10.0)
Net investment hedges	23	**1.6**	2.3
Foreign currency translation differences		**14.6**	(50.2)
Tax on other comprehensive income:			
Cash flow hedges	10	**0.4**	1.9
Net investment hedges	10	**(0.2)**	(0.4)
Foreign currency translation differences	10	**(1.3)**	3.6
Other comprehensive income for the year, net of tax		**13.0**	(52.8)
Total comprehensive income for the year		**352.1**	240.8
Total comprehensive income attributable to:			
Owners of the Company		**352.0**	241.2
Non-controlling interest		**0.1**	(0.4)
		352.1	240.8

1. All items included in other comprehensive income may subsequently be reclassified to profit and loss in a future period.

GROUP BALANCE SHEET

	Note	As at 30 March 2019 £m	As at 31 March 2018 £m
ASSETS			
Non-current assets			
Intangible assets	13	**221.0**	180.1
Property, plant and equipment	14	**306.9**	313.6
Investment properties		**2.5**	2.6
Deferred tax assets	15	**123.1**	115.5
Trade and other receivables	16	**70.1**	69.2
Derivative financial assets	18	**–**	0.3
		723.6	681.3
Current assets			
Inventories	17	**465.1**	411.8
Trade and other receivables	16	**251.1**	206.3
Derivative financial assets	18	**3.0**	1.6
Income tax receivables		**14.9**	6.7
Cash and cash equivalents	19	**874.5**	915.3
		1,608.6	1,541.7
Total assets		**2,332.2**	2,223.0
LIABILITIES			
Non-current liabilities			
Trade and other payables	20	**(176.5)**	(168.1)
Deferred tax liabilities	15	**(3.4)**	(4.2)
Derivative financial liabilities	18	**(0.1)**	(0.1)
Retirement benefit obligations		**(1.4)**	(0.9)
Provisions for other liabilities and charges	21	**(50.7)**	(71.4)
		(232.1)	(244.7)
Current liabilities			
Bank overdrafts	22	**(37.2)**	(23.2)
Derivative financial liabilities	18	**(5.5)**	(3.8)
Trade and other payables	20	**(525.7)**	(460.9)
Provisions for other liabilities and charges	21	**(34.6)**	(32.1)
Income tax liabilities		**(37.1)**	(32.9)
		(640.1)	(552.9)
Total liabilities		**(872.2)**	(797.6)
Net assets		**1,460.0**	1,425.4
EQUITY			
Capital and reserves attributable to owners of the Company			
Ordinary share capital	23	**0.2**	0.2
Share premium account		**216.9**	214.6
Capital reserve	23	**41.1**	41.1
Hedging reserve	23	**3.5**	3.8
Foreign currency translation reserve	23	**227.7**	214.7
Retained earnings		**965.6**	946.1
Equity attributable to owners of the Company		**1,455.0**	1,420.5
Non-controlling interest in equity		**5.0**	4.9
Total equity		**1,460.0**	1,425.4

The consolidated financial statements of Burberry Group plc (registered number 03458224) on pages 160 to 210 were approved by the Board on 15 May 2019 and signed on its behalf by:

MARCO GOBBETTI
Chief Executive Officer

JULIE BROWN
Chief Operating and Chief Financial Officer

		Attributable to owners of the Company						
	Note	Ordinary share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling interest £m	Total equity £m
Balance as at 31 March 2017		**0.2**	**211.4**	**311.9**	**1,169.0**	**1,692.5**	**5.3**	**1,697.8**
Profit for the year		–	–	–	293.5	293.5	0.1	293.6
Other comprehensive income:								
Cash flow hedges	23	–	–	(10.0)	–	(10.0)	–	(10.0)
Net investment hedges	23	–	–	2.3	–	2.3	–	2.3
Foreign currency translation differences	23	–	–	(49.7)	–	(49.7)	(0.5)	(50.2)
Tax on other comprehensive income	23	–	–	5.1	–	5.1	–	5.1
Total comprehensive income for the year		–	–	(52.3)	293.5	241.2	(0.4)	240.8
Transactions with owners:								
Employee share incentive schemes								
Value of share options granted		–	–	–	17.1	17.1	–	17.1
Value of share options transferred to liabilities		–	–	–	(0.4)	(0.4)	–	(0.4)
Tax on share options granted		–	–	–	(0.1)	(0.1)	–	(0.1)
Exercise of share options		–	3.2	–	–	3.2	–	3.2
Purchase of own shares								
Share buy-back		–	–	–	(351.7)	(351.7)	–	(351.7)
Held by ESOP trusts		–	–	–	(11.9)	(11.9)	–	(11.9)
Dividends paid in the year		–	–	–	(169.4)	(169.4)	–	(169.4)
Balance as at 31 March 2018		**0.2**	**214.6**	**259.6**	**946.1**	**1,420.5**	**4.9**	**1,425.4**
Adjustment on initial application of IFRS 9		–	–	–	(0.2)	(0.2)	–	(0.2)
Adjusted balance as at 1 April 2018		**0.2**	**214.6**	**259.6**	**945.9**	**1,420.3**	**4.9**	**1,425.2**
Profit for the year		–	–	–	339.3	339.3	(0.2)	339.1
Other comprehensive income:								
Cash flow hedges	23	–	–	(2.1)	–	(2.1)	–	(2.1)
Net investment hedges	23	–	–	1.6	–	1.6	–	1.6
Foreign currency translation differences	23	–	–	14.3	–	14.3	0.3	14.6
Tax on other comprehensive income	23	–	–	(1.1)	–	(1.1)	–	(1.1)
Total comprehensive income for the year		–	–	12.7	339.3	352.0	0.1	352.1
Transactions with owners:								
Employee share incentive schemes								
Value of share options granted		–	–	–	15.7	15.7	–	15.7
Value of share options transferred to liabilities		–	–	–	(2.5)	(2.5)	–	(2.5)
Tax on share options granted		–	–	–	1.8	1.8	–	1.8
Exercise of share options		–	2.3	–	–	2.3	–	2.3
Purchase of own shares								
Share buy-back		–	–	–	(150.7)	(150.7)	–	(150.7)
Held by ESOP trusts		–	–	–	(12.8)	(12.8)	–	(12.8)
Dividends paid in the year		–	–	–	(171.1)	(171.1)	–	(171.1)
Balance as at 30 March 2019		**0.2**	**216.9**	**272.3**	**965.6**	**1,455.0**	**5.0**	**1,460.0**

GROUP STATEMENT OF CASH FLOWS

	Note	52 weeks to 30 March 2019 £m	Year to 31 March 2018 £m
Cash flows from operating activities			
Operating profit		**437.2**	410.3
Depreciation	14	**87.2**	105.8
Amortisation	13	**28.6**	25.5
Net impairment of intangible assets	13	**3.9**	6.5
Net impairment of property, plant and equipment	14	**7.9**	10.7
Loss on disposal of property, plant and equipment and intangible assets		**1.2**	2.7
Gain on disposal of Beauty operations	6	**(6.9)**	(5.2)
Gain on derivative instruments		**(2.4)**	(3.5)
Charge in respect of employee share incentive schemes		**15.7**	17.1
Receipt from settlement of equity swap contracts		**2.5**	0.5
(Increase) / decrease in inventories		**(59.3)**	37.2
(Increase) / decrease in receivables		**(54.6)**	68.1
Increase in payables and provisions		**54.9**	115.5
Cash generated from operating activities		**515.9**	791.2
Interest received		**8.1**	7.2
Interest paid		**(1.8)**	(1.6)
Taxation paid		**(110.8)**	(118.4)
Net cash generated from operating activities		**411.4**	678.4
Cash flows from investing activities			
Purchase of property, plant and equipment		**(62.6)**	(57.5)
Purchase of intangible assets		**(48.0)**	(48.5)
Proceeds from disposal of Beauty operations, net of cash costs paid	6	**0.6**	61.1
Acquisition of subsidiary	28	**(14.5)**	–
Net cash outflow from investing activities		**(124.5)**	(44.9)
Cash flows from financing activities			
Dividends paid in the year	12	**(171.1)**	(169.4)
Payment to non-controlling interest	20	**(11.1)**	(3.0)
Issue of ordinary share capital		**2.3**	3.2
Purchase of own shares through share buy-back	23	**(150.7)**	(355.0)
Purchase of own shares by ESOP trusts		**(12.8)**	(11.9)
Net cash outflow from financing activities		**(343.4)**	(536.1)
Net (decrease) / increase in cash and cash equivalents		**(56.5)**	97.4
Effect of exchange rate changes		**1.7**	(14.5)
Cash and cash equivalents at beginning of year		**892.1**	809.2
Cash and cash equivalents at end of year		**837.3**	892.1

	Note	As at 30 March 2019 £m	As at 31 March 2018 £m
Cash and cash equivalents as per the Balance Sheet	19	**874.5**	915.3
Bank overdrafts	22	**(37.2)**	(23.2)
Net cash		**837.3**	892.1

1. BASIS OF PREPARATION

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

The consolidated financial statements of the Group have been prepared in accordance with the European Union endorsed International Financial Reporting Standards (IFRSs), IFRS Interpretations Committee (IFRS IC) interpretations and parts of the Companies Act 2006 applicable to companies reporting under IFRS. These consolidated financial statements have been prepared under the historical cost convention, except as modified by the revaluation of certain financial assets and financial liabilities at fair value through profit or loss.

Taking into account reasonable possible changes in trading performance, and after making enquiries, the Directors consider it appropriate to continue to adopt the going concern basis in preparing the financial statements for the 52 weeks to 30 March 2019.

New accounting policy adopted in the period

The following accounting policy was adopted for the first time in the financial statements for the 52 weeks to 30 March 2019:

Accounting reference date

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

New standards adopted in the period

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

IFRS 9 Financial Instruments

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

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

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

- The standard simplifies the mixed measurement model contained in IAS 39 and establishes three primary measurement categories for financial assets: amortised cost; fair value through Other Comprehensive Income (OCI); and fair value through profit and loss. The classification of financial assets is based on the business model in which the asset is managed and its contracted cash flow characteristics. The application of the new standard has resulted in a change in classification of some financial instruments to reflect the new measurement categories. The most significant impact for the Group is that cash equivalents held in money market funds will be classified as fair value through profit and loss whereas they were previously measured at amortised cost. However, as the Group only invests in low volatility funds, this change in measurement basis has not had any impact on the book value of cash equivalents. The impact of this change relating to cash and cash equivalents is set out in note 19.
- There are no other classification impacts other than the description applied to financial instruments. The Group's classification and measurement of financial instruments under IFRS 9 and IAS 39 is set out in accounting policy note 2q.
- IFRS 9 introduces a forward-looking impairment model based on expected credit losses on financial assets. This has had a minor effect on the measurement of the Group's bad debt provisions, as credit losses are recognised earlier than under IAS 39.
- There are also revised disclosure requirements for financial instruments. Comparative information has not been restated.

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

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

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

1. BASIS OF PREPARATION (CONTINUED)

New standards adopted in the period (continued)

The impact, net of tax, of the transition to IFRS 9 on financial assets and retained earnings as at 1 April 2018 was to decrease retained earnings by £0.2 million, decrease current trade and other receivables by £0.3 million and to decrease current tax liabilities by £0.1 million. This IFRS 9 adoption adjustment relates to the different approach to measuring impairment of receivables under IFRS 9 compared to IAS 39. Refer to the Group Statement of Changes in Equity on page 163.

IFRS 15 Revenue from Contracts with Customers

The Group adopted IFRS 15 Revenue from Contracts with Customers, for the period commencing 1 April 2018. This standard addresses the way that revenue derived from contracts with customers is recognised in the financial statements. It replaces IAS 18 Revenue and IAS 11 Construction Contracts. The Group's new accounting policy for revenue, together with the previous policy, are set out in note 2a.

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

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

- Revenue derived from digital retail sales is recognised when the goods are delivered to the customer. Under IAS 18, revenue was previously recognised when the goods were dispatched to the customer. The impact of this change on the current year results is a reduction in revenue of £1.4 million for the 52 weeks to 30 March 2019 and a corresponding increase in contract liabilities of £1.4 million as at 30 March 2019.
- Payments made to customers for services they provide, directly relating to sales to that customer, are recognised as a reduction in revenue, unless in exchange for a distinct good or service. These payments were previously recognised as operating expenses under IAS 18. The impact on the income statement, for the 52 weeks to 30 March 2019, is to reclassify charges of £1.8 million from operating expenses to revenue.
- Amounts received from customers relating to performance obligations not yet completed are classified as contract liabilities. These amounts were previously classified as deferred income under IAS 18. Contract liabilities are disclosed in note 20 for the current reporting period. The primary statements are not impacted by this change in classification.

