

22 May 2020

Burberry Group plc

Preliminary results for the 52 weeks ended 28 March 2020

Strong progress against strategy, well prepared to navigate through COVID

“Prior to Covid-19, we were delivering strong momentum across our brand and product, with sales ahead of our expectations. Since then, the global health emergency has had a profound impact on the world, our industry and Burberry but I am very proud of the way we have responded. We have taken swift action to mitigate the financial impact on our business, while prioritising the safety and wellbeing of our teams and customers. We have a strong balance sheet and liquidity, with space for investment when markets recover. We have found new ways to strengthen our connection with consumers, drawing on our digital leadership. We have also mobilised our resources in support of the relief efforts. It will take time to heal but we are encouraged by our strong rebound in some parts of Asia and are well-prepared to navigate through this period. Now, more than ever, our strategy to secure our position in luxury fashion is key. I would like to thank our teams for their dedication and leadership during these challenging times.” Marco Gobbetti, Chief Executive Officer

In the current year, we have adopted new accounting standard IFRS 16, recognising operating leases as right of use assets and lease liabilities on the balance sheet the impact of which is set out on page 21. Throughout this review, to aid comparability, a pro forma FY 2020 (see detail on page 47) has been included to be comparable with FY 2019 results.

Period ended	28 March 2020	30 March 2019	%	28 March 2020	%	28 March 2020
£ million			<i>change reported FX</i>	pro forma	<i>change pro forma vs March 2019</i>	pro forma
Revenue	2,633	2,720	(3)	2,633	(3)	(4)
<i>Retail comparable store sales*</i>	<i>(3%)</i>	<i>2%</i>				
Adjusted operating profit*	433	438	(1)	404	(8)	(8)
Adjusted operating profit margin*	16.4%	16.1%		15.3%		
Reported operating profit	189	437	(57)	160	(63)	
Reported operating profit margin	7.2%	16.1%		6.1%		
Adjusted Diluted EPS (pence)*	78.7	82.1	(4)	77.9	(5)	(5)
Diluted EPS (pence)	29.8	81.7	(64)	29.0	(65)	
Free cash flow*	66	301		66		
Dividend (pence)	11.3	42.5	(73)			

*See page 13 for definitions of alternative performance measures

- Strong momentum in brand, product and sales delivered before the COVID-19 outbreak, ahead of our previous expectations
- Double digit growth in followers and engagement on social platforms year on year, including through the crisis
- Comparable sales -27% in Q4 with around 60% retail stores closed at end of March. This compares to +4% for the first 9 months of the year
- Adjusting items of £245m predominantly due to store impairments and stock provisions relating to COVID resulting from its expected impact on future cashflows generated by these assets
- Year to date sales in Mainland China and Korea already ahead of the prior year and continuing to show an improving trend
- Responded rapidly to COVID-19 with a comprehensive cost mitigation programme tailored to several outcome scenarios whilst prioritising the safety and wellbeing of our people

- Retooled our factory in Yorkshire to make gowns and sourced surgical masks through our global supply chain. To date donated >150,000 pieces of PPE to NHS and care charities, funded research into a vaccine developed by the University of Oxford and donated to charities tackling food poverty in the UK
- Existing cost saving programme delivered cumulative savings of £125m this year and programme accelerated to deliver cumulative savings of £140m by FY 2021
- Strong balance sheet with cash of £887m including £300m from a drawdown of the RCF in March 2020 and actions in place to protect liquidity
- Capital allocation framework retained. However, given current uncertainty, a final dividend has not been declared, with future dividend payments to be reviewed at end of FY 2021

FY 2021 outlook***

We are not in a position to provide specific guidance for FY21 at this stage as it is currently challenging to predict the course of the pandemic and the longer lasting economic consequences. However, we currently have 50% of our store network closed and we expect our first quarter (to end June 2020) to be severely impacted with store closures likely to be at or near peak for most of the quarter. We are leveraging our digital platforms to forge stronger connections with our customers and have mitigation plans to conserve cash and reduce operating costs, whilst retaining flexibility to respond rapidly and optimise revenues in markets as they start to recover.

***Full outlook on page 6

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

The following alternative performance measures are presented in this announcement: CER, Pro forma FY 2020 results, adjusted profit measures, comparable sales, free cash flow, cash conversion and lease-adjusted net debt in the prior period. The definition of these alternative performance measures are in the Appendix on page 13.

Cumulative cost savings are savings compared to FY 2016 operating expenses. The savings relating to the store rationalisation programme are measured compared to the reported costs, which were under IAS 17.

Certain financial data within this announcement have been rounded.

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- There will be a live webcast presentation today at 9.30am (UK time) for investors and analysts
- The presentation can be viewed live on the Burberry website www.burberryplc.com
- The supporting slides and an indexed replay will be available on the website later in the day
- Burberry will issue its First Quarter Trading Update on 15 July 2020
- The AGM will be held on 15 July 2020

Certain statements made in this announcement are forward-looking statements. Such statements are based on current expectations and are subject to a number of risks and uncertainties that could cause actual results to differ materially from any expected future results in forward-looking statements. Burberry Group plc undertakes no obligation to update these forward-looking statements and will not publicly release any revisions it may make to these forward-looking statements that may result from events or circumstances arising after the date of this document. Nothing in this announcement should be construed as a profit forecast. All persons, wherever located, should consult any additional disclosures that Burberry Group plc may make in any regulatory announcements or documents which it publishes. All persons, wherever located, should take note of these disclosures. This announcement does not constitute an invitation to underwrite, subscribe for or otherwise acquire or dispose of any Burberry Group plc shares, in the UK, or in the US, or under the US Securities Act 1933 or in any other jurisdiction.

Burberry is listed on the London Stock Exchange (BRBY.L) and is a constituent of the FTSE 100 index. ADR symbol OTC:BURBY.

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GROUP FINANCIAL HIGHLIGHTS

Revenue

- Revenue £2,633m, -4% CER, -3% reported
- Comparable retail store sales -3% (H1: +4%; H2: -9%) with Q4 -27%, materially impacted by the COVID-19 outbreak

Pro forma profit measures

- Pro forma adjusted operating profit £404m, -8% CER. Pro forma margin 15.3%, down 70bps at CER
- Gross margin before adjusting items down 100bps as investments in product quality were partly offset by lower levels of discounting
- Operating expenses before adjusting items -4% year on year benefiting from our cost saving programme and mitigating actions
- Pro forma adjusted diluted EPS 77.9p, -5% at both CER and reported, supported by an effective tax rate reduction of 80bps and 7m share repurchases prior to COVID-19

Reported profit measures

- Operating profit £189m, -57% reported, principally due to £244m of adjusting operating items relating to store impairments, inventory provisions and other charges resulting from the expected impact of the COVID-19 pandemic on our future trading
- Diluted EPS 29.8p, -64% reported, principally due to adjusting items relating to COVID-19

Cash measures

- Free cash flow of £66m (2019: £301m) due to lower profit, accelerated timing of UK tax payments resulting from new HMRC rules, increased capital investments and working capital outflows
- Cash of £887m at 28 March 2020 including £300m from the drawdown of our revolving credit facility and after returning £325m cash to shareholders through a combination of dividends (£175m) and share buybacks (£150m) completed before the COVID-19 outbreak
- Full year dividend 11.3p, down 73% (2019: 42.5p) to protect our future cash position