Standards not yet adopted

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

IFRS 16 Leases

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

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

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

The Group has made the following additional implementation options:

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

1. BASIS OF PREPARATION (CONTINUED)

Standards not yet adopted (continued)

IFRS 16 Leases (continued)

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

- Recognition of lease liabilities of approximately £1.0 billion to £1.2 billion. This compares to undiscounted lease off balance sheet commitments reported under IAS 17 of £0.9 billion (see note 24). The additional liabilities compared to commitments, having taken account of discounting in the measurement of lease liabilities, relates to amounts payable to the end of the lease term where the lease term under IFRS 16 is in excess of the minimum contractual commitment. The lease liabilities are measured using discount rates in the range of 1% to 9%.
- Recognition of ROU assets of approximately £1.0 billion to £1.2 billion, taking into account lease prepayments and incentives reported on the Balance Sheet at 30 March 2019.
- Replacement of minimum lease payments for operating leases with lease interest expense and depreciation of the ROU asset. Minimum lease payments for operating leases in the year to 30 March 2019 are £243 million (see note 5). It is anticipated that profit before tax will be approximately £10 million to £30 million lower than under current accounting standards.

IFRIC 23

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

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.

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

Impairment of property, plant and equipment and onerous lease provisions

Property, plant and equipment is 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 on the basis of management's assumptions and estimates in the period. Where the recoverable amount of the cash generating unit is negative, the need for an onerous lease provision in relation to the committed future minimum lease payments is considered. Refer to note 14 for further details of property, plant and equipment and impairment reviews carried out in the period. Refer to note 21 for further details of onerous lease provisions.

1. BASIS OF PREPARATION (CONTINUED)

Key sources of estimation uncertainty (continued)

Inventory provisioning

The Group manufactures and sells luxury goods and is subject to changing consumer demands and fashion trends. As a result, it is necessary to consider the recoverability of the cost of inventories and the associated provisioning required. When calculating inventory provisions, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials. Refer to note 17 for further details of the carrying value of inventory.

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 the expected outcome. Given the inherent uncertainty in assessing tax outcomes, which may prove binary in nature, we could, in future periods, experience adjustments to these tax liabilities that have a material positive or negative effect on our results for a particular period.

During the next year it is possible that some or all of the current disputes are resolved. Management estimate that the outcome across all matters under dispute or in negotiation between governments could be an increase or decrease of £5 million to £10 million relative to the current tax liabilities recognised at 30 March 2019. This would have an impact of approximately 1% to 2% on the Group's effective tax rate.

Key judgements in applying the Group's accounting policies

Judgements are those decisions made when applying accounting policies which have a significant impact on the amounts recognised in the Group financial statements. Further details of the Group's accounting policies are provided in note 2. Key judgements that have a significant impact on the amounts recognised in the Group financial statements are discussed below.

There were no key judgements arising in the current period.

Key judgements relating to prior periods

Payment in relation to disposal of Beauty operations

The Group received £130 million upon completion of the disposal of the Beauty operations and the granting of a licence for Beauty products to the acquirer, completed in April 2017. Management has applied judgement in assessing the nature of the payment in order to determine the correct accounting treatment. Management has determined that the payment represents both consideration received for the disposal of the Beauty operations as well as upfront revenue for the ongoing licence. In order to identify the payment that relates to the licence, management prepared a market-based valuation of the ongoing licence using the relief-from-royalty method, based on key assumptions including future sales projections and royalty rates. Management also prepared a discounted cash flow calculation to determine the fair value of the Beauty operations transferred. The results of these two valuations were used to allocate the upfront sum between the licence (royalty revenue) and proceeds on disposal. A change in the allocation of the proceeds would result in a higher or lower gain on disposal and a corresponding decrease or increase in the recognition of licence revenue over the term of the licence. Refer to note 6 for further details.

2. ACCOUNTING POLICIES

The principal accounting policies of the Group are:

a) Revenue

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

Retail and wholesale revenue

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

Some wholesale contracts may require the Group to make payments to the wholesale customer, for services directly relating to the sale of the Group's goods, such as the cost of staff handling the Group's goods at the wholesaler. Payments to the customer directly relating to the sale of goods to the customer are recognised as a reduction in revenue, unless in exchange for a distinct good or service.

2. ACCOUNTING POLICIES (CONTINUED)

a) Revenue (continued)

Retail and wholesale revenue (continued)

These charges are recognised in revenue at the later of when the sale of the related goods to the customer is recognised or when the customer is paid, or promised to be paid, for the service. Payments to the customer relating to a service which is distinct from the sale of goods to the customer are recognised in operating costs.

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

Licensing revenue

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

Revenue accounting policy applied in the comparative period

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

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

b) Segment reporting

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

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

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

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

c) Business combinations

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

d) Share schemes

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

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 awards, with a corresponding increase in equity.

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

e) Leases

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

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

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

f) Dividend distributions

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

g) Pension costs

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

h) Intangible assets

Goodwill

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

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

Trademarks, licences and other intangible assets

The cost of securing and renewing trademarks and licences, and the cost of acquiring other intangible assets, such as key money, 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 lease or 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

The cost of acquiring computer software (including licences and separately identifiable development costs) is capitalised as an intangible asset at purchase price, plus any directly attributable cost of preparing that asset for its intended use. Software costs are amortised on a straight-line basis over their estimated useful lives, which may be up to seven years.

i) Property, plant and equipment

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

2. ACCOUNTING POLICIES (CONTINUED)

i) Property, plant and equipment (continued)

Depreciation

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

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

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

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

j) Impairment of non-financial assets

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

k) Investment properties

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

l) Discontinued operations and assets classified as held for sale

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

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

m) Inventories

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

2. ACCOUNTING POLICIES (CONTINUED)

n) Taxation

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

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

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

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

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

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

o) Provisions

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

Property obligations

A provision for the present value of future property reinstatement costs is recognised where there is an obligation to return the leased property to its original condition at the end of an operating lease. Where a leased property is no longer expected to be fully occupied or where the costs exceed the future expected benefits, an onerous lease provision will be recognised for that portion of the lease in excess to the Group's requirements and not fully recovered through sub-leasing, or through value-in-use.

p) Share capital

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

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

2. ACCOUNTING POLICIES (CONTINUED)

q) Financial instruments

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

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

The adoption of IFRS 9 has had the following impact on Group's financial instrument categorisation:

Financial instrument category	Note	Classification under IAS 39	Measurement under IAS 39	Classification under IFRS 9	Measurement under IFRS 9	Fair value measurement hierarchy[2]
Cash and cash equivalents	19	Loans and receivables	Amortised cost	Amortised cost	Amortised cost	N/A
Cash and cash equivalents	19	Loans and receivables	Amortised cost	Fair value through profit and loss	Fair value through profit and loss	2
Trade and other receivables	16	Loans and receivables	Amortised cost	Amortised cost	Amortised cost	N/A
Trade and other payables	20	Other financial liabilities	Amortised cost	Other financial liabilities	Amortised cost	N/A
Borrowings	22	Other financial liabilities	Amortised cost	Other financial liabilities	Amortised cost	N/A
Deferred consideration	20	Other financial liabilities	Fair value through profit and loss	Fair value through profit and loss	Fair value through profit and loss	3
Forward foreign exchange contracts	18	Derivative instrument	Fair value through profit and loss	Fair value through profit and loss	Fair value through profit and loss	2
Forward foreign exchange contracts used for hedging[1]	18	Derivative instrument	Fair value – hedging instrument	Fair value – hedging instrument	Fair value – hedging instrument[3]	2
Equity swap contracts	18	Derivative instrument	Fair value through profit and loss	Fair value through profit and loss	Fair value through profit and loss	2

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

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.

2. ACCOUNTING POLICIES (CONTINUED)

q) Financial instruments (continued)

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

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

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

Cash and cash equivalents

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

While cash at bank and in hand is classified as amortised cost under IFRS 9, 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. The receivables are held with the objective to collect the contractual cash flows and are therefore recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for the expected loss on trade receivables is established at inception. This is modified when there is a change in the credit risk. The amount of the movement in the provision is recognised in the Income Statement.

Trade and other payables

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

Borrowings (including overdrafts)

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

Deferred consideration

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

Derivative instruments

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

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

2. ACCOUNTING POLICIES (CONTINUED)

q) Financial 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.

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.

2. ACCOUNTING POLICIES (CONTINUED)

r) Foreign currency translation (continued)

The principal exchange rates used were as follows:

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

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 notes 6 and 7 for further details of adjusting items.

3. SEGMENTAL ANALYSIS

The Chief Operating Decision Maker has been identified as the Board of Directors. The Board reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on the reports used by the Board. The Board considers the Group's business through its two channels to market, being retail/wholesale and licensing.

Retail/wholesale revenues are generated by the sale of luxury goods through Burberry mainline stores, concessions, outlets and digital commerce as well as Burberry franchisees, prestige department stores globally and multi-brand specialty accounts. The flow of global product between retail and wholesale channels and across our regions is monitored and optimised at a corporate level and implemented via the Group's inventory hubs situated in Europe and the USA.

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

The Board assesses channel performance based on a measure of adjusted operating profit. This measurement basis excludes the effects of adjusting items. The measure of earnings for each operating segment that is reviewed by the Board includes an allocation of corporate and central costs. Interest income and charges are not included in the result for each operating segment that is reviewed by the Board.

3. SEGMENTAL ANALYSIS (CONTINUED)

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

1. Inter-segment transfers or transactions are entered into under the normal commercial terms and conditions that would be available to unrelated third parties.
2. Depreciation of £6.5 million relating to the Group's restructuring programme and £0.2 million for assets disposed as part of the disposal of Beauty operations, and £0.6 million of amortisation for assets disposed as part of the disposal of Beauty operations are presented as adjusting items and excluded from the segmental analysis for the year ended 31 March 2018.
3. Impairment of £6.5 million relating to Saudi Arabia goodwill is presented as an adjusting item and excluded from the segmental analysis for the year ended 31 March 2018.
4. Impairment of £0.4 million relating to the closure of stores as part of the Group's restructuring programme is presented as an adjusting item and excluded from the segmental analysis for the 52 weeks to 30 March 2019.
5. Refer to notes 6 and 7 for details of adjusting items.

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

3. SEGMENTAL ANALYSIS (CONTINUED)

Additional revenue analysis

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

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

Revenue by destination	**52 weeks to 30 March 2019 £m**	Year to 31 March 2018 £m
Asia Pacific	**1,104.3**	1,089.0
EMEIA[1]	**957.4**	975.2
Americas	**612.0**	638.5
Retail/Wholesale	**2,673.7**	2,702.7
Licensing	**46.5**	30.1
Total	**2,720.2**	2,732.8

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

Entity-wide disclosures

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

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

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

4. NET OPERATING EXPENSES

	Note	**52 weeks to 30 March 2019 £m**	Year to 31 March 2018 £m
Selling and distribution costs		**863.8**	861.9
Administrative expenses		**558.9**	568.9
Adjusting operating items	5	**0.9**	56.3
Net operating expenses		**1,423.6**	1,487.1

5. PROFIT BEFORE TAXATION

	Note	**52 weeks to 30 March 2019 £m**	Year to 31 March 2018 £m
Adjusted profit before taxation is stated after charging/(crediting):			
Depreciation of property, plant and equipment			
Within cost of sales		**1.1**	0.8
Within selling and distribution costs		**75.8**	88.2
Within administrative expenses[1]		**10.3**	10.1
Amortisation of intangible assets			
Within selling and distribution costs		**1.5**	0.8
Within administrative expenses[2]		**27.1**	24.1
Loss on disposal of property, plant and equipment and intangible assets		**1.2**	2.7
Impairment of intangible assets[3]	13	**3.9**	–
Net impairment charge relating to retail assets[4]	14	**7.5**	10.7
Employee costs[5]	27	**508.4**	500.3
Operating lease rentals			
Minimum lease payments[6]		**247.4**	246.2
Contingent rents		**107.2**	110.1
Net exchange (gain)/loss on revaluation of monetary assets and liabilities		**(4.5)**	7.3
Net loss on derivatives – fair value through profit and loss		**7.7**	3.7
Trade receivables net impairment (reversal)/charge		**(4.1)**	3.1
Adjusting items			
Adjusting operating items			
Gain on disposal of Beauty operations	6	**(6.9)**	(5.2)
Costs relating to disposal of Beauty operations	7	**–**	5.0
Restructuring costs	7	**12.2**	54.5
Goodwill impairment	7	**–**	6.5
Revaluation of deferred consideration liability	7	**(4.4)**	(4.5)
Total adjusting operating items		**0.9**	56.3
Adjusting financing items			
Finance charge on deferred consideration liability	7	**1.7**	2.0
Total adjusting financing items		**1.7**	2.0

1. Depreciation of property, plant and equipment within administrative expenses for the year to 31 March 2018 has been presented excluding depreciation of £6.5 million relating to the Group's restructuring programme and depreciation of £0.2 million for assets disposed as part of the disposal of Beauty operations (refer to note 7).
2. Amortisation of intangible assets within administrative expenses for the year to 31 March 2018 has been presented excluding amortisation of £0.6 million included in costs relating to the disposal of Beauty operations, which has been presented as an adjusting item (refer to note 7).
3. Impairment of intangible assets for the year to 31 March 2018 is presented excluding an impairment of £6.5 million relating to goodwill allocated to the Saudi Arabia cash generating unit, which has been presented as an adjusting item (refer to note 7).
4. Net impairment charge relating to retail assets for the year to 30 March 2019 is presented excluding £0.4 million relating to the closure of stores as part of the Group's restructuring programme, which has been presented as an adjusting item (refer to note 7).
5. Employee costs for the 52 weeks to 30 March 2019 are presented excluding £11.4 million (last year: £14.9 million) of costs arising as a result of the Group's restructuring programme, which have been presented as an adjusting item (refer to note 7).
6. Minimum lease payments include charges for onerous lease provisions during the 52 weeks to 30 March 2019 of £3.6 million (last year: £7.2 million) and do not include payments of £5.3 million (last year: £4.8 million) where existing onerous lease provisions have been utilised. Minimum lease payments for the 52 weeks to 30 March 2019 have been presented excluding a credit of £8.9 million (last year: charges of £29.1 million) for onerous property obligations and a charge of £4.5 million for store closure costs in connection with the Group's restructuring programme, which have been presented as adjusting items (refer to note 7).

6. GAIN ON DISPOSAL OF BEAUTY OPERATIONS

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

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

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

The Group received an upfront payment of £130.0 million for the licence and related disposal of the Beauty operations under the two agreements. The Directors carried out an allocation and attributed £30.0 million of this upfront payment to the disposal of the Beauty operations.

The remaining £100.0 million of the payment was attributed to the licence and has been recognised as deferred royalty income on the balance sheet (refer to note 20). It is recognised as royalty revenue over the term of the licence.

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

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

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

The net gain on disposal is presented as an adjusting item in accordance with the Group's accounting policy as it arises from the disposal of a business.

7. ADJUSTING ITEMS

Restructuring costs

Restructuring costs of £12.2 million (last year: £54.5 million) were incurred in the current period, arising as a result of the Group's cost-efficiency programme announced in May 2016. These costs are presented as an adjusting item as they are considered material and one-off in nature, being part of a restructuring programme running from May 2016 to March 2021. The costs in the current year are principally attributable to redundancies and the non-strategic store closure programme, offset by a reduction in the estimated cost of onerous lease obligations of property recognised in the prior year. A related tax credit of £2.2 million (last year: £11.4 million) has also been recognised in the current period.

Items relating to the deferred consideration liability

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

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

7. ADJUSTING ITEMS (CONTINUED)

Adjusting items relating to prior periods

Costs relating to the disposal of the Beauty operations

In addition to the costs arising directly from the disposal of the Beauty operations, costs of £5.0 million relating to the Beauty transaction were incurred in the year ended 31 March 2018. A related tax credit of £1.0 million was also recognised in the year ended 31 March 2018.

Goodwill impairment

A charge of £6.5 million was recorded in the year to 31 March 2018 to fully impair goodwill allocated to the Saudi Arabia cash generating unit, following a significant and prolonged downturn in the Saudi Arabian economy. The charge was presented as an adjusting item in accordance with the Group's accounting policy, as it was one-off in nature, and relates to the acquisition of a business. No tax was recognised on this item, as the value was not considered to be deductible for tax purposes.

Adjusting taxation charge

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

8. AUDITOR REMUNERATION

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

	52 weeks to 30 March 2019 £m	Year to 31 March 2018 £m
Audit services in respect of the financial statements of the Company and consolidation	**0.4**	0.4
Audit services in respect of the financial statements of subsidiary companies	**2.0**	1.9
Audit-related assurance services	**0.1**	0.1
Other non-audit-related services	**0.2**	0.5
Total	**2.7**	2.9

9. FINANCING

	Note	**52 weeks to 30 March 2019 £m**	Year to 31 March 2018 £m
Bank interest income – amortised cost[1]		**1.9**	7.2
Other finance income – amortised cost		**0.8**	0.6
Finance income – amortised cost		**2.7**	7.8
Bank interest income – fair value through profit and loss[1]		**6.0**	–
Finance income		**8.7**	7.8
Interest expense on bank loans and overdrafts		**(0.6)**	(1.3)
Bank charges		**(0.7)**	(0.7)
Other finance expense		**(2.3)**	(1.5)
Finance expense		**(3.6)**	(3.5)
Finance charge on deferred consideration liability	7	**(1.7)**	(2.0)
Net finance income		**3.4**	2.3

1. Classification of interest in the current period has been impacted as a result of the adoption of IFRS 9. See note 19 for details of changes in classification of cash and cash equivalents arising from the adoption of IFRS 9.

10. TAXATION

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

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

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

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

10. TAXATION (CONTINUED)

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

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

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

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

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

11. EARNINGS PER SHARE

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

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

1. Refer to notes 6 and 7 for details of adjusting items.

The weighted average number of ordinary shares represents the weighted average number of Burberry Group plc ordinary shares in issue throughout the year, excluding ordinary shares held in the Group's ESOP trusts.

Diluted earnings per share is based on the weighted average number of ordinary shares in issue during the year. In addition, account is taken of any options and awards made under the employee share incentive schemes, which will have a dilutive effect when exercised. Refer to note 27 for additional information on the terms and conditions of the employee share incentive schemes.

11. EARNINGS PER SHARE (CONTINUED)

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

12. DIVIDENDS PAID TO OWNERS OF THE COMPANY

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

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

13. INTANGIBLE ASSETS

Cost	Goodwill £m	Trademarks, licences and other intangible assets £m	Computer software £m	Intangible assets in the course of construction £m	Total £m
As at 31 March 2017	99.6	88.8	164.9	20.3	373.6
Effect of foreign exchange rate changes	(4.7)	–	(2.4)	(0.1)	(7.2)
Additions	–	0.3	8.1	40.4	48.8
Disposals	–	(70.9)	(54.5)	–	(125.4)
Reclassifications from assets in the course of construction	–	–	14.1	(14.1)	–
As at 31 March 2018	94.9	18.2	130.2	46.5	289.8
Effect of foreign exchange rate changes	0.7	–	0.9	–	1.6
Additions	–	0.4	13.8	39.8	54.0
Business combination	19.5	–	–	–	19.5
Disposals	–	(6.1)	(31.0)	–	(37.1)
Reclassifications from assets in the course of construction	–	–	39.4	(39.4)	–
As at 30 March 2019	**115.1**	**12.5**	**153.3**	**46.9**	**327.8**
Accumulated amortisation and impairment					
As at 31 March 2017	–	80.6	122.9	–	203.5
Effect of foreign exchange rate changes	–	(0.1)	(2.0)	–	(2.1)
Charge for the year	–	0.8	24.7	–	25.5
Disposals	–	(70.9)	(52.8)	–	(123.7)
Impairment charge on assets	6.5	–	–	–	6.5
As at 31 March 2018	6.5	10.4	92.8	–	109.7
Effect of foreign exchange rate changes	–	–	0.9	–	0.9
Charge for the year	–	0.9	27.7	–	28.6
Disposals	–	(6.1)	(30.2)	–	(36.3)
Impairment charge on assets	–	–	3.9	–	3.9
As at 30 March 2019	**6.5**	**5.2**	**95.1**	**–**	**106.8**
Net book value					
As at 30 March 2019	**108.6**	**7.3**	**58.2**	**46.9**	**221.0**
As at 31 March 2018	88.4	7.8	37.4	46.5	180.1

13. INTANGIBLE ASSETS (CONTINUED)

Impairment testing of goodwill

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

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

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

The Group tests goodwill for impairment annually or where there is an indication that goodwill might be impaired. The recoverable amount of all cash generating units has been determined on a value-in-use basis. Value-in-use calculations for each cash generating unit are based on projected pre-tax discounted cash flows together with a discounted terminal value. The cash flows have been discounted at pre-tax rates reflecting the Group's weighted average cost of capital adjusted for country-specific tax rates and risks. Where the cash generating unit has a non-controlling interest which was recognised at a value equal to its proportionate interest in the net identifiable assets of the acquired subsidiary at the acquisition date, the carrying amount of the goodwill has been grossed up, to include the goodwill attributable to the non-controlling interest, for the purpose of impairment testing the goodwill attributable to the cash generating unit. The key assumptions contained in the value-in-use calculations include the future revenues, the margins achieved, the assumed life of the business and the discount rates applied.

The value-in-use calculations have been prepared using management's approved financial plans for the five years ending 30 March 2024. These plans contain management's best view of the expected performance for the year ending 28 March 2020 and the expected growth rates for the years thereafter. The plans are based on the performance achieved in the current year and management's knowledge of the market environment and future business plans. A terminal value has been included in the value-in-use calculation based on the cash flows for the year ending 30 March 2024 incorporating the assumption that there is no growth beyond 30 March 2024.

The goodwill arising on acquisition of Burberry Manifattura S.R.L. has been allocated to the group of CGUs which make up the Group's retail/wholesale operating segment. This reflects the level at which the goodwill is being monitored by management. For the material goodwill balances of China, Korea and Burberry Manifattura S.R.L., a sensitivity analysis has been performed on the value-in-use calculations. This sensitivity analysis indicated significant headroom between the recoverable amount under this scenario and the carrying value of goodwill and therefore management considered no further detailed sensitivity analysis was required.

The pre-tax discount rates for China, Korea and Burberry Manifattura S.R.L. were 16.0%, 14.0% and 11.1% respectively (last year: China 15.9% and Korea 13.4%).

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

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

During the year to 31 March 2018, revenue in the Saudi Arabia cash generating unit declined following a significant and prolonged downturn in the Saudi Arabian economy. The recoverable amount of the net assets was determined by an impairment test of the value-in-use of the cash generating unit. Following this impairment test, the goodwill relating to the Saudi Arabia cash generating unit was written off in full. This gave rise to a charge of £6.5 million for the year to 31 March 2018. The charge was presented in operating profit as an adjusting item.

14. PROPERTY, PLANT AND EQUIPMENT

Cost	Freehold land and buildings £m	Leasehold improvements £m	Fixtures, fittings and equipment[1] £m	Assets in the course of construction £m	Total £m
As at 31 March 2017	148.6	474.8	538.4	14.5	1,176.3
Effect of foreign exchange rate changes	(12.8)	(29.7)	(24.7)	(0.8)	(68.0)
Additions	0.3	25.3	18.7	14.7	59.0
Disposals	–	(11.5)	(41.8)	–	(53.3)
Disposal of a business	–	–	(7.4)	(0.6)	(8.0)
Reclassifications from assets in the course of construction	0.2	3.2	5.5	(8.9)	–
As at 31 March 2018	136.3	462.1	488.7	18.9	1,106.0
Effect of foreign exchange rate changes	8.5	14.0	13.0	1.1	36.6
Additions	0.2	26.2	23.5	25.9	75.8
Business combination	–	–	0.5	–	0.5
Disposals	(0.2)	(56.9)	(190.3)	–	(247.4)
Reclassifications from assets in the course of construction	–	5.2	13.7	(18.9)	–
As at 30 March 2019	**144.8**	**450.6**	**349.1**	**27.0**	**971.5**
Accumulated depreciation and impairment					
As at 31 March 2017	46.9	290.3	439.5	–	776.7
Effect of foreign exchange rate changes	(4.6)	(19.5)	(20.7)	–	(44.8)
Charge for the year	3.9	53.1	48.8	–	105.8
Disposals	–	(11.1)	(41.2)	–	(52.3)
Disposal of a business	–	–	(3.7)	–	(3.7)
Net impairment charge on assets	–	3.6	7.1	–	10.7
As at 31 March 2018	46.2	316.4	429.8	–	792.4
Effect of foreign exchange rate changes	3.3	9.6	11.2	–	24.1
Charge for the year	4.3	42.7	40.2	–	87.2
Disposals	(0.2)	(56.7)	(190.1)	–	(247.0)
Net impairment charge on assets	–	1.6	6.3	–	7.9
As at 30 March 2019	**53.6**	**313.6**	**297.4**	**–**	**664.6**
Net book value					
As at 30 March 2019	**91.2**	**137.0**	**51.7**	**27.0**	**306.9**
As at 31 March 2018	90.1	145.7	58.9	18.9	313.6

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

During the 52 weeks to 30 March 2019, a net charge of £11.2 million (last year: £16.8 million) was recorded within net operating expenses as a result of the annual review of impairment of retail store assets. A charge of £7.5 million (last year: £9.6 million) was recognised against property, plant and equipment, and £3.7 million (last year: £7.2 million) was charged in relation to onerous lease provisions. Refer to note 21 for further details of onerous lease provisions.