Summary income statement

Period ended	28 Mar 2020	30 Mar 2019	% change reported FX	28 Mar 2020 pro forma***	% change pro forma vs Mar 2019	
£ million					Reported FX	CER
Revenue	2,633	2,720	(3)	2,633	(3)	(4)
Cost of sales*	(859)	(859)	-	(859)	-	
Gross profit*	1,774	1,861	(5)	1,774	(5)	
Gross margin %*	67.4%	68.4%	(100bps)	67.4%	(100bps)	
Operating expenses*	(1,341)	(1,423)	(6)	(1,370)	(4)	
<i>Opex as a % of sales*</i>	51.0%	52.3%		52.1%		
Adjusted operating profit*	433	438	(1)	404	(8)	(8)
Adjusted operating margin*	16.4%	16.1%	30bps	15.3%	(80bps)	(70bps)
Adjusting operating items	(244)	(1)		(244)		
Operating profit	189	437	(57)	160	(63)	
Operating margin	7.2%	16.1%		6.1%		
Net finance (charge)/credit**	(20)	4		5		
Profit before taxation	169	441	(62)	165	(63)	
Taxation	(47)	(102)		(46)		
Attributable profit	122	339		119		
Adjusted profit before taxation*	414	443	(7)	410	(7)	(7)
Adjusted EPS (pence)*^	78.7	82.1	(4)	77.9	(5)	(5)
EPS (pence)^	29.8	81.7	(64)	29.0	(65)	
Weighted average number of ordinary shares (millions)	409.0	415.1		409.0		

*Excludes adjusting items. For detail, see Appendix. **Includes adjusting finance charge of £1m (2019: £1m). ^EPS is presented on a diluted basis. ***Pro forma is an estimation of the FY 2020 results when applying the previous accounting standard for leases, IAS 17 Leases consistent with FY 2019.

BUSINESS AND FINANCIAL REVIEW

FY 2020 was the second year of our journey to transform Burberry. Our focus in this first phase was on re-energising our brand, aligning our distribution to our new positioning in luxury fashion and establishing a new product offering. Against these objectives, we made strong progress in the year. However, from late January 2020 the outbreak of COVID-19 had a material negative effect on consumer demand. We took rapid action to implement mitigating actions to ensure the safety and well-being of our people and limit the financial and operational impact on our business.

Strategic progress

Our strategy to establish ourselves in luxury fashion, with a greater emphasis on leather and accessories, means we are positioning Burberry towards the more resilient and fastest growing segments of the luxury market. Over the last two years we have successfully established a foundational platform from which to leverage the Burberry brand over the coming years. This includes a new, desirable product assortment, better aligned distribution channels and improved brand perception. In light of the current environment, our strategy to secure our position in luxury is key.

In the past 12 months, we increased the availability of new product in our mainline stores from 10-15% at the start of April 2019 to around 85% by the end of March 2020. Prior to the COVID-19 outbreak, the consumer response was very positive with all new collections - Summer 2019, Autumn/Winter 2020 and Spring 2020 - delivering double digit growth in our own stores. We also delivered growth in sales to luxury wholesale partners compared to the prior year.

We continued to see a strong response to our most recent collections. Our Spring/Summer 2020 campaign generated online reach over three times higher than the previous season. And in February, our Autumn/Winter 2020 show, *Memories*, generated a global press reach of 230 million, up double digits compared to our Autumn/Winter 2019 show.

We also increased brand heat, inspiring consumers in innovative ways. Our dedicated Lunar New Year campaign drove industry leading reach and engagement across social media platforms. After restrictions eased in Mainland China in mid-March, we live streamed an event on T-mall with influencer Yvonne Ching browsing our Shanghai Flagship store, which attracted almost 1.4 million viewers. In total, our inspiration activations led to strong double-digit year-on-year growth in followers and engagement on Instagram and WeChat.

In distribution, we continued to transform our global network. We opened flagship stores in Beijing, Shanghai and Ginza (Tokyo) and we continued with our refresh programme with 64 stores now aligned to our new creative vision. We also exited a cumulative 23 smaller, non-strategic stores previously earmarked for closure. Meanwhile, in wholesale, the rationalisation of non-luxury doors in the US is now complete.

Over the last two years, we have transformed our operational efficiency at Burberry. We have migrated functional support to Burberry Business Services in Leeds and we have strengthened the financial platform used to support the business. In FY 2020, this produced incremental cost savings of £20m in the year bringing the cumulative total to £125m. In addition, as part of our drive to mitigate the impacts of COVID-19, we accelerated our plans by a year and now expect to complete the full programme of £140m of cumulative savings by FY 2021.

Finally, we made strong progress against our Responsibility agenda including launching a Regeneration Fund to support a portfolio of carbon insetting projects to directly tackle the environmental impact of Burberry's own operations. The new insetting projects will be implemented within our supply chain, working at farm level to promote biodiversity, facilitate the restoration of ecosystems and support the livelihoods of local producers as well as

storing carbon at source and removing it from the atmosphere. We also worked directly with cotton growers in the US to develop a fully traceable organic cotton supply for the future and rolled out dedicated sustainability labelling across all key-product categories. In addition, we continued to support communities internationally, through the Burberry Foundation, by expanding Burberry Inspire, a platform bringing together schools and creative organisations to allow students to explore the arts.

Impact of COVID-19 on our business

Since late January, our business has been very materially impacted by the outbreak of COVID-19.

In revenue terms, most of our losses in February were in Asian markets. At peak, the majority of our stores in Mainland China were closed and those that remained open operated with reduced hours amid very significant declines in footfall. Towards the end of the year, trading in Mainland China started to improve with the reopening of all our stores. However, footfall in other parts of Asia, including Hong Kong S.A.R, remained materially weaker throughout.

EMEIA and the Americas also suffered very significant losses in the last three weeks of the year. By the end of March, in line with government guidelines, all of our stores in these regions were closed with only the digital part of our business open for trading.

We also saw disruption across our supply chain. Our leather-goods centre of excellence, Burberry Manifattura, and our trench coat factory in Castleford, Yorkshire closed in March. We also shut our major global distribution centre in Italy in March, with our American and UK logistics hubs reducing hours but remaining open to service our digital business. We also re-shaped our supply chain to enable a continued service to those parts of the world that remained open.

In order to limit the impact of the outbreak on our business, we implemented mitigating actions to contain costs and protect our financial position. These included renegotiating rents, restricting recruitment, travel and other discretionary spending.

We also leveraged our digital platform to continue to connect with customers that were unable to visit our stores. This included bringing our products to our clients through remote selling and roadshows, live streaming events from stores and creating immersive experiences such as our recent launch of Bags World.

Throughout, we prioritised the safety and wellbeing of our employees, partners and customers, following government guidelines in all our markets. We implemented home working for office-based teams, and reduced work patterns and shift rotations for teams whose roles could not be performed remotely, while putting in place strict protocols for hygiene and social distancing.

At the same time, we looked beyond Burberry to support the relief efforts continuing Thomas Burberry's legacy of protecting others and caring for our communities. We are facilitating the delivery of surgical masks, non-surgical masks and gowns for use by medical staff and patients. We retooled our factory in Castleford, Yorkshire to make non-surgical gowns. We are funding research into a single-dose vaccine developed by the University of Oxford and we are donating to charities, including FareShare and the Felix Project, which are dedicated to tackling food poverty across the UK.