Where indicators of impairment were identified, the impairment review compared the value-in-use of the cash generating units to the carrying values at 30 March 2019. The pre-tax cash flow projections were based on financial plans of expected revenues and costs for each retail cash generating unit, as approved by management, and extrapolated beyond the budget year to the lease exit dates using growth rates and inflation rates appropriate to each store's location. The pre-tax discount rates used in these calculations were between 10.4% and 25.3% (last year: between 10.7% and 21.5%), based on the Group's weighted average cost of capital adjusted for country-specific tax rates and risks. Where the value-in-use was less than the carrying value of the cash generating unit, an impairment of property, plant and equipment was recorded. Where the value-in-use was negative, onerous lease provisions were assessed in relation to the future contracted minimum lease payments. Potential alternative uses for property, such as subletting of leasehold or sale of freehold, were considered in estimating both the value for impairment charges and onerous lease provisions.

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Management has considered the potential impact of changes in assumptions on the total recorded as a result of the review for impairment of retail store assets and consideration of onerous lease provisions. The most significant estimate is the future level of revenues achieved by the retail stores. It is estimated that, for the stores subject to an impairment or onerous lease provision in the year, a 5% decrease/increase in revenue assumptions for the year ending 28 March 2020, with no change to subsequent forecast revenue growth rate assumptions, would result in a £16.4 million increase/£15.0 million decrease in the charge in the 52 weeks to 30 March 2019.

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

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

15. DEFERRED TAXATION

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

	As at 30 March 2019 £m	As at 31 March 2018 £m
Deferred tax assets	**123.1**	115.5
Deferred tax liabilities	**(3.4)**	(4.2)
Net amount	**119.7**	111.3

The movement in the deferred tax account is as follows:	**52 weeks to 30 March 2019 £m**	Year to 31 March 2018 £m
At start of year	**111.3**	124.6
Effect of foreign exchange rate changes	**3.4**	(6.8)
Credited/(charged) to the Income Statement	**5.2**	(5.7)
Credited to other comprehensive income	**–**	0.1
Charged to equity	**(0.2)**	(0.9)
At end of year	**119.7**	111.3

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

Deferred tax liabilities

	Capital allowances £m	Unrealised inventory profit and other inventory provisions £m	Derivative instruments £m	Other £m	Total £m
As at 31 March 2017	3.7	(1.1)	1.1	5.6	9.3
Effect of foreign exchange rate changes	(0.1)	0.1	–	(0.2)	(0.2)
Credited to the Income Statement	(1.6)	(0.8)	–	–	(2.4)
Credited to other comprehensive income	–	–	(0.2)	–	(0.2)
As at 31 March 2018	2.0	(1.8)	0.9	5.4	6.5
Credited to the Income Statement	(0.3)	(0.1)	–	0.4	–
As at 30 March 2019	**1.7**	**(1.9)**	**0.9**	**5.8**	**6.5**

15. DEFERRED TAXATION (CONTINUED)

Deferred tax assets

	Capital allowances £m	Unrealised inventory profit and other inventory provisions £m	Share schemes £m	Derivative instruments £m	Unused tax losses £m	Other[1] £m	Total £m
As at 31 March 2017	14.2	50.0	8.4	0.1	5.4	55.8	133.9
Effect of foreign exchange rate changes	0.4	(3.9)	0.1	–	0.2	(3.8)	(7.0)
Credited/(charged) to the Income Statement	0.1	(9.1)	0.5	–	(1.7)	2.1	(8.1)
Charged to other comprehensive income	–	–	–	(0.1)	–	–	(0.1)
Charged to equity	–	–	(0.9)	–	–	–	(0.9)
As at 31 March 2018	14.7	37.0	8.1	–	3.9	54.1	117.8
Effect of foreign exchange rate changes	–	1.7	–	–	–	1.7	3.4
(Charged)/credited to the Income Statement	(1.4)	4.0	(2.8)	–	3.7	1.7	5.2
Charged to equity	–	–	(0.2)	–	–	–	(0.2)
As at 30 March 2019	**13.3**	**42.7**	**5.1**	**–**	**7.6**	**57.5**	**126.2**

1. Deferred tax balances within the 'Other' category in the analysis above include temporary differences arising on property provisions of £17.6 million (last year: £9.0 million), accrued intercompany expenses of £22.8 million (last year: £23.6 million) and other provisions and accruals of £17.1 million (last year: £21.5 million).

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related benefit through the future taxable profits is probable. The Group did not recognise deferred tax assets of £54.4 million (last year: £76.5 million) in respect of losses and temporary timing differences amounting to £209.0 million (last year: £285.3 million) that can be set off against future taxable income. There is a time limit for the recovery of £5.4 million of these potential assets (last year: £30.4 million) which ranges from one to ten years (last year: one to ten years).

Included within other temporary differences detailed on the previous page is a deferred tax liability of £3.3 million (last year: £4.0 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 £210 million (last year: £170 million).

16. TRADE AND OTHER RECEIVABLES

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

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

The Group's impairment policies and the calculation of the loss allowances under IFRS 9 are detailed in note 26 credit risk. Prior period comparatives under IAS 39 are detailed on the following page.

16. TRADE AND OTHER RECEIVABLES (CONTINUED)

Prior period comparatives

The individually impaired receivables relate to balances with trading parties which have passed their payment due dates or where uncertainty exists over recoverability. As at 31 March 2018, trade receivables of £19.8 million were impaired. The amount of the provision against these receivables was £11.6 million as at 31 March 2018. It was assessed that a portion of the receivables is expected to be recovered. The ageing of the impaired trade receivables was as follows:

	As at 31 March 2018 £m
Current	0.2
Less than 1 month overdue	7.0
1 to 3 months overdue	3.3
Over 3 months overdue	9.3
	19.8

As at 31 March 2018, trade receivables of £9.0 million were overdue but not impaired. The ageing of these overdue receivables was as follows:

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

Movement in the provision for doubtful debts was as follows:

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

As at 31 March 2018 there were £1.4 million of impaired receivables within other receivables.

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

	As at 31 March 2018 £m
Asia Pacific	107.6
EMEIA	60.5
Americas	22.9
	191.0

17. INVENTORIES

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

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

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

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

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

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

18. DERIVATIVE FINANCIAL INSTRUMENTS

Master netting arrangements

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

Derivative financial assets

	As at 30 March 2019 £m	As at 31 March 2018 £m
Forward foreign exchange contracts – fair value hedging instrument: cash flow hedges	**1.2**	–
Forward foreign exchange contracts – fair value hedging instrument: hedge of net investment	**0.1**	–
Forward foreign exchange contracts – fair value through profit and loss[1]	**1.2**	0.4
Equity swap contracts – fair value through profit and loss	**0.5**	1.5
Total position	**3.0**	1.9
Comprising:		
Total non-current position	**–**	0.3
Total current position	**3.0**	1.6

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 30 March 2019, all such contracts had maturities of no greater than six months from the balance sheet date.

18. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Derivative financial liabilities

	As at 30 March 2019 £m	As at 31 March 2018 £m
Forward foreign exchange contracts – fair value hedging instrument: cash flow hedges	**(3.1)**	(2.8)
Forward foreign exchange contracts – fair value hedging instrument: hedge of net investment	**(0.7)**	–
Forward foreign exchange contracts – fair value through profit and loss[1]	**(1.3)**	(1.0)
Equity swap contracts – fair value through profit and loss	**(0.5)**	(0.1)
Total position	**(5.6)**	(3.9)
Comprising:		
Total non-current position	**(0.1)**	(0.1)
Total current position	**(5.5)**	(3.8)

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 30 March 2019, all such contracts had maturities of no greater than six months from the balance sheet date.

Current derivative financial assets and liabilities

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

	As at 30 March 2019 £m Gross	As at 31 March 2018 £m Gross	**As at 30 March 2019 £m Net**	As at 31 March 2018 £m Net
Derivative assets	**5.2**	1.6	**3.0**	1.6
Derivative liabilities	**(7.7)**	(3.8)	**(5.5)**	(3.8)

Net derivative financial instruments

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

	As at 30 March 2019 £m	As at 31 March 2018 £m
Forward foreign exchange contracts – fair value hedging instrument: cash flow hedges	**257.6**	211.2
Forward foreign exchange contracts – fair value hedging instrument: hedge of net investment	**72.4**	18.1
Forward foreign exchange contracts – fair value through profit and loss[1]	**293.5**	289.3
Equity swap contracts – fair value through profit and loss	**8.2**	5.6

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 30 March 2019, all such contracts had maturities of no greater than six months from the balance sheet date.

18. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Effect of hedge accounting on the financial position and performance

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

	As at 30 March 2019	As at 31 March 2018
Foreign currency forwards		
Carrying amount (assets)	**£1.2m**	–
Notional amount	**£53.7m**	–
Maturity date	**April 2019 – Dec 2019**	April 2018 – March 2019
Hedge ratio	**1:1**	1:1
Change in spot value of outstanding hedging instruments since start of year	**£1.2m**	(£3.8m)
Change in value of hedged item used to determine hedge effectiveness	**(£1.2m)**	£3.8m
Weighted average hedged rate of outstanding contracts (including forward points) – EUR	**1.1139**	N/A
Carrying amount (liabilities)	**(£3.1m)**	(£2.8m)
Notional amount	**£203.9m**	£211.2m
Maturity date	**April 2019 – Dec 2019**	April 2018 – March 2019
Hedge ratio	**1:1**	1:1
Change in spot value of outstanding hedging instruments since start of year	**–**	(£2.7m)
Change in value of hedged item used to determine hedge effectiveness	**–**	£2.7m
Weighted average hedged rate of outstanding contracts (including forward points) – EUR	**1.1116**	1.1231
Weighted average hedged rate of outstanding contracts (including forward points) – USD	**N/A**	1.3095

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

	As at 30 March 2019	As at 31 March 2018
Foreign currency forwards		
Carrying amount (assets)	**£0.1m**	–
Notional amount	**£7.4m**	£17.5m
Maturity date	**May 2019**	April 2018 – June 2018
Hedge ratio	**1:1**	1:1
Change in discounted spot value of outstanding hedging instruments since start of year	**–**	£1.3m
Change in value of hedged item used to determine hedge effectiveness	**–**	(£1.3m)
Weighted average hedged rate of outstanding contracts (including forward points) – EUR	**1.1390**	N/A
Weighted average hedged rate of outstanding contracts (including forward points) – CNY	**N/A**	8.8584
Carrying amount (liabilities)	**(£0.7m)**	–
Notional amount	**£65.0m**	£0.6m
Maturity date	**April 2019 – June 2019**	April 2018 – June 2018
Hedge ratio	**1:1**	1:1
Change in discounted spot value of outstanding hedging instruments since start of year	**(£0.6m)**	(£0.2m)
Change in value of hedged item used to determine hedge effectiveness	**£0.6m**	£0.2m
Weighted average hedged rate of outstanding contracts (including forward points) – CNY	**8.8678**	8.9207

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

The contractual maturity profile of non-current financial liabilities is shown in note 26. For further details of cash flow hedging and net investment hedging refer to note 26 market risk.

19. CASH AND CASH EQUIVALENTS

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

Cash and cash equivalents have been reclassified from loans and receivables to cash and cash equivalents held at amortised cost and held at fair value through profit and loss on adoption of IFRS 9. Refer to note 2q for the impact of the adoption of IFRS 9 on the Group's financial instrument categorisation.

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

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

20. TRADE AND OTHER PAYABLES

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

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

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

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

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

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

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

Deferred consideration

Following the purchase of the economic right to the non-controlling interest in Burberry Middle East LLC on 22 April 2016, the Group has recognised a liability in relation to the deferred consideration for this transaction. The deferred consideration consists of fixed payments to be paid over the period 2016 to 2019, and contingent payments calculated as an agreed percentage of the future revenue of Burberry Middle East LLC and its subsidiaries, over the period 2016 to 2023. Payments of £11.1 million were made in the 52 weeks to 30 March 2019 (last year: £3.0 million).

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

The carrying value of the deferred consideration is dependent on assumptions applied in determining these inputs, and is subject to change in the event that there is a change in any of these assumptions. The valuation is updated at every reporting period or more often if a significant change to any input is observed.

A 10% increase in the estimate of future revenues of Burberry Middle East LLC and its subsidiaries would result in a £2.4 million increase in the carrying value of the deferred consideration at 30 March 2019 and a corresponding £2.4 million decrease in the profit before taxation for the 52 weeks to 30 March 2019.

Deferred consideration of £6.5 million at 30 March 2019 is the result of the acquisition of Burberry Manifattura S.R.L. on 19 September 2018. Further details of this deferred consideration are included in note 28.

21. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	Property obligations £m	Other costs £m	Total £m
Balance as at 31 March 2017	57.7	7.7	65.4
Effect of foreign exchange rate changes	(4.6)	0.1	(4.5)
Created during the year	39.7	15.2	54.9
Discount unwind	0.3	–	0.3
Utilised during the year	(6.0)	(3.5)	(9.5)
Released during the year	(0.4)	(2.7)	(3.1)
Balance as at 31 March 2018	86.7	16.8	103.5
Effect of foreign exchange rate changes	2.6	0.1	2.7
Created during the year	18.4	2.4	20.8
Discount unwind	1.2	–	1.2
Utilised during the year	(8.2)	(7.2)	(15.4)
Released during the year	(21.3)	(6.2)	(27.5)
Balance as at 30 March 2019	**79.4**	**5.9**	**85.3**

Within property obligations are amounts of £48.0 million (last year: £59.0 million) relating to onerous lease obligations. Refer to note 14 for details relating to impairment of assets and onerous lease provisions for retail cash generating units.

The net reversal in the year for onerous lease obligations is £8.1 million (last year: charge of £36.3 million). This includes charges of £3.7 million (last year: £7.2 million) relating to retail stores (refer to note 14) and a reversal of £11.8 million (last year: charge of £29.1 million) relating to other properties.

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

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

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

22. BANK OVERDRAFTS

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

The Group has a number of committed and uncommitted arrangements agreed with third parties. At 30 March 2019, the Group held bank overdrafts of £nil (last year: £1.0 million) excluding balances on cash pooling arrangements.

On 25 November 2014, the Group entered into a £300 million multi-currency revolving credit facility with a syndicate of banks. At 30 March 2019, there were £nil outstanding drawings (last year: £nil). The facility matures in November 2021. The Group is in compliance with the financial and other covenants within this facility and has been in compliance throughout the financial year.

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

23. SHARE CAPITAL AND RESERVES

Allotted, called up and fully paid share capital	Number	£m
Ordinary shares of 0.05p (last year: 0.05p) each		
As at 31 March 2017	445,173,065	0.2
Allotted on exercise of options during the year	266,139	–
Cancellation of treasury shares	(27,164,081)	–
As at 31 March 2018	418,275,123	0.2
Allotted on exercise of options during the year	185,349	–
Cancellation of treasury shares	(7,004,471)	–
As at 30 March 2019	**411,456,001**	**0.2**

The Company has a general authority from shareholders, renewed at each Annual General Meeting, to repurchase a maximum of 10% of its issued share capital. During the 52 weeks to 30 March 2019, the Company entered into agreements to purchase £150 million of its own shares back, excluding stamp duty, as part of a share buy-back programme (last year: £350 million). Own shares purchased by the Company, as part of a share buy-back programme, are classified as treasury shares and their cost offset against retained earnings. When treasury shares are cancelled, a transfer is made from retained earnings to capital redemption reserve, equivalent to the nominal value of the shares purchased and subsequently cancelled. In the 52 weeks to 30 March 2019, 7.0 million treasury shares with a nominal value of £3,500 were cancelled (last year: 27.2 million treasury shares with a nominal value of £13,600).

The cost of shares purchased by ESOP trusts are offset against retained earnings, as the amounts paid reduce the profits available for distribution by the Company. As at 30 March 2019 the amount of own shares held by ESOP trusts and offset against retained earnings is £26.4 million (last year: £40.5 million). As at 30 March 2019, the ESOP trusts held 1.6 million shares (last year: 2.9 million) in the Company, with a market value of £31.9 million (last year: £49.8 million). In the 52 weeks to 30 March 2019 the ESOP trusts and the Company have waived their entitlement to dividends of £0.9 million (last year: £2.0 million).

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

Other reserves in the Statement of Changes in Equity consists of the capital reserve, the foreign currency translation reserve, and the hedging reserves. The hedging reserves consist of the cash flow hedge reserve and the net investment hedge reserve.

		Hedging reserves			
	Capital reserve £m	Cash flow hedges £m	Net investment hedge £m	Foreign currency translation reserve £m	Total £m
Balance as at 31 March 2017	41.1	7.9	2.1	260.8	311.9
Other comprehensive income:					
Cash flow hedges – losses deferred in equity	–	(1.5)	–	–	(1.5)
Cash flow hedges – gains transferred to income	–	(8.5)	–	–	(8.5)
Net investment hedges – gains deferred in equity	–	–	2.3	–	2.3
Foreign currency translation differences	–	–	–	(49.7)	(49.7)
Tax on other comprehensive income	–	1.9	(0.4)	3.6	5.1
Total comprehensive income for the year	–	(8.1)	1.9	(46.1)	(52.3)
Balance as at 31 March 2018	41.1	(0.2)	4.0	214.7	259.6
Other comprehensive income:					
Cash flow hedges – losses deferred in equity	–	(1.0)	–	–	(1.0)
Cash flow hedges – gains transferred to income	–	(1.1)	–	–	(1.1)
Net investment hedges – gains deferred in equity	–	–	1.6	–	1.6
Foreign currency translation differences	–	–	–	14.3	14.3
Tax on other comprehensive income	–	0.4	(0.2)	(1.3)	(1.1)
Total comprehensive income for the year	–	(1.7)	1.4	13.0	12.7
Balance as at 30 March 2019	**41.1**	**(1.9)**	**5.4**	**227.7**	**272.3**

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

24. FINANCIAL COMMITMENTS

The Group leases various retail stores, offices, warehouses and equipment under non-cancellable operating lease arrangements. The leases have varying terms, escalation clauses and renewal rights. The Group has commitments relating to future minimum lease payments under these non-cancellable operating leases as follows:

	As at 30 March 2019 £m	As at 31 March 2018 £m
Amounts falling due:		
Within 1 year	**218.5**	206.8
Between 2 and 5 years	**444.7**	445.6
After 5 years	**277.3**	148.0
Total	**940.5**	800.4

The commitments above are future minimum lease payments for periods up to the date of the Group's first available termination option. The financial commitments for operating lease amounts calculated as a percentage of revenue ('revenue leases') have been based on the minimum payment that is required under the terms of the relevant lease excluding any contingent payments. Under certain revenue-based leases, there are no minimums and therefore no financial commitment is included in the table above. As a result, the amounts charged to the Income Statement may be materially higher than the financial commitment at the prior year end.

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

	Leases		Subleases	
	As at 30 March 2019 £m	As at 31 March 2018 £m	**As at 30 March 2019 £m**	As at 31 March 2018 £m
Amounts falling due:				
Within 1 year	**0.8**	0.8	**0.1**	2.4
Between 2 and 5 years	**0.1**	0.8	**0.3**	1.3
After 5 years	**–**	0.1	**–**	–
Total	**0.9**	1.7	**0.4**	3.7

25. CAPITAL COMMITMENTS

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

Contracted capital commitments represent contracts entered into by the year end and future work in respect of major capital expenditure projects where activity has commenced by the year end relating to property, plant and equipment and intangible assets.

26. FINANCIAL RISK MANAGEMENT

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

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

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

Market risk

Foreign exchange risk

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

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

The Group's treasury risk management policy is to hedge, prior to market opening, 70-90% of its anticipated foreign currency exposure by currency, by season and where the net currency exposure is greater than £20 million. Currently, the Group does not hedge intercompany foreign currency transactions. The Group uses forward exchange contracts to hedge its currency risk, most of 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 52 weeks ending 30 March 2019 (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. The outstanding net investment hedges as at 30 March 2019 had a principal value of EUR 8.5 million (£7.3 million) and CNY 576.0 million (£65.8 million), (last year: EUR nil (£nil) and CNY 160 million (£18.1 million)).

At 30 March 2019, the Group has performed a sensitivity analysis to determine the effect of Sterling strengthening/weakening by 20% (last year: 20%) against other currencies with all other variables held constant. The effect on translating foreign currency denominated net cash, trade, intercompany and other financial receivables and payables and financial instruments at fair value through profit or loss would have been to decrease/increase operating profit for the year by £12.2 million (last year: decrease/increase £19.5 million). The effect on translating forward foreign exchange contracts designated as cash flow hedges would have been to decrease/increase equity by £5.4 million (last year: decrease/increase £25.4 million) on a post-tax basis.

The following table shows the extent to which the Group has monetary assets and liabilities at the year end in currencies other than the local currency of operation, after accounting for the effect of any specific forward foreign exchange contracts used to manage currency exposure. Monetary assets and liabilities refer to cash, deposits, overdrafts 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'.

26. FINANCIAL RISK MANAGEMENT (CONTINUED)
Market risk (continued)

	As at 30 March 2019			As at 31 March 2018		
	Monetary assets £m	**Monetary liabilities £m**	**Net £m**	Monetary assets £m	Monetary liabilities £m	Net £m
Sterling	**0.3**	**(3.2)**	**(2.9)**	1.2	(0.6)	0.6
US Dollar	**1.7**	**(7.6)**	**(5.9)**	5.3	(5.3)	–
Euro	**18.8**	**(31.3)**	**(12.5)**	19.4	(16.1)	3.3
Chinese Yuan Renminbi	**2.0**	**(1.2)**	**0.8**	0.1	(1.3)	(1.2)
Other currencies	**3.9**	**(1.6)**	**2.3**	3.8	(1.0)	2.8
Total	**26.7**	**(44.9)**	**(18.2)**	29.8	(24.3)	5.5

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

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

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

The floating rate financial liabilities at 30 March 2019 are £37.2 million (last year: £23.2 million). This includes cash pool overdraft balances of £37.2 million (last year: £22.2 million) which are offset by cash balances for the purpose of interest calculations. At 30 March 2019 the remaining overdrafts were £nil (last year: £1.0 million) and any change in interest rates would not significantly impact profit.

The floating rate financial assets as at 30 March 2019 comprise short-term deposits of £723.2 million (last year: £719.7 million), interest bearing current accounts of £39.4 million (last year: £71.6 million) and cash pool asset balances of £40.8 million (last year: £27.0 million). At 30 March 2019, if interest rates on floating rate financial assets had been 100 basis points higher/lower (last year: 100 basis points), excluding the impact on cash pool asset balances and with all other variables held constant, post-tax profit for the year would have been £5.5 million (last year: £5.4 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: 7%). 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. An ageing of overdue receivables is included in note 16 for the comparative period.

The Group applies the IFRS 9 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 were initially based on adoption on the historical credit losses experienced over the last five years and are updated where expectations of credit losses change. Trade receivables are written off when there is no reasonable expectation of recovery.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

26. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

Trade receivables

As at 30 March 2019	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
Retail debtors						
Expected loss rate %	1%	3%	4%	8%	20%	
Gross carrying amount trade receivables	64.3	4.9	3.1	1.1	0.1	73.5
Loss allowance	(0.8)	(0.1)	(0.1)	(0.1)	–	(1.1)
Wholesale / other debtors Americas						
Expected loss rate %	0.5%	2%	4%	5%	5%	
Gross carrying amount trade receivables	10.7	4.6	0.4	0.2	1.1	17.0
Loss allowance	(0.1)	(0.1)	–	–	(0.1)	(0.3)
Wholesale / other debtors Rest of world						
Expected loss rate %	0.5%	4%	7%	10%	10%	
Gross carrying amount trade receivables	25.0	2.4	0.7	0.1	0.6	28.8
Loss allowance	(0.1)	(0.1)	–	–	(0.1)	(0.3)
Licensing						
Expected loss rate %	0%	0%	0%	0%	0%	
Gross carrying amount trade receivables	1.8	–	–	–	–	1.8
Loss allowance	–	–	–	–	–	–
Specific assessment[1]						
Expected loss rate %	30%	100%	100%	100%	100%	
Gross carrying amount trade receivables	0.4	0.2	0.1	–	2.7	3.4
Loss allowance	(0.1)	(0.2)	(0.1)	–	(2.7)	(3.1)
As at 1 April 2018						
Retail debtors						
Expected loss rate	1%	3%	4%	8%	20%	
Gross carrying amount trade receivables	66.3	3.7	1.7	0.7	0.9	73.3
Loss allowance	(0.6)	(0.1)	(0.1)	–	(0.2)	(1.0)
Wholesale / other debtors Americas						
Expected loss rate	0%	0%	0%	0%	0%	
Gross carrying amount trade receivables	9.9	2.0	0.1	–	–	12.0
Loss allowance	–	–	–	–	–	–
Wholesale / other debtors Rest of world						
Expected loss rate	0.5%	4%	7%	10%	10%	
Gross carrying amount trade receivables	23.2	5.1	1.8	1.3	0.2	31.6
Loss allowance	(0.1)	(0.2)	(0.1)	(0.1)	–	(0.5)
Licensing						
Expected loss rate	0%	0%	0%	0%	0%	
Gross carrying amount trade receivables	1.3	–	–	–	–	1.3
Loss allowance	–	–	–	–	–	–
Specific Assessment[1]						
Expected loss rate	100%	100%	100%	100%	100%	
Gross carrying amount trade receivables	0.2	0.1	0.1	–	10.0	10.4
Loss allowance	(0.2)	(0.1)	(0.1)	–	(10.0)	(10.4)

1. The specific assessment category refers to those trade receivables which have applied risk assessments specific to the customer.

26. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

The closing loss allowances for trade receivables as at 31 March 2018 reconcile to the loss allowances as at 30 March 2019 as follows:

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

Receivables excluding trade receivables

The counterparty credit risk of other receivables is reviewed on a regular basis and the IFRS 9 impairment model is applied as follows:

At inception the receivable is recorded net of expected 12 month credit losses. If a significant change in the credit risk occurs during the life time of the receivable, credit losses are recorded in the profit and loss account and the effective interest is calculated using the gross carrying amount of the asset. If a loss event occurs, the effective interest is calculated using the amortised cost of the asset net of any credit losses. As at 30 March 2019, the expected 12 month credit losses of receivables, other than trade receivables, were negligible and hence there were no impairments of these receivables.

During the year ended 31 March 2013 the Group entered into a retail leasing arrangement in the Republic of Korea. As part of this arrangement, a KRW 27 billion (£19.3 million) 15-year interest-free loan was provided to the landlord. The Group holds a registered mortgage over the leased property for the equivalent value of the loan which acts as collateral. At 30 March 2019, the discounted fair value of the loan is £15.2 million (last year: £13.6 million). The book value of the loan, recorded at amortised cost, is £13.3 million (last year: £12.9 million). Other than this arrangement, the Group does not hold any other collateral as security.

As at 30 March 2019, the movement in the impairment provision on receivables and other financial assets recorded in the income statement was a credit of £4.1 million due to a reversal of the unused provision in the period, all which related to contracts with customers. See note 16 for details of prior year receivables impairment.

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.

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 £8.5 million (last year: £14.9 million) was held with institutions with a rating below 'A' at 30 March 2019. These amounts are monitored on a weekly basis and regularly reported to the Board.

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

Liquidity risk

The Group's financial risk management policy aims to ensure that sufficient cash is maintained to meet foreseeable needs and close out market positions. Due to the dynamic nature of the underlying business, Group Treasury aims to maintain flexibility in funding by keeping committed credit lines available. For further details of this, refer to note 22.

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.

26. 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 30 March 2019 £m	As at 31 March 2018 £m
In more than 1 year, but not more than 2 years	**14.5**	19.0
In more than 2 years, but not more than 3 years	**7.0**	12.1
In more than 3 years, but not more than 4 years	**6.6**	10.8
In more than 4 years, but not more than 5 years	**5.8**	9.9
In more than 5 years	**19.2**	18.8
Total financial liabilities	**53.1**	70.6

Other non-current financial liabilities relate to other payables and onerous lease provisions.

Capital risk

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

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

At 30 March 2019, the Group had net cash of £837.3 million (last year: £892.1 million) and total equity excluding non-controlling interests of £1,455.0 million (last year: £1,420.5 million). The Group has access to a facility of £300 million which was undrawn at 30 March 2019. For further details refer to note 22.

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 buy-back programme it began in May 2016. During the 52 weeks to 30 March 2019, the Company entered into agreements to purchase £150 million (last year: £350 million) of its own shares back as part of the programme. At 30 March 2019 the Company had purchased £150.7 million of its own shares including stamp duty (last year: £355.0 million). For further details refer to note 23.

27. 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 123 to 144 and forms part of these financial statements, includes, for those share options and awards where performance obligations have been met, the notional gains arising on the future exercise but excludes the charge in respect of these share options and awards recognised in the Group Income Statement.

	52 weeks to 30 March 2019 £m	Year to 31 March 2018 £m
Wages and salaries	**423.3**	418.1
Termination benefits	**11.0**	14.9
Social security costs	**54.3**	51.1
Share-based compensation (all awards and options settled in shares)	**15.6**	17.1
Other pension costs	**15.6**	14.0
Total	**519.8**	515.2

Employee costs include £11.4 million (last year: £14.9 million) relating to restructuring costs. Refer to note 7 for further details.

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

	Number of employees	
	52 weeks to 30 March 2019	Year to 31 March 2018
EMEIA[1]	**5,267**	5,114
Americas	**1,830**	1,852
Asia Pacific	**2,765**	2,786
Total	**9,862**	9,752

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

27. EMPLOYEE COSTS (CONTINUED)

Share options granted to directors and employees

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

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

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

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

The ESP was set up in the year ended 31 March 2015, to replace the previous two long-term incentive plans – the Burberry Co-Investment Plan and the Restricted Share Plan. The ESP aims to reward executives and senior management for sustainable long-term performance and successful execution of the Group's long-term strategy.

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

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

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

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

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

					Targets	
Date of grant	**Options granted**	**Fair value**	**Participant group**	**Performance conditions**	**Threshold**	**Maximum**
31 July 2018	167,052	£21.07	Management	Continued service	N/A	N/A
31 July 2018	6,604	£21.07	Senior Management	3-year growth in Group adjusted PBT	2.0%	10.0%
				3-year growth in Group revenue	1.0%	5.5%
31 July 2018	665,376	£21.07	Senior Management	3-year growth in Group adjusted PBT	–	7.5%
				3-year growth in Group revenue	1.0%	5.5%
31 July 2018	595,524	£21.07	Senior Leadership Team	3-year growth in Group adjusted PBT	–	7.5%
				3-year growth in Group revenue	1.0%	5.5%
				3-year average retail/wholesale adjusted ROIC	13.5%	17.0%
19 November 2018	7,412	£17.82	Management	Continued service	N/A	N/A
19 November 2018	17,827	£17.82	Senior Management	3-year growth in Group adjusted PBT	–	7.5%
				3-year growth in Group revenue	1.0%	5.5%

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

27. EMPLOYEE COSTS (CONTINUED)

Share options granted to directors and employees (continued)

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

	31 July 2018	19 November 2018
Share price at contract commencement date	£21.07	£17.82
Exercise price	£nil	£nil
Life of award	Equivalent to vesting period	Equivalent to vesting period
Expected volatility	28.9%	28.6%
Risk-free interest rate	0.89%	0.74%

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

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

	52 weeks to 30 March 2019	Year to 31 March 2018
Outstanding at start of year	**6,137,145**	5,104,256
Granted during the year	**1,459,795**	2,387,007
Lapsed and forfeited during the year	**(2,483,277)**	(1,354,118)
Exercised during the year	**(115,856)**	–
Outstanding at end of year	**4,997,807**	6,137,145
Exercisable at end of year	**28,772**	–

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

Term of the award	**Number of awards as at 30 March 2019**	Number of awards as at 31 March 2018
22 July 2015 – 21 July 2025	**138,365**	2,085,889
18 November 2015 – 17 November 2025	**7,654**	102,294
30 January 2017 – 30 January 2027	**1,717,023**	1,912,579
31 July 2017 – 31 July 2027	**1,694,199**	2,006,652
27 November 2017 – 27 November 2027	**27,348**	29,731
31 July 2018 – 31 July 2028	**1,389,726**	–
19 November 2018 – 19 November 2028	**23,492**	–
Total	**4,997,807**	6,137,145

<u>One-off awards</u>

The Company grants certain options in respect of ordinary shares as one-off awards with a £nil exercise price.

During the year, options in respect of 731,368 ordinary shares were granted as three one-off awards. Some of these awards vest in stages, which vary by award, and are dependent upon continued employment over the vesting period, as well as key strategic performance objectives linked to long-term growth of the Group for certain awards.

On 31 July 2018, options in respect of 667,626 ordinary shares were granted and will vest on 31 July 2023.

On 12 February 2019, options in respect of 11,889 ordinary shares were granted which will vest in the following manner: 19% vested immediately, 23% will vest on 1 September 2019, 29% will vest on 30 June 2020 and 29% will vest on 30 June 2021. The third award was granted on 12 February 2019 for options in respect of 51,853 ordinary shares and will vest in the following manner: 21% vested on 1 April 2019, 32% will vest on 30 January 2020, 21% will vest on 1 April 2020, 13% will vest on 31 July 2021 and 13% will vest on 31 July 2022.

27. EMPLOYEE COSTS (CONTINUED)

Share options granted to directors and employees (continued)

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

	First award	Second award	Third award
Share price at contract commencement date	£21.07	£19.36	£19.36
Exercise price	£nil	£nil	£nil
Life of award	Equivalent to vesting period	Equivalent to vesting period	Equivalent to vesting period
Expected volatility	26.1%	28.5%	29.7%
Risk-free interest rate	1.07%	0.72%	0.70%

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

	52 weeks to 30 March 2019	Year to 31 March 2018
Outstanding at start of year	**1,780,838**	2,616,027
Granted during the year	**731,368**	279,412
Lapsed and forfeited during the year	**(71,183)**	(447,274)
Exercised during the year	**(1,531,025)**	(667,327)
Outstanding at end of year	**909,998**	1,780,838
Exercisable at end of year	**90,289**	621,443

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

Term of the award	**Number of awards as at 30 March 2019**	Number of awards as at 31 March 2018
14 June 2013 – 15 July 2019	**–**	825,950
12 June 2014 – 31 July 2020	**–**	168,921
18 November 2015 – 18 November 2025	**40,145**	290,577
30 January 2017 – 22 December 2026	**22,539**	263,269
30 January 2017 – 30 January 2027	**81,250**	197,425
08 February 2018 – 07 February 2028	**34,696**	34,696
31 July 2018 – 31 July 2028	**667,626**	–
12 February 2019 – 12 February 2029	**63,742**	–
Total	**909,998**	1,780,838

Other schemes

The Group also issues options to employees under Savings-Related Share Option Schemes (Sharesave) and free shares to employees under an All Employee Share Plan. In the 52 weeks to 30 March 2019, options were granted under Sharesave with a three-year and five-year vesting period.

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

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

28. ACQUISITION OF SUBSIDIARY

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

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

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

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

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

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

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

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

29. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Total compensation in respect of key management, who are defined as the Board of Directors and certain members of senior management, is considered to be a related party transaction.

The total compensation in respect of key management for the year was as follows:

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

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

30. SUBSIDIARY UNDERTAKINGS AND INVESTMENTS

In accordance with Section 409 of the Companies Act 2006 a full list of related undertakings as at 30 March 2019, 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 30 March 2019.

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

30. SUBSIDIARY UNDERTAKINGS AND INVESTMENTS (CONTINUED)

Company name	Country of incorporation	Interest	Holding (%)
Burberry Haymarket Limited[1] (36)	United Kingdom	Ordinary shares	100
Burberry Holdings Limited (36)	United Kingdom	Ordinary shares	100
Burberry International Holdings Limited[1] (36)	United Kingdom	Ordinary shares	100
Burberry Latin America Limited (36)	United Kingdom	Ordinary shares	100
Burberry Limited (36)	United Kingdom	Ordinary shares	100
Burberry London Limited (36)	United Kingdom	Ordinary shares	100
Burberry New York 2005 Limited (36)	United Kingdom	Ordinary shares	100
Burberry New York Unlimited (36)	United Kingdom	Ordinary A shares	100
		Ordinary B shares	100
Burberry Treasury Limited (36)	United Kingdom	Ordinary shares	100
Burberry Wholesale 2005 Limited (36)	United Kingdom	Ordinary shares	100
Burberry Wholesale Unlimited (36)	United Kingdom	Ordinary A shares	100
		Ordinary B shares	100
Burberrys Limited[1] (36)	United Kingdom	Ordinary shares	100
Hampstead (UK) Limited[1] (36)	United Kingdom	Ordinary shares	100
Sweet Street Developments Limited (36)	United Kingdom	Ordinary shares	100
Temple Works Limited (36)	United Kingdom	Ordinary shares	100
The Scotch House Limited[1] (36)	United Kingdom	Ordinary shares	100
Thomas Burberry Holdings Limited[1] (36)	United Kingdom	Ordinary shares	100
Thomas Burberry Limited[1] (36)	United Kingdom	Ordinary shares	100
Woodrow-Universal Limited[1] (36)	United Kingdom	Ordinary shares	100
Woodrow-Universal Pension Trustee Limited[1] (36)	United Kingdom	Ordinary shares	100
Worldwide Debt Collections Limited (37)	United Kingdom	Ordinary shares	100
Burberry (Wholesale) Limited (38)	United States	Class X common stock	100
		Class Y common stock	100
Burberry Limited (38)	United States	Class X common stock	100
		Class Y common stock	100
Burberry North America, Inc. (39)	United States	Common stock	100
Burberry Warehousing Corporation (39)	United States	Common stock	100
Castleford Industries, Ltd. (39)	United States	Series A common stock	100
Castleford Tailors, Ltd. (39)	United States	Common stock	100

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.

Ref	Registered office address
(1)	Level 5, 343 George Street, Sydney NSW 2000, Australia
(2)	Kohlmarkt 2, 1010 Wien, Austria
(3)	Building 1A, Road 365 (Isa Al Kabeer Avenue), Manama Center 316, Unit 8, Moda Mall, Manama, Bahrain
(4)	Waterloolaan 16, 1000 Brussel, Belgium
(5)	City of São Paulo, State of São Paulo, at Rua do Rocio, 350, 3rd floor of Condominium Atrium IX, suites No. 31 and No. 32, 28th subdistrict, Jardim Paulista, CEP 04552-000, Brazil
(6)	100 King Street West, 1 First Canadian Place, Suite 1600, Toronto ON M5X 1G5, Canada
(7)	Suites 3302-3305, 1717 Nanjing West Road, Jing'an District, Shanghai 200040, China
(8)	Praha 1, Pařížská 11/67, PSČ 11000, Czech Republic
(9)	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

30. SUBSIDIARY UNDERTAKINGS AND INVESTMENTS (CONTINUED)

Ref	Registered office address
(12)	1124 Budapest, Csörsz utca 49-51, Hungary
(13)	3 A-1 Taj Apartment, Rao Tula Ram Marg, New Delhi, DL 110022, India
(14)	Suite 9, Bunkilla Plaza, Bracetown Business Park, Clonee, Co. Meath., D15 XR27, Ireland
(15)	Suite 9, Bunkilla Plaza, Bracetown Office Park, Clonee, Co. Meath., D15 XR27, Ireland
(16)	Via Monte Napoleone 12, 20121, Milano, Italy
(17)	Via delle Fonti n.10, 50018 Scandicci (Fi), Italy
(18)	8-14 Ginza 1-chome, Chuo-ku, Tokyo, Japan
(19)	Hawally, Tunis Street, Block 93, Plot B, Office No.12, Floor 7, Kuwait
(20)	Avenida Dr. Sun Yat Sen, One Central Building, 1st floor, Shops 125-127, Macau
(21)	Level 21, Suite 21.01, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Wilayah Persekutuan, Malaysia
(22)	Ejercito Nacional Mexicano 843B Col. Granada Del. Miguel Hidalgo, Distrito Federal, 11520, Mexico
(23)	Pieter Cornelisz. Hooftstraat 48 H, -50, 1071BZ Amsterdam, Netherlands
(24)	54 Al Marikh Street, 783 Al Balansi Road, Doha, Qatar
(25)	(Cheongdam-dong) 459, Dosan-daero, Gangnam-gu, Seoul, Republic of Korea
(26)	Ulitsa Petrovka, 16, floor 3, Premise I, rooms 47-53, 127051, Moscow, Russian Federation
(27)	Riyadh, Al Olaya District, Akaria Plaza, First Floor, Office No (119), 11411, Kingdom of Saudi Arabia
(28)	391B Orchard Road, #15-02/03, Ngee Ann City, 238874, Singapore
(29)	Calle Valencia 640, 08026 Barcelona, Spain
(30)	Route de Chêne 30A, c/o L&S Trust Services SA, 1208 Genève, Switzerland
(31)	(105) 5F, No. 451, Changchun Rd., Taipei City, Taiwan
(32)	No. 989 Siam Piwat Tower, 12A Floor, Unit B1, B2, Rama I Road, Pathumwan Sub-district, Pathumwan District, Bangkok, Thailand
(33)	Reşitpaşa Mahallessi Eski Büyükdere Cad. Windowist Tower Sit. No: 26/1 Sariyer/Istanbul
(34)	Dubai Design District, Premises: 301, 312, 313, 314 & 315, Floor: 03, Building: 08, Dubai, United Arab Emirates
(35)	Burj Khalifa, D3, Office Number 312 + 313, Dubai Design District, Dubai, United Arab Emirates
(36)	Horseferry House, Horseferry Road, London, SW1P 2AW, United Kingdom
(37)	Adelaide House, London Bridge, London, EC4R 9HA, United Kingdom
(38)	CT Corporation System, 28 Liberty St., New York, New York, 10005, United States
(39)	The Corporation Trust Company, Corporation Trust Center 1209 Orange St, Wilmington, New Castle, DE 19801, United States

31. CONTINGENT LIABILITIES

The Group is subject to claims against it and to tax audits in a number of jurisdictions which arise in the ordinary course of business. These typically relate to Value Added Taxes, sales taxes, customs duties, corporate taxes, transfer pricing, payroll taxes, various contractual claims, legal proceedings and other matters. Where appropriate, the estimated cost of known obligations have been provided in these financial statements in accordance with the Group's accounting policies but these matters are inherently difficult to quantify. While changes to the amounts that may be payable could be material to the results or cash flows of the Group in the period in which they are recognised, the Group does not currently expect the outcome of these contingent liabilities to have a material effect on the Group's financial condition.

To end of year	2015	2016	2017	2018	**2019**
Revenue by channel	£m	£m	£m	£m	**£m**
Retail	1,807.4	1,837.7	2,127.2	2,176.3	**2,185.8**
Wholesale	648.1	634.6	613.9	526.4	**487.9**
Retail/Wholesale	2,455.5	2,472.3	2,741.1	2,702.7	**2,673.7**
Licensing	67.7	42.4	24.9	30.1	**46.5**
Total revenue	2,523.2	2,514.7	2,766.0	2,732.8	**2,720.2**
Profit by channel	£m	£m	£m	£m	**£m**
Retail/Wholesale	399.2	380.9	437.0	440.7	**395.7**
Licensing	56.0	36.9	21.7	25.9	**42.4**
Adjusted operating profit[1]	455.2	417.8	458.7	466.6	**438.1**
Segmental analysis	%	%	%	%	**%**
Retail/Wholesale gross margin	69.2	69.6	69.6	69.1	**67.9**
Retail/Wholesale adjusted operating expenses as a percentage of sales[1]	52.9	54.2	53.7	52.8	**53.1**
Retail/Wholesale adjusted operating margin[1]	16.3	15.4	15.9	16.3	**14.8**
Licensing adjusted operating margin[1]	82.7	87.0	87.1	86.0	**91.2**
Summary profit analysis	£m	£m	£m	£m	**£m**
Adjusted operating profit[1]	455.2	417.8	458.7	466.6	**438.1**
Net finance income[1]	0.6	2.8	3.7	4.3	**5.1**
Adjusted profit before taxation[1]	455.8	420.6	462.4	470.9	**443.2**
Adjusting items	(11.2)	(5.0)	(67.6)	(58.3)	**(2.6)**
Profit before taxation	444.6	415.6	394.8	412.6	**440.6**
Taxation	(103.5)	(101.0)	(107.1)	(119.0)	**(101.5)**
Non-controlling interest	(4.8)	(5.1)	(0.9)	(0.1)	**0.2**
Attributable profit	336.3	309.5	286.8	293.5	**339.3**
Retail/Wholesale revenue by product division	£m	£m	£m	£m	**£m**
Accessories	892.5	901.7	1,033.2	1,046.5	**1,012.7**
Women's	743.0	729.0	791.9	808.4	**836.8**
Men's	557.5	548.4	623.5	647.3	**698.2**
Children's/Other	77.7	90.7	108.1	116.8	**120.0**
Beauty	184.8	202.5	184.4	83.7	**6.0**
Retail/Wholesale revenue by destination	£m	£m	£m	£m	**£m**
Asia Pacific	938.1	932.9	1,069.0	1,089.0	**1,104.3**
EMEIA[2]	869.0	878.5	991.2	975.2	**957.4**
Americas	648.4	660.9	680.9	638.5	**612.0**
Financial KPIs					
Total revenue growth[3]	+11%	-1%	-2%	-1%	**-1%**
Adjusted operating profit growth[1, 3]	+7%	-11%	-21%	+5%	**+0%**
Adjusted PBT growth[1,3]	+7%	-10%	-21%	+5%	**+0%**
Adjusted retail/wholesale return on invested capital (ROIC)[1]	17.9%	14.7%	15.4%	16.3%	**15.5%**
Comparable store sales growth[1]	+9%	-1%	+1%	+3%	**+2%**
Adjusted operating profit margin[1]	18.0%	16.6%	16.6%	17.1%	**16.1%**
Adjusted diluted EPS growth[1]	+2%	-9%	+11%	+6%	**+0%**

1. Excludes the impact of adjusting items. Refer to note 2s for the Group's policy on adjusting items.
2. EMEIA comprises Europe, Middle East, India and Africa.
3. Growth rate is year-on-year underlying change, i.e. at constant exchange rates.

To end of year Earnings and dividends	2015 pence per share	2016 pence per share	2017 pence per share	2018 pence per share	**2019 pence per share**
Adjusted earnings per share – diluted[1]	76.9	69.9	77.4	82.1	**82.1**
Earnings per share – diluted	75.1	69.4	64.9	68.4	**81.7**
Diluted weighted average number of ordinary shares (millions)	447.8	446.1	442.2	429.4	**415.1**
Dividend per share (on a paid basis)	32.9	35.7	37.3	39.4	**41.1**

To end of year Net Cash Flow	2015 £m	2016 £m	2017 £m	2018 £m	**2019 £m**
Adjusted operating profit[1]	455.2	417.8	458.7	466.6	**438.1**
Restructuring spend	–	–	(16.7)	(24.3)	**(20.2)**
Depreciation and amortisation[1]	123.7	132.2	144.0	124.0	**115.8**
Employee share scheme costs	21.0	(0.3)	13.1	17.1	**15.7**
(Payment)/proceeds on equity swap contracts	(0.2)	(1.6)	–	0.5	**2.5**
(Increase)/decrease in inventories	(15.1)	(49.3)	8.4	37.2	**(59.3)**
(Increase)/decrease in receivables	(43.8)	(31.7)	19.7	68.1	**(54.6)**
Increase in payables and provisions[1]	19.7	9.1	27.6	3.6	**66.6**
Other non-cash items	7.6	26.8	33.8	9.7	**11.3**
Cash flow from operations	568.1	503.0	688.6	702.5	**515.9**
Net interest	1.2	3.1	3.7	5.6	**6.3**
Tax paid	(114.4)	(94.8)	(131.6)	(118.4)	**(110.8)**
Net cash flow from operations	454.9	411.3	560.7	589.7	**411.4**
Capital expenditure	(155.7)	(138.0)	(104.1)	(106.0)	**(110.6)**
Proceeds from disposal of non-current assets	1.3	0.5	8.5	–	**–**
Free cash flow	300.5	273.8	465.1	483.7	**300.8**
Proceeds on disposal of Beauty operations and related licence	–	–	–	149.8	**0.6**
Capital contributions from JV partners	0.4	–	–	–	**–**
Acquisitions	(3.4)	–	(68.8)	(3.0)	**(25.6)**
Dividends	(145.3)	(158.4)	(164.5)	(169.4)	**(171.1)**
Purchase of shares through share buy-back	–	–	(97.2)	(355.0)	**(150.7)**
Other	(16.4)	(8.7)	(11.7)	(8.7)	**(10.5)**
Exchange difference	13.9	1.4	26.0	(14.5)	**1.7**
Total movement in net cash	149.7	108.1	148.9	82.9	**(54.8)**
Net cash	552.2	660.3	809.2	892.1	**837.3**

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

At end of year Balance Sheet	2015 £m	2016 £m	2017 £m	2018 £m	**2019 £m**
Intangible assets	193.5	189.6	170.1	180.1	**221.0**
Property, plant and equipment	436.5	426.2	399.6	313.6	**306.9**
Inventories	436.6	486.7	505.3	411.8	**465.1**
Trade and other receivables	320.8	351.9	352.0	275.5	**321.2**
Trade and other payables	(523.1)	(501.9)	(561.0)	(629.0)	**(702.2)**
Taxation (including deferred taxation)	68.6	56.4	83.7	85.1	**97.5**
Net cash	552.2	660.3	809.2	892.1	**837.3**
Other net assets	(33.6)	(48.3)	(61.1)	(103.8)	**(86.8)**
Net assets	1,451.5	1,620.9	1,697.8	1,425.4	**1,460.0**

Reconciliation of Adjusted Retail/Wholesale ROIC	2015 £m	2016 £m	2017 £m	2018 £m	**2019 £m**
Retail/Wholesale adjusted operating profit[1]	399.2	380.9	437.0	440.7	**395.7**
Adjusted effective tax rate[1]	23.4%	24.7%	25.8%	25.1%	**23.1%**
Retail/Wholesale adjusted operating profit after tax[1]	305.8	286.7	324.3	330.1	**304.3**
Net assets excluding licensing segment assets and liabilities	1,448.9	1,617.4	1,694.2	1,512.6	**1,540.7**
Net cash	(552.2)	(660.3)	(809.2)	(892.1)	**(837.3)**
Assumed lease assets[2]	922.0	1,101.0	1,197.0	1,219.0	**1,245.5**
Exclude adjusting items:					
Licence intangible asset	(41.1)	(26.1)	–	–	**–**
Put option liability	54.4	45.8	–	–	**–**
Deferred consideration	–	–	34.7	29.2	**21.9**
Restructuring liabilities/other	0.8	–	11.3	51.8	**26.7**
Adjusted operating assets	1,832.8	2,077.8	2,128.0	1,920.5	**1,997.5**
Average operating assets	1,705.9	1,955.3	2,102.9	2,024.3	**1,959.0**
Adjusted Retail/Wholesale ROIC	17.9%	14.7%	15.4%	16.3%	**15.5%**

1. Excludes the impact of adjusting items. Refer to note 2s for the Group's policy on adjusting items.
2. Assumed operating lease assets and assumed operating lease debt are calculated as a factor of five times minimum operating lease payments, excluding the impact of charges and subsequent utilisations relating to onerous lease provisions, and amounts classified as adjusting items. Net charges for onerous lease provisions within adjusted profit before tax during the 52 weeks to 30 March 2019 were £3.6 million (last year: £7.2 million), and £5.3 million of existing onerous lease provisions were utilised (last year: £4.8 million).