Financial performance

During the year, the increased proportion of new product in our stores underpinned an improvement in comparable retail store sales growth to +4% for the first three quarters of the year, despite headwinds from the considerable disruptions in Hong Kong S.A.R from August 2019.

Following the end of January 2020, as described above, trading deteriorated significantly, impacted by store closures, reduced operating hours and significant footfall declines. As a result, our Q4 comparable store sales declined 27% and full year comparable store sales declined -3%. Total revenue including our wholesale and licensing channels declined -4% at CER.

Group adjusted pro forma operating profit declined 8% in the year at CER, partially protected by cost mitigation. Reported operating profit declined 57%, predominantly due to the impact of adjusting items relating to the COVID-19 pandemic.

We generated free cash flow of £66m in the year, below the prior year level of £301m. This predominantly reflected a reduction in profits, an increase in working capital, a year on year increase in capital investment of around £40m, as guided and tax payments of £150m (2019: £111m) primarily reflecting the accelerated timing of UK tax payments.

As at 28 March 2020, we had cash balances of £887m (2019: £837m), which included the cash proceeds from the drawdown of a £300m revolving credit facility (RCF). In terms of leverage, we had £0.5bn of net debt (including lease liabilities), equating to a net debt (including lease liabilities) to EBITDA ratio of 0.7x, well within our targeted range of 0.5x to 1.0x. Our position is also well within the RCF covenants. In addition, since the year end, we have secured funding of £300m under the UK Government sponsored COVID Corporate Financing Facility (CCFF) to mid-March 2021.

FY 2021 outlook

We are not in a position to provide specific guidance for FY 2021 at this stage as it is currently challenging to predict the course of the pandemic and the longer lasting economic consequences. However, we currently have 50% of our store network closed and we expect our first quarter (to end June 2020) to be severely impacted with store closures likely to be at or near peak for most of the quarter.

We feel confident in the strength of the Burberry brand and are encouraged by the recovery we are experiencing in Mainland China and Korea with cumulative sales in both markets since the beginning of April ahead of the prior year, albeit it is likely there is a benefit from some repatriation of spending in Mainland China. However, as government restrictions ease across the globe, consumers in different markets are likely to respond in distinct ways, with the travelling consumer likely to take longer to return. As a result, it could take some time for the luxury industry to recover to pre-crisis levels.

Given the current uncertainties, we have developed a range of possible recovery scenarios based on scientific, epidemiological and economic forecasts and we have prepared tailored capital expenditure and cost mitigation plans for these outcomes. This has included a comprehensive review of all the components of our cost base, with savings identified in variable costs, discretionary spend and property-related expenditure. We have also tiered our capital expenditure projects by priority.

In addition, we have tightened our management of inventory, balancing our objective to conserve cash with allowing capacity to realise sales opportunities as markets recover. Specifically, we have increased our agility and shortened supply chain lead times, as well as working in collaboration with our wholesale partners to control inventory levels.

Embedded into our plans is flexibility to invest in consumer facing activities to fuel growth when demand increases. This includes tailoring our approach to individual markets, mirroring their stages of recovery, and capitalising on our digital platform to forge stronger connections with our customers.

For the purposes of liquidity, we are aiming to ensure that the company maintains sufficient funding headroom even in an especially protracted period of significant store closures. Our capital allocation policy remains in place, prioritising investment in the long-term growth of our business and dividend distribution to shareholders. However, given the uncertainty caused by COVID-19, we believe it is prudent to protect our liquidity position at this time. As a result, a final dividend has not been declared with future dividend payments to be reviewed at end of FY 2021 with the intention of the earliest possible return to our stated progressive dividend policy.

Our objective is to manage the business efficiently and flexibly, maintaining control and securing the long term value of the Burberry brand whilst ensuring we preserve the headroom required to fuel growth when the market opportunity returns.

Revenue analysis

Revenue by channel

Period ending £ million	28 March 2020	30 March 2019	% change reported FX	CER
Retail	2,110	2,186	(3)	(4)
<i>Comparable retail store sales</i>	<i>(3%)</i>	<i>2%</i>		
Wholesale	476	488	(2)	(3)
Licensing	47	46	1	1
Revenue	2,633	2,720	(3)	(4)

Retail

- Retail sales -4% at CER, -3% reported
- Comparable store sales -3% (H1: +4%; H2: -9% with Q3 YTD: +4% and Q4: -27%)
- Net impact of space on revenue -1%, slightly below guidance due to the low productivity of new space in the final weeks of the year

Comparable store sales by region:

Asia Pacific declined by a mid-single digit percentage

- In the first 9 months Asia Pacific grew by a mid-single digit percentage with Mainland China up mid-teens and we had a strong lead up to Lunar New Year. However, from the end of January, sales were severely impacted by store closures across Mainland China and materially reduced footfall trends across the region
- For the full year Mainland China and Korea grew low single digits, whilst Japan declined low single digits and Hong Kong S.A.R declined around 40% impacted by the disruptions from August

EMEA was stable year on year

- In the first 9 months EMEA grew by a mid-single digit percentage and sales in January were strong, up double digits. However, consumption from travelling customers weakened materially in February and in the final weeks of the year our sales were curtailed by store closures
- For the full year the UK was stable, Continental Europe grew low single digits and the Middle East declined low single digits

The Americas declined by a low single digit percentage

- In the first 9 months, the Americas grew by a low single digit percentage and the performance in January was stable. However, February sales were impacted by negative tourist flows and store closures materially impacted our performance in March
- For the full year, the US declined low single digits whilst Canada and Mexico declined double digits

By product,

- New product is now around 85% of the mainline store assortment
- We saw a strong consumer response to the new collections, delivering double digit growth for the first 9 months
- Replenishment lines remained softer through the period, however, we started our work to identify the products that could be icons of the future and the early consumer response was positive
- Accessories benefited from a fuller leather goods assortment and proved slightly more resilient to the decrease in luxury demand caused by the COVID-19 outbreak

Store footprint:

The transformation of our directly operated distribution network is well underway:

- Store openings included new flagship stores in China World Beijing, IFC Shanghai and Ginza Tokyo
- A cumulative 64 stores are now aligned to our new creative vision, including one in every major city globally
- 23 of the non-strategic stores previously announced for closure have now been rationalised with most remaining stores expected to close in FY 2021

Wholesale

Wholesale revenue declined 3% year on year at CER and declined 2% at reported. In the first 10 months of the year, wholesale revenue increased 2% with the impact of COVID-19 related cancellations impacting the performance in February and March. Growth in luxury wholesale accounts was more than offset by the rationalisation of non-luxury doors.

By region:

- Asia Pacific declined by a low double digit percentage reflecting lower year on year sales to Asian travel retail partners resulting from a high comparative base as well as COVID-19 related cancellations
- EMEIA grew by a low double digit percentage with strong growth in luxury accounts more than offsetting non luxury door closures
- The Americas declined double digits impacted by our strategic rationalisation of non-luxury doors, which was completed by the end of the year

Licensing

Licensing revenue was up 1% year on year at CER and reported, with eyewear performing particularly well in the period.

Operating profit analysis

Adjusted operating profit

Period ended	28 March 2020	30 March 2019	% change reported FX	28 March 2020 pro forma*	% change pro forma vs March 2019 reported FX	CER
£ million						
Revenue	2,633	2,720	(3)	2,633	(3)	(4)
Cost of sales	(859)	(859)	-	(859)	-	
Gross profit	1,774	1,861	(5)	1,774	(5)	
Gross margin %	67.4%	68.4%		67.4%		
Operating expenses	(1,341)	(1,423)	(6)	(1,370)	(4)	
Opex as a % of sales	51.0%	52.3%		52.1%		
Adjusted operating profit	433	438	(1)	404	(8)	(8)
Adjusted operating margin %	16.4%	16.1%	+30bps	15.3%	(80bps)	(70bps)

* Pro forma is an estimation of the FY 2020 results when applying the previous accounting standard for leases, IAS 17 Leases consistent with FY 2019.

Pro forma adjusted operating profit declined 8% and margin decreased by 70bps at CER.

- Gross margin excluding adjusting items declined 100bps, ahead of our guidance as investments in design, product development and quality were partly offset by lower discount levels
- Operating expenses excluding adjusting items as a percentage of sales declined 20bps and overall reduced 4% year on year. This reflected benefits from the cost saving and the store rationalisation programmes, as well as the impact of cost mitigation relating to COVID-19

After a net finance charge of £19m (excluding adjusting items), adjusted profit before tax was £414m.

Adjusting items*

Adjusting items amounted to a £245m charge (FY 2019: £2m charge) with £244m adjusting operating items and £1m adjusting finance items.

The most significant items totalling £241m related to asset impairments resulting from the expected impact of COVID-19 on our future trading, including store impairments of £157m and inventory provisions of £68m.

* For additional details on adjusting items see Appendix and notes 6 and 7 of the Financial Statements

Taxation

The effective tax rate on adjusted profit reduced 80bps to 22.3% (2019: 23.1%) reflecting a change in the geographical mix of profits. The effective tax rate on reported profit is 27.9% (2019: 23.0%) due to the non-recognition of the tax effect on certain adjusting items. The reported tax charge was £47m (2019: £102m).

*For detail see note 9 of the Financial Statements

Cash flow

Represented statement of cash flows

The following table is a representation of the cash flows, excluding the impact of adjusting items, to highlight the underlying movements.

Period ended £ million	28 March 2020	30 March 2019
Adj operating profit	433	438
Depreciation and amortisation*	331	116
Working capital	(130)	(45)
Other	(9)	7
Cash inflow from operations	625	516
Payment of lease liabilities	(244)	-
Capex net of proceeds on disposal**	(146)	(110)
Interest*	(19)	6
Tax	(150)	(111)
Free cash flow	66	301

*Depreciation and amortisation, and interest in FY 2020 includes the impact of the adoption of IFRS 16

**In FY 2020 capex was £149m with proceeds on disposal of £3m

Free cash flow was £66m and cash conversion was 52% (2019: 93%) with the outbreak of COVID-19 towards the end of the period impacting profitability and cash generation. We had the following key flows:

- Inventories increased 11% in gross terms, generating an outflow of £41m due to the drop off in Q4 sales relating to the COVID-19 impact
- Trade and other receivables resulted in a £21m outflow largely due to an increase in the VAT receivable resulting from the reduction in Q4 sales
- Trade and other payables resulting in a £68m outflow relating to the earlier timing of payments to suppliers
- Capital expenditure £149m (2019: £110m), in line with guidance
- Tax paid of £150m (2019: £111m) reflecting the accelerated timing of UK tax payments this year resulting from the new HMRC rules

Cash net of overdrafts at 28 March 2020 was £887m (2019: £837m) including an inflow from drawing down the RCF of £300m. During the year, we returned £325m to shareholders through a combination of dividends of £175m and a share buyback of £150m. Our net debt including lease liabilities at 28 March was £538m (30 March 2019: lease adjusted net debt £409m).

In March 2020, we drew down our revolving credit facility and since the year end we have also secured funding of £300m under the UK Government sponsored COVID Corporate Finance Facility (CCFF) to mid-March 2021. These measures have been taken to protect the liquidity of the group through the COVID pandemic.

APPENDIX

Adjusting items

Adjusting items*		
Period ending	28 March	30 March
£ million	2020	2019
The impact of COVID-19		
Store impairments	(157)	-
Stock provisions	(68)	-
Assets under the course of construction impairment	(10)	-
Receivables impairment	(11)	-
Related other sundry items	5	-
COVID-19 adjusting items**	(241)	-
Restructuring costs	(10)	(12)
BME deferred consideration income	2	4
Disposal of beauty business	5	7
Total adjusting operating items	(244)	(1)
Adjusting financing items	(1)	(1)
Adjusting items	(245)	(2)

*For more details see note 7 of the Financial Statements

** COVID adjusting item includes a £68m charge that has been recognised through COGS relating to inventory provisions

The major adjusting items are as follows:

- Impact of the COVID-19 pandemic: £241m predominantly related to asset impairments resulting from the expected impact of the pandemic on our future trading. The adjustment includes the following charges: store impairments of £157m, inventory provisions of £68m, impairment of assets under construction of £10m, receivables provisions of £11m. It also includes a £5m credit relating to other sundry items.
- Restructuring costs: £10m related to both our cost and efficiency programme and our non-strategic store rationalisation
- Burberry Middle East (BME) deferred consideration: The £2m income reflects the revaluation of the deferred consideration balance
- Disposal of Beauty business: £5m income reflecting the reassessment of the provisions relating to both beauty contract terminations and beauty trade receivables for the sale of inventory relating to the disposal
- Adjusting finance charge: The £1m charge relates to the discount unwind on the deferred consideration for the BME transaction

Adoption of IFRS 16

The reported results for FY 2020 include the impact of adoption of IFRS 16 Leases on a modified retrospective basis. As a result, FY 2019 has not been restated and continued to reflect IAS 17, the previous standard for leases. A pro forma for FY 2020, setting out an estimation of the results for FY 2020 when applying IAS 17, is included on page 47. The difference between reported adjusted PBT and proforma adjusted PBT is £4m. The charge to equity, in the FY 2020 results, on adoption of IFRS 16 is now £57m, compared to £87m including in the Interim Results for H1 2020. The Interim Report for H1 2021 will include an update to the comparative period to reflect the amount recorded in FY 2020.

Retail/wholesale revenue by destination*				
Period ending	28 March	30 March	% change	
£ million	2020	2019	reported FX	CER
Asia Pacific (c.90% retail)	1,041	1,104	(6)	(6)
EMEA (75% retail)	960	958	-	1
Americas (80% retail)	585	612	(4)	(7)
Total retail/wholesale revenue	2,586	2,674	(3)	(4)

Retail/wholesale revenue by product division*				
£ million	28 March	30 March	% change	
Period ending	2020	2019	reported FX	CER
Accessories	948	1,013	(6)	(7)
Women's	796	837	(5)	(5)
Men's	715	698	2	2
Children's, Beauty and other	127	126	1	1
Total retail/wholesale revenue	2,586	2,674	(3)	(4)

Store portfolio*					
	Directly-operated stores				Franchise stores
	Stores	Concessions	Outlets	Total	
At 30 March 2019	233	146	52	431	44
Additions	19	15	5	39	1
Closures	(34)	(12)	(3)	(49)	(1)
At 28 March 2020	218	149	54	421	44

*Excludes the impact of pop up stores

Store portfolio by region*					
	Directly-operated stores				Franchise stores
	Stores	Concessions	Outlets	Total	
At 28 March 2020					
Asia Pacific	92	89	18	199	7
EMEA	61	51	19	131	37
Americas	65	9	17	91	-
Total	218	149	54	421	44