COMPANY BALANCE SHEET

	Note	As at 30 March 2019 £m	As at 31 March 2018 £m
Fixed assets			
Investments in subsidiaries	D	**1,378.0**	1,343.8
		1,378.0	1,343.8
Current assets			
Trade and other receivables – amounts falling due after more than one year	E	**0.4**	0.4
Trade and other receivables – amounts falling due within one year	E	**553.4**	475.4
Derivative assets maturing after more than one year		**–**	1.2
Derivative assets maturing within one year		**0.5**	0.3
Cash at bank and in hand		**0.4**	0.9
		554.7	478.2
Creditors – amounts falling due within one year	F	**(195.3)**	(58.1)
Derivative liabilities maturing within one year		**(0.4)**	(0.1)
Net current assets		**359.0**	420.0
Total assets less current liabilities		**1,737.0**	1,763.8
Creditors – amounts falling due after more than one year	F	**(70.7)**	(207.9)
Provisions for liabilities		**(1.0)**	(1.0)
Derivative liabilities maturing after more than one year		**(0.1)**	–
Net assets		**1,665.2**	1,554.9
Equity			
Called up share capital	H	**0.2**	0.2
Share premium account		**216.9**	214.6
Capital reserve		**0.9**	0.9
Hedging reserve		**4.6**	4.6
Profit and loss account		**1,442.6**	1,334.6
Total equity		**1,665.2**	1,554.9

Profit for the year on ordinary activities was £426.9 million (last year: £452.5 million). The directors consider that, at 30 March 2019, £617.5 million (last year: £634.5 million) of the profit and loss account is non-distributable.

The financial statements on pages 214 to 223 were approved by the Board on 15 May 2019 and signed on its behalf by:

MARCO GOBBETTI
Chief Executive Officer

JULIE BROWN
Chief Operating and Chief Financial Officer

COMPANY STATEMENT OF CHANGES IN EQUITY

	Note	Called up share capital £m	Share premium account £m	Capital reserve £m	Hedging reserve £m	Profit and loss account £m	Total equity £m
Balance as at 31 March 2017		**0.2**	**211.4**	**0.9**	**4.6**	**1,398.0**	**1,615.1**
Profit for the year		–	–	–	–	452.5	452.5
Total comprehensive income for the year		–	–	–	–	452.5	452.5
Employee share incentive schemes							
Value of share options granted		–	–	–	–	17.1	17.1
Exercise of share options		–	3.2	–	–	–	3.2
Purchase of own shares							
Share buy-back		–	–	–	–	(351.7)	(351.7)
Held by ESOP trusts		–	–	–	–	(11.9)	(11.9)
Dividends paid in the year	I	–	–	–	–	(169.4)	(169.4)
Balance as at 31 March 2018		**0.2**	**214.6**	**0.9**	**4.6**	**1,334.6**	**1,554.9**
Profit for the year		–	–	–	–	426.9	426.9
Total comprehensive income for the year		–	–	–	–	426.9	426.9
Employee share incentive schemes							
Value of share options granted		–	–	–	–	15.7	15.7
Exercise of share options		–	2.3	–	–	–	2.3
Purchase of own shares							
Share buy-back		–	–	–	–	(150.7)	(150.7)
Held by ESOP trusts		–	–	–	–	(12.8)	(12.8)
Dividends paid in the year	I	–	–	–	–	(171.1)	(171.1)
Balance as at 30 March 2019		**0.2**	**216.9**	**0.9**	**4.6**	**1,442.6**	**1,665.2**

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, wholesaler and retailer. The Group also licenses third parties to manufacture and distribute products using the 'Burberry' trademarks. All of the companies which comprise the Group are controlled by the Company directly or indirectly.

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

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

Financial Reporting Standard 101 – reduced disclosure exemptions

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

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

B. ACCOUNTING POLICIES

New accounting policy adopted in the period

The following accounting policy was adopted for the first time in the financial statements for the 52 weeks to 30 March 2019:

Accounting reference date

On 1 April 2018, a new policy was adopted for the accounting reference date, in line with guidance under the Companies Act 2006 Section 390. Previously, the accounting reference date was 31 March each year. From 1 April 2018 onwards, the accounting reference date will be a Saturday within 7 days of 31 March. For the current year, the accounting reference date is 30 March 2019 for the full year. Comparative information for the year ended 31 March 2018 has not been restated and there is no impact on the current year results from adopting the new policy.

New Standards adopted in the period

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

IFRS 9 Financial Instruments

The Company adopted IFRS 9 Financial Instruments, for the period commencing 1 April 2018, with the exception of the hedge accounting element which will be adopted when the IFRS 9 Macro hedging is endorsed by the European Union.

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

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

- The standard simplifies the mixed measurement model contained in IAS 39 and establishes three primary measurement categories for financial assets: amortised cost; fair value through Other Comprehensive Income (OCI); and fair value through profit and loss. The classification of financial assets is based on the business model in which the asset is managed and its contracted cash flow characteristics. The application of the new standard has not resulted in a change in classification of any financial instruments.
- There are no classification impacts other than the description applied to financial instruments. The Company's classification and measurement of financial instruments under IFRS 9 and IAS 39 is set out in the accounting policy for financial instruments.
- IFRS 9 introduces a forward-looking impairment model based on expected credit losses on financial assets. This has not had any effect on the company's impairment measurement.
- There are also revised disclosure requirements for financial instruments.

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

There is no impact, due to the transition to IFRS 9 on financial assets and retained earnings as at 1 April 2018.

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

Taking into account reasonable possible changes in trading performance and after making enquiries, the Directors consider it appropriate to continue to adopt the going concern basis in preparing the financial statements for the 52 weeks to 30 March 2019.

Share schemes

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

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

B. ACCOUNTING POLICIES (CONTINUED)

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

When options and awards are exercised, they are settled either via issue of new shares in the Company, or through shares held in the ESOP trusts, depending on the terms and conditions of the relevant scheme. The proceeds received from the exercises, net of any directly attributable transaction costs, are credited to share capital and share premium. Share-based payments disclosures relevant to the Company are presented within note 27 to the consolidated financial statements.

Dividend distribution

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

Investments in subsidiaries

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

Impairment of investments in subsidiaries

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

Taxation

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

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

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.

B. ACCOUNTING POLICIES (CONTINUED)

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.

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

The adoption of IFRS 9 has had the following impact on Company's financial instrument categorisation:

Financial instrument category	Note	Classification under IAS 39	Measurement under IAS 39	Classification under IFRS 9	Measurement under IFRS 9
Cash and cash equivalents		Loans and receivables	Amortised cost	Amortised cost	Amortised cost
Trade and other receivables	E	Loans and receivables	Amortised cost	Amortised cost	Amortised cost
Trade and other payables	F	Other financial liabilities	Amortised cost	Other financial liabilities	Amortised cost
Borrowings		Other financial liabilities	Amortised cost	Other financial liabilities	Amortised cost
Equity swap contracts		Derivative instrument	Fair value through profit and loss	Fair value through profit and loss	Fair value through profit and loss

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

Cash at bank and in hand

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

Trade and other receivables

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

Borrowings

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

Derivative instruments

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

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

B. ACCOUNTING POLICIES (CONTINUED)

Foreign currency translation

Functional and presentation currency

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

Transactions in foreign currencies

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

Called up share capital

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

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

C. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Impairment of investments in subsidiaries

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

Impairment of trade and other receivables

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

D. INVESTMENTS IN SUBSIDIARIES

	£m
As at 1 April 2018	1,343.8
Additions	34.2
As at 30 March 2019	**1,378.0**

During the year the Company increased its investment in Burberry Limited by £14.4 million and increased its investment in Burberry Italy S.R.L. by £19.8 million.

The Directors consider that the carrying value of the investments in subsidiaries is supported by their underlying net assets and value generated by their operations. The subsidiary undertakings and investments of the Burberry Group are listed in note 30 of the Group financial statements.

E. TRADE AND OTHER RECEIVABLES

	As at 30 March 2019 £m	As at 31 March 2018 £m
Prepayments	**0.4**	0.4
Trade and other receivables – amounts falling due after more than one year	**0.4**	0.4
Amounts owed by Group companies	**553.2**	475.2
Prepayments	**0.2**	0.2
Trade and other receivables – amounts falling due within one year	**553.4**	475.4
Total trade and other receivables	**553.8**	475.8

All amounts owed by Group companies are interest bearing.

The interest rate earned is based on relevant national LIBOR equivalents plus 0.9%. These loans are unsecured and repayable on 17 June 2019.

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

F. CREDITORS

	As at 30 March 2019 £m	As at 31 March 2018 £m
Amounts owed to Group companies	**70.7**	207.9
Creditors – amounts falling due after more than one year	**70.7**	207.9
Amounts owed to Group companies	**194.9**	57.9
Accruals	**0.4**	0.2
Creditors – amounts falling due within one year	**195.3**	58.1
Total creditors	**266.0**	266.0

Amounts owed to Group companies falling due after more than one year are interest bearing. The interest rate earned is based on LIBOR plus 0.9%. These loans are unsecured and repayable on 17 June 2020.

Included within amounts owed to Group companies falling due within one year are interest bearing loans of £139.4 million (last year: £nil). The interest rate earned is based on LIBOR plus 0.5% to 0.9%. These loans are unsecured and repayable on 17 June 2019. The remaining amounts are unsecured, interest free and repayable on demand.

G. CREDIT RISK

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

Trade and other receivables

The Company has no significant concentrations of credit risk. 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 counterparty credit risk of trade and other receivables is reviewed on a regular basis and the IFRS 9 impairment model is applied 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. As at 30 March 2019, the expected 12 month credit losses of trade and other receivables were negligible and hence there were no impairments of these receivables.

G. CREDIT RISK (CONTINUED)

Other financial assets

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

H. CALLED UP SHARE CAPITAL

Allotted, called up and fully paid share capital	**Number**	**£m**
Ordinary shares of 0.05p (last year: 0.05p) each		
As at 1 April 2018	418,275,123	0.2
Allotted on exercise of options during the year	185,349	–
Cancellation of treasury shares	(7,004,471)	–
As at 30 March 2019	**411,456,001**	**0.2**

The Company has a general authority from shareholders, renewed at each Annual General Meeting, to repurchase a maximum of 10% of its issued share capital. During the 52 weeks to 30 March 2019, the Company entered into agreements to purchase £150 million (last year: £350 million) of its own shares back, excluding stamp duty, as part of a share buy-back programme. Own shares purchased by the Company, as part of a share buy-back programme, are classified as treasury shares and their cost offset against the profit and loss account. When treasury shares are cancelled, a transfer is made from the profit and loss account to the capital redemption reserve, equivalent to the nominal value of the shares purchased and subsequently cancelled. In the 52 weeks to 30 March 2019, 7.0 million treasury shares with a nominal value of £3,500 were cancelled (last year: 27.2 million treasury shares with a nominal value of £13,600). The cost of shares purchased by ESOP trusts are offset against the profit and loss account, as the amounts paid reduce the profits available for distribution by the Company.

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

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

I. DIVIDENDS

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

A final dividend in respect of the 52 weeks to 30 March 2019 of 31.5p (last year: 30.3p) per share, amounting to £128.4 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 2 August 2019 to shareholders on the register at the close of business on 28 June 2019. The ex-dividend date is 27 June 2019 and the final day for dividend reinvestment plan ('DRIP') elections is 12 July 2019.

J. FINANCIAL GUARANTEES

On 25 November 2014, the Group entered into a £300 million multi-currency revolving credit facility with a syndicate of third-party banks. At 30 March 2019, there were £nil outstanding drawings (last year: £nil). The facility matures in November 2021.

The companies acting as guarantor to the facility consist of Burberry Group plc, Burberry Limited, Burberry Asia Limited, Burberry (Wholesale) Limited (US) and Burberry Limited (US). The fair value of this financial guarantee as at 30 March 2019 is £nil (last year: £nil).

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

K. AUDIT FEES

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

L. EMPLOYEE COSTS

The Company has no employees and therefore no employee costs are included in these financial statements for the 52 weeks to 30 March 2019 (last year: £nil).