*Excludes the impact of pop up stores

Adjusted operating profit						
Period ended	28 March	30 March	% change	28 March	% change pro forma	
£ million	2020	2019	reported	2020	vs March 2019	
			FX	Pro forma	reported	CER
					FX	
Retail/wholesale	390	396	(2)	361	(9)	(9)
Licensing	43	42	2	43	2	2
Adjusted operating profit	433	438	(1)	404	(8)	(8)
Adjusted operating margin	16.4%	16.1%		15.3%		

Exchange rates				
£1=	Spot rates		Average effective exchange rates	
	1 May		FY 2020	FY 2019
	2020			
Euro	1.15		1.14	1.13
US Dollar	1.26		1.27	1.31
Chinese Yuan Renminbi	8.90		8.88	8.82
Hong Kong Dollar	9.76		9.89	10.26
Korean Won	1,529		1,504	1,460

Profit before tax reconciliation						
Period ended	28 March	30 March	% change	28 March	% change pro forma	
£ million	2020	2019	Reported FX	2020 pro forma	vs March 2019 reported FX	CER
Adjusted profit before tax	414	443	(7)	410	(7)	(7)
Adjusting items*						
COVID-19 related items	(241)	-		(241)		
Restructuring costs	(10)	(12)		(10)		
BME deferred consideration liability	2	4		2		
Disposal of Beauty operations	5	7		5		
Adjusting financing items	(1)	(1)		(1)		
Profit before tax	169	441	(62)	165	(63)	

Alternative performance measures

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

APM	Description and purpose	GAAP measure reconciled to																		
Pro forma results	This measure is an estimation of the results for the period when applying the previous accounting standard for leases, IAS 17 Leases. It has been included as IFRS 16 was adopted without restatement of the prior period.	<i>Reported results for the same period</i> This is set out on page 47																		
Constant Exchange Rates (CER)	This measure removes the effect of changes in exchange rates compared to the prior period. It incorporates both the impact of the movement in exchange rates on the translation of overseas subsidiaries' results and also on foreign currency procurement and sales through the Group's UK supply chain.	<i>Results at reported rates</i>																		
Comparable sales	The year-on-year change in sales from stores trading over equivalent time periods and measured at constant foreign exchange rates. It also includes online sales. This measure is used to strip out the impact of permanent store openings and closings, or those closures relating to refurbishments, allowing a comparison of equivalent store performance against the prior period. The measurement of comparable sales has not excluded stores temporarily closed as a result of the COVID-19 outbreak.	<p><i>Retail Revenue:</i></p> <table border="1"> <thead> <tr> <th>Period ended</th> <th>28 March</th> <th>30 March</th> </tr> <tr> <th>YoY%</th> <th>2020</th> <th>2019</th> </tr> </thead> <tbody> <tr> <td>Comparable sales</td> <td>(3%)</td> <td>2%</td> </tr> <tr> <td>Change in space</td> <td>(1%)</td> <td>(1%)</td> </tr> <tr> <td>FX</td> <td>1%</td> <td>(1%)</td> </tr> <tr> <td>Retail revenue</td> <td>(3%)</td> <td>0%</td> </tr> </tbody> </table>	Period ended	28 March	30 March	YoY%	2020	2019	Comparable sales	(3%)	2%	Change in space	(1%)	(1%)	FX	1%	(1%)	Retail revenue	(3%)	0%
Period ended	28 March	30 March																		
YoY%	2020	2019																		
Comparable sales	(3%)	2%																		
Change in space	(1%)	(1%)																		
FX	1%	(1%)																		
Retail revenue	(3%)	0%																		
Adjusted Profit	Adjusted profit measures are presented to provide additional consideration of the underlying performance of the Group's ongoing business. These measures remove the impact of those items which should be excluded to provide a consistent and comparable view of performance.	<i>Reported Profit:</i> A reconciliation of reported profit before tax to adjusted profit before tax is included in the income statement on page 15. The Group's accounting policy for adjusted profit before tax is set out in note 3 to the financial statements.																		

Free Cash Flow	Free cash flow is defined as net cash generated from operating activities less capital expenditure plus cash inflows from disposal of fixed assets and including cash outflows for lease principal payments and other lease related items following the adoption of IFRS 16 in this period.	<p><i>Net cash generated from operating activities:</i></p> <table border="1"> <thead> <tr> <th>Period ended £m</th> <th>28 March 2020</th> <th>30 March 2019</th> </tr> </thead> <tbody> <tr> <td>Net cash generated from operating activities</td> <td>456</td> <td>411</td> </tr> <tr> <td>Capital expenditure</td> <td>(149)</td> <td>(110)</td> </tr> <tr> <td>Lease outflows</td> <td>(244)</td> <td>-</td> </tr> <tr> <td>Other items</td> <td>3</td> <td>-</td> </tr> <tr> <td>Free cash flow</td> <td>66</td> <td>301</td> </tr> </tbody> </table>	Period ended £m	28 March 2020	30 March 2019	Net cash generated from operating activities	456	411	Capital expenditure	(149)	(110)	Lease outflows	(244)	-	Other items	3	-	Free cash flow	66	301
Period ended £m	28 March 2020	30 March 2019																		
Net cash generated from operating activities	456	411																		
Capital expenditure	(149)	(110)																		
Lease outflows	(244)	-																		
Other items	3	-																		
Free cash flow	66	301																		
Cash Conversion	Cash conversion is defined as free cash flow pre tax/adjusted profit before tax. It provides a measure of the Group's effectiveness in converting its profit into cash.	<table border="1"> <thead> <tr> <th>Period ended £m</th> <th>28 March 2020</th> <th>30 March 2019</th> </tr> </thead> <tbody> <tr> <td>Cash conversion</td> <td>52%</td> <td>93%</td> </tr> </tbody> </table>	Period ended £m	28 March 2020	30 March 2019	Cash conversion	52%	93%												
Period ended £m	28 March 2020	30 March 2019																		
Cash conversion	52%	93%																		
Net Debt	Net debt is defined as the lease liability recognised on the balance sheet plus borrowings less cash net of overdrafts. *Prior to the adoption of IFRS 16, lease adjusted net debt was defined as five times minimum lease payments, adjusted for charges and utilisation of onerous lease provisions, less cash net of overdrafts.	<p><i>Cash:</i></p> <table border="1"> <thead> <tr> <th>Period ended £m</th> <th>28 March 2020</th> <th>30 March 2019</th> </tr> </thead> <tbody> <tr> <td>Cash</td> <td>887</td> <td>837</td> </tr> <tr> <td>Lease liability/ Operating lease debt</td> <td>(1,125)</td> <td>(1,246)</td> </tr> <tr> <td>Borrowings</td> <td>(300)</td> <td>-</td> </tr> <tr> <td>Net debt</td> <td>(538)</td> <td>(409)*</td> </tr> </tbody> </table>	Period ended £m	28 March 2020	30 March 2019	Cash	887	837	Lease liability/ Operating lease debt	(1,125)	(1,246)	Borrowings	(300)	-	Net debt	(538)	(409)*			
Period ended £m	28 March 2020	30 March 2019																		
Cash	887	837																		
Lease liability/ Operating lease debt	(1,125)	(1,246)																		
Borrowings	(300)	-																		
Net debt	(538)	(409)*																		

GROUP INCOME STATEMENT

	Note	52 weeks to 28 March 2020 £m	52 weeks to 30 March 2019 £m
Revenue	4	2,633.1	2,720.2
Cost of sales		(927.6)	(859.4)
Gross profit		1,705.5	1,860.8
Net operating expenses	5	(1,516.8)	(1,423.6)
Operating profit		188.7	437.2
Financing			
Finance income		7.6	8.7
Finance expense		(26.6)	(3.6)
Other financing charge		(1.2)	(1.7)
Net finance (expense)/income	8	(20.2)	3.4
Profit before taxation	6	168.5	440.6
Taxation	9	(46.9)	(101.5)
Profit for the year		121.6	339.1
Attributable to:			
Owners of the Company		121.7	339.3
Non-controlling interest		(0.1)	(0.2)
Profit for the year		121.6	339.1
Earnings per share			
Basic	10	29.8p	82.3p
Diluted	10	29.8p	81.7p
Reconciliation of adjusted profit before taxation:			
Profit before taxation		£m 168.5	£m 440.6
Adjusting operating items:			
Cost of sales	6	68.3	–
Net operating expenses	6	176.1	0.9
Adjusting financing items	6	1.2	1.7
Adjusted profit before taxation – non-GAAP measure		414.1	443.2
Adjusted earnings per share – non-GAAP measure			
Basic	10	78.9p	82.7p
Diluted	10	78.7p	82.1p
Dividends per share			
Interim	11	11.3p	11.0p
Proposed final (not recognised as a liability at 28 March/30 March)	11	–	31.5p

GROUP STATEMENT OF COMPREHENSIVE INCOME

	Note	52 weeks to 28 March 2020 £m	52 weeks to 30 March 2019 £m
Profit for the year		121.6	339.1
Other comprehensive income ¹ :			
Cash flow hedges	23	2.7	(2.1)
Net investment hedges	23	(1.2)	1.6
Foreign currency translation differences		18.5	14.6
Tax on other comprehensive income:			
Cash flow hedges	9	(0.5)	0.4
Net investment hedges	9	0.2	(0.2)
Foreign currency translation differences	9	(0.9)	(1.3)
Other comprehensive income for the year, net of tax		18.8	13.0
Total comprehensive income for the year		140.4	352.1
Total comprehensive income attributable to:			
Owners of the Company		140.4	352.0
Non-controlling interest		–	0.1
		140.4	352.1

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

GROUP BALANCE SHEET

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

GROUP STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to owners of the Company				Total £m	Non- controlling interest £m	Total equity £m
		Ordinary share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m			
		£m	£m	£m	£m			
Balance as at 31 March 2018		0.2	214.6	259.6	946.1	1,420.5	4.9	1,425.4
Adjustment on initial application of IFRS 9		-	-	-	(0.2)	(0.2)	-	(0.2)
Adjusted balance as at 1 April 2018		0.2	214.6	259.6	945.9	1,420.3	4.9	1,425.2
Profit for the year		-	-	-	339.3	339.3	(0.2)	339.1
Other comprehensive income:								
Cash flow hedges	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
Adjustment on initial application of IFRS 16	1	-	-	-	(57.1)	(57.1)	(0.4)	(57.5)
Adjustment on initial application of IFRIC 23	1	-	-	-	(4.4)	(4.4)	-	(4.4)
Adjusted balance as at 31 March 2019		0.2	216.9	272.3	904.1	1,393.5	4.6	1,398.1
Profit for the year		-	-	-	121.7	121.7	(0.1)	121.6
Other comprehensive income:								
Cash flow hedges	23	-	-	2.7	-	2.7	-	2.7
Net investment hedges	23	-	-	(1.2)	-	(1.2)	-	(1.2)
Foreign currency translation differences	23	-	-	18.4	-	18.4	0.1	18.5
Tax on other comprehensive income	23	-	-	(1.2)	-	(1.2)	-	(1.2)
Total comprehensive income for the year		-	-	18.7	121.7	140.4	-	140.4
Transactions with owners:								
Employee share incentive schemes								
Value of share options granted		-	-	-	2.8	2.8	-	2.8
Value of share options transferred to liabilities		-	-	-	0.1	0.1	-	0.1
Tax on share options granted		-	-	-	(0.6)	(0.6)	-	(0.6)
Exercise of share options		-	3.9	-	-	3.9	-	3.9
Purchase of own shares								
Share buy-back		-	-	-	(150.7)	(150.7)	-	(150.7)
Dividends paid in the year		-	-	-	(175.2)	(175.2)	-	(175.2)
Balance as at 28 March 2020		0.2	220.8	291.0	702.2	1,214.2	4.6	1,218.8

GROUP STATEMENT OF CASH FLOWS

		52 weeks to 28 March 2020 £m	52 weeks to 30 March 2019 £m
	Note		
Cash flows from operating activities			
Operating profit		188.7	437.2
Amortisation of intangible assets	12	26.4	28.6
Depreciation of property, plant and equipment	13	83.3	87.2
Depreciation of right-of-use assets	14	221.1	–
Net impairment charge of intangible assets	12	11.6	3.9
Net impairment charge of property, plant and equipment	13	26.4	7.9
Net impairment charge of right-of-use assets	14	140.3	–
Loss on disposal of property, plant and equipment and intangible assets		0.7	1.2
Gain on disposal of right-of-use assets		(2.1)	–
Gain on disposal of Beauty operations		(5.0)	(6.9)
Gain on derivative instruments		(3.1)	(2.4)
Charge in respect of employee share incentive schemes		2.8	15.7
Receipt from settlement of equity swap contracts		0.2	2.5
Decrease/(increase) in inventories		27.4	(59.3)
Increase in receivables		(9.8)	(54.6)
(Decrease)/increase in payables and provisions		(84.0)	54.9
Cash generated from operating activities		624.9	515.9
Interest received		7.2	8.1
Interest paid		(26.0)	(1.8)
Taxation paid		(150.3)	(110.8)
Net cash generated from operating activities		455.8	411.4
Cash flows from investing activities			
Purchase of property, plant and equipment		(85.3)	(62.6)
Purchase of intangible assets		(63.5)	(48.0)
Proceeds from sale of property, plant and equipment		3.0	–
Initial direct costs of right-of-use assets		(5.6)	–
Proceeds from disposal of Beauty operations, net of cash costs paid		–	0.6
Acquisition of subsidiary		–	(14.5)
Net cash outflow from investing activities		(151.4)	(124.5)
Cash flows from financing activities			
Dividends paid in the year	11	(175.2)	(171.1)
Payment to non-controlling interest	18	(2.7)	(11.1)
Proceeds from borrowings	22	300.0	–
Payment of lease principal		(228.4)	–
Payment on termination of lease		(9.7)	–
Issue of ordinary share capital		3.8	2.3
Purchase of own shares through share buy-back	23	(150.7)	(150.7)
Purchase of own shares by ESOP trusts		–	(12.8)
Net cash outflow from financing activities		(262.9)	(343.4)
Net increase/(decrease) in cash and cash equivalents		41.5	(56.5)
Effect of exchange rate changes		8.5	1.7
Cash and cash equivalents at beginning of year		837.3	892.1
Cash and cash equivalents at end of year		887.3	837.3
Cash and cash equivalents as per the Balance Sheet			
	Note	As at 28 March 2020 £m	As at 30 March 2019 £m
Cash and cash equivalents as per the Balance Sheet	17	928.9	874.5
Bank overdrafts	21	(41.6)	(37.2)
Net cash		887.3	837.3

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The financial information contained within this report has been prepared in accordance with the European Union endorsed International Financial Reporting Standards (IFRSs), IFRS Interpretations Committee (IFRS IC) interpretations and parts of the Companies Act 2006 applicable to companies reporting under IFRS. This financial information does not constitute the Burberry Group's (the Group) Annual Report and Accounts within the meaning of Section 435 of the Companies Act 2006.

Statutory accounts for the 52 weeks to 30 March 2019 have been filed with the Registrar of Companies, and those for 2020 will be delivered in due course. The reports of the auditors on those statutory accounts for the 52 weeks to 30 March 2019 and 28 March 2020 were unqualified, did not contain an emphasis of matter paragraph and did not contain a statement under either section 400(2) or section 498(3) of the Companies Act 2006.

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

The principal accounting policies applied in the preparation of the consolidated financial statements are consistent with those set out in the statutory accounts for the 52 weeks to 30 March 2019, with the exception of the following:

New Standards adopted in the period

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

IFRS 16 Leases

The Group adopted IFRS 16 Leases, for the period commencing 31 March 2019. This standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. It replaces IAS 17 Leases and IFRIC 4 Determining whether an arrangement contains a lease.

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

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

The impact of the adoption of IFRS 16 on the balance sheet as at 31 March 2019 is set out in the table on page 21.

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

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

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

1. BASIS OF PREPARATION (CONTINUED)

New Standards adopted in the period (continued)

Adjustments recognised on adoption of IFRS 16

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

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

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

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

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

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

1. BASIS OF PREPARATION (CONTINUED)

New Standards adopted in the period (continued)

Adjustments recognised on adoption of IFRS 16 (continued)

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

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

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

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

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

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

Accounting policy for leases

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

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

1. BASIS OF PREPARATION (CONTINUED)

New Standards adopted in the period (continued)

Accounting policy for leases (continued)

Lessee accounting

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1. BASIS OF PREPARATION (CONTINUED)

New Standards adopted in the period (continued)

Accounting policy for leases (continued)

Lessor accounting

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

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

Leases accounting policy applied in the comparative period

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

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

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

IFRIC 23 Uncertainty over Income Tax Treatments

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

Standards not yet adopted

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

Key sources of estimation uncertainty

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

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

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

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

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

1. BASIS OF PREPARATION (CONTINUED)

Key sources of estimation uncertainty (continued)

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

The key areas where the estimates and assumptions applied have a significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next financial year are discussed below.

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

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

Inventory provisioning

The Group manufactures and sells luxury goods and is subject to changing consumer demands and fashion trends. The recoverability of the cost of inventories is assessed every reporting period, by considering the expected net realisable value of inventory compared to its carrying value. Where the net realisable value is lower than the carrying value, a provision is recorded. When calculating inventory provisions, management considers the nature and condition of the inventory, as well as applying assumptions in respect of anticipated saleability of finished goods and future usage of raw materials. Refer to note 16 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 either the most likely amount or the expected value amount** depending on which method is expected to better reflect the resolution of the uncertainty. Given the inherent uncertainty in assessing tax outcomes we could, in future periods, experience adjustments to these tax liabilities that have a material positive or negative effect on our results for a particular period.

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

Key judgements in applying the Group's accounting policies

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

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

There were no key judgements arising in the prior period.

2. TRANSLATION OF THE RESULTS OF OVERSEAS BUSINESSES

The results of overseas subsidiaries are translated into the Group's presentation currency of Sterling each month at the weighted average exchange rate for the month according to the phasing of the Group's trading results. The weighted average exchange rate is used, as it is considered to approximate the actual exchange rates on the date of the transactions. The assets and liabilities of such undertakings are translated at the closing rates. Differences arising on the retranslation of the opening net investment in subsidiary companies, and on the translation of their results, are taken directly to the foreign currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

The principal exchange rates used were as follows:

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

3. ADJUSTED PROFIT BEFORE TAXATION

In order to provide additional consideration of the underlying performance of the Group's ongoing business, the Group's results include a presentation of Adjusted operating profit and Adjusted profit before taxation ('adjusted PBT'). Adjusted PBT is defined as profit before taxation and before adjusting items. Adjusting items are those items which, in the opinion of the directors, should be excluded in order to provide a consistent and comparable view of the performance of the Group's ongoing business. Generally, this will include those items that are largely one-off and material in nature as well as income or expenses relating to acquisitions or disposals of businesses or other transactions of a similar nature, including the impact of changes in fair value of expected future payments or receipts relating to these transactions. Adjusting items are identified and presented on a consistent basis each year and a reconciliation of adjusted PBT to profit before tax is included in the financial statements. Adjusting items and their related tax impacts, as well as adjusting taxation items, are added back to/deducted from profit attributable to owners of the Company to arrive at adjusted earnings per share. Refer to note 7 for further details of adjusting items.

4. SEGMENTAL ANALYSIS

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

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

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

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

4. SEGMENTAL ANALYSIS (CONTINUED)

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

- Inter-segment transfers or transactions are entered into under the normal commercial terms and conditions that would be available to unrelated third parties.
- Impairment of intangible assets for the 52 weeks to 28 March 2020 is presented excluding £10.0 million (last year: £nil) relating to charges as a result of the impact of COVID-19, which has been presented as an adjusting item (refer to note 7).
- Net impairment charge relating to property, plant and equipment for the 52 weeks to 28 March 2020 is presented excluding £28.4 million relating to charges as a result of impact of COVID-19. For the 52 weeks to 30 March 2019, net impairment charges were presented excluding £0.4 million **relating to the closure of stores as part of the Group's restructuring programme. These have been presented as adjusting items** (refer to note 7).
- Net impairment of right-of-use assets for the 52 weeks to 28 March 2020 is presented excluding £128.1 million relating to charges as a result of the impact of COVID-19 and a credit of £0.6 million relating to restructuring costs, which have been presented as adjusting items (refer to note 7).
- Refer to note 7 for details of adjusting items.

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

4. SEGMENTAL ANALYSIS (CONTINUED)

Additional revenue analysis

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

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

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

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

Entity-wide disclosures

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

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

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

5. NET OPERATING EXPENSES

	Note	52 weeks to 28 March 2020 £m	52 weeks to 30 March 2019 £m
Selling and distribution costs		841.6	863.8
Administrative expenses		499.1	558.9
Adjusting operating items	7	176.1	0.9
Net operating expenses		1,516.8	1,423.6

6. PROFIT BEFORE TAXATION

		52 weeks to 28 March 2020	52 weeks to 30 March 2019
	Note	£m	£m
Adjusted profit before taxation is stated after charging/(crediting):			
Depreciation of property, plant and equipment			
Within cost of sales		1.2	1.1
Within selling and distribution costs		68.4	75.8
Within administrative expenses		13.7	10.3
Depreciation of right-of-use assets			
Within cost of sales		0.4	–
Within selling and distribution costs		200.6	–
Within administrative expenses		20.1	–
Amortisation of intangible assets			
Within selling and distribution costs		1.0	1.5
Within administrative expenses		25.4	27.1
Loss on disposal of property, plant and equipment and intangible assets		0.7	1.2
Gain on disposal of right-of-use assets		(2.1)	–
Net impairment (reversal)/charge relating to property, plant and equipment ¹	13	(2.0)	7.5
Net impairment of right-of-use assets ²	14	12.8	–
Impairment of intangible assets ³	12	1.6	3.9
Employee costs ⁴		478.5	508.4
Other lease expense			
Property lease variable lease expense	19	96.2	–
Property lease in holdover expense	19	11.2	–
Non-property short-term lease expense	19	9.9	–
Operating lease rentals			
Minimum lease payments ⁵		–	247.4
Contingent rents		–	107.2
Operating lease income			
Income from lease of freehold property		(0.7)	(0.7)
Net exchange loss/(gain) on revaluation of monetary assets and liabilities		8.7	(4.5)
Net loss on derivatives – fair value through profit and loss		3.4	7.7
Receivables net impairment charge/(reversal) ⁶		3.2	(4.1)

- Net impairment charge relating to property, plant and equipment for the 52 weeks to 28 March 2020 is presented excluding £28.4 million relating to charges as a result of impact of COVID-19. For the 52 weeks to 30 March 2019, net impairment charges were presented excluding £0.4 million **relating to the closure of stores as part of the Group's restructuring programme**. These have been presented as adjusting items (refer to note 7).
- Impairment of right-of-use assets for the 52 weeks to 28 March 2020 is presented excluding £128.1 million relating to charges as a result of the impact of COVID-19 and a credit of £0.6 million relating to restructuring costs, which have been presented as adjusting items (refer to note 7).
- Impairment of intangible assets for the 52 weeks to 28 March 2020 is presented excluding £10.0 million (last year: £nil) relating to charges as a result of the impact of COVID-19, which has been presented as an adjusting item (refer to note 7).
- Employee costs for the 52 weeks to 28 March 2020 are presented excluding £5.4 million (last year: £11.4 million) of costs arising as a result of the **Group's restructuring** programme and a £6.2 million credit (last year: £nil) related to the reversal of accrued costs for share-based payments no longer expected to vest as a result of COVID-19, which have been presented as an adjusting item (refer to note 7).
- Minimum lease payments for the 52 weeks to 30 March 2019 included charges for onerous lease provisions of £3.6 million and did not include payments of £5.3 million where existing onerous lease provisions have been utilised. Minimum lease payments for the 52 weeks to 30 March 2019 were presented excluding a credit of £8.9 million for onerous property obligations and a charge £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).
- Receivables net impairment charge for the 52 weeks to 28 March 2020 is presented excluding £11.1 million (last year: £nil) relating to charges as a result of the impact of COVID-19, which has been presented as an adjusting item (refer to note 7).

6. PROFIT BEFORE TAXATION (CONTINUED)

Adjusting items			
Adjusting operating items			
Impact of COVID-19:			
Impairment of retail cash generating units	7	156.5	–
Impairment of inventory	7	68.3	–
Impairment of intangible assets	7	10.0	–
Impairment of receivables	7	11.1	–
Other impacts of COVID-19	7	(5.0)	–
Other adjusting items:			
Gain on disposal of Beauty operations	7	(5.0)	(6.9)
Restructuring costs	7	10.6	12.2
Revaluation of deferred consideration liability	7	(2.1)	(4.4)
Total adjusting operating items		244.4	0.9
Adjusting financing items			
Finance charge on deferred consideration liability	7	1.2	1.7
Total adjusting financing items		1.2	1.7

7. ADJUSTING ITEMS

Impact of COVID-19

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

Impairment of retail cash generating units

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

Impairment of inventory

Management assesses the recoverability of the carrying value of inventories at every reporting period and, where the expected recoverable amount is lower than the carrying value, a provision is recorded. Typically, inventory provisions are recorded against aged inventory or specific products which have been identified as having a low expectation of future sale. Due to the impact of COVID-19, the closure of many of the Group's retail stores worldwide and the associated build-up of inventory, management have reassessed their plans for the usage of inventory over the next 12 months, taking into account the expected length of the shutdown, products ordered for future seasons and the Group's projected future sales. As a result of this reassessment, management have identified additional inventory which is no longer expected to realise its carrying value. Provisions of £68.3 million have been recorded against this additional inventory, which relates to current and recent seasons that under more normal circumstances would be expected to sell through with limited loss. This additional charge for inventory provisions has been presented as an adjusting items arising as a result of COVID-19, in accordance with the Group's accounting policy, as it is considered material and one-off in nature. A related tax credit of £12.5 million has also been recognised in the year. Refer to note 16 for details of inventory provisions.

Impairment of intangible assets

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

7. ADJUSTING ITEMS (CONTINUED)

Impact of COVID-19 (continued)

Impairment of receivables

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

Other impacts of COVID-19

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

Gain on disposal of Beauty operations

During the year ended 31 March 2018, the Group entered into two agreements with Coty Geneva SARL Versoix (Coty) to grant Coty **a licence to sell its fragrance and beauty products and to transfer the Group's Beauty operations to Coty.**

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

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

Restructuring costs

Restructuring costs of £10.6 million (last year: £12.2 million) were incurred in the current year, **arising as a result of the Group's** cost-efficiency programme announced in May 2016. These costs are presented as an adjusting item as they are considered material and one-off in nature, being part of a restructuring programme running from May 2016 to March 2021. The costs in the current year are principally attributable to redundancies and functional restructuring costs. A related tax credit of £2.2 million (last year: £2.2 million) has also been recognised in the current year.

Items relating to the deferred consideration liability

On 22 April 2016, the Group entered into an agreement to transfer the economic right to the non-controlling interest in Burberry Middle East LLC to the Group in consideration of contingent payments to be made to the minority shareholder over the period to 2023.

A credit of £2.1 million in relation to the revaluation of this balance has been recognised in operating expenses for the 52 weeks to 28 March 2020 (last year: credit of £4.4 million). A financing charge of £1.0 million in relation to the unwinding of the discount on the non-current portion of the deferred consideration liability has also been recognised for the 52 weeks to 28 March 2020 (last year: £1.7 million). These movements are unrealised.

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

No tax has been recognised on either of these items, as the future payments are not considered to be deductible for tax purposes. **These items are presented as adjusting items in accordance with the Group's accounting policy, as they arise from changes in the value of the liability for expected future payments relating to the purchase of a non-controlling interest in the Group and acquisition of a subsidiary respectively.**

8. FINANCING

		52 weeks to 28 March 2020	52 weeks to 30 March 2019
	Note	£m	£m
Bank interest income – amortised cost		2.1	1.9
Other finance income – amortised cost		0.6	0.8
Finance income – amortised cost		2.7	2.7
Bank interest income – fair value through profit and loss		4.9	6.0
Finance income		7.6	8.7
Interest expense on lease liabilities ¹	19	(24.9)	–
Interest expense on bank loans and overdrafts		(0.6)	(0.6)
Bank charges		(0.8)	(0.7)
Other finance expense		(0.3)	(2.3)
Finance expense		(26.6)	(3.6)
Finance charge on deferred consideration liability	7	(1.2)	(1.7)
Net finance (expense)/income		(20.2)	3.4

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

9. TAXATION

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

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

9. TAXATION (CONTINUED)

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

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

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

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

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

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

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

10. EARNINGS PER SHARE

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

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

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

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

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

11. DIVIDENDS PAID TO OWNERS OF THE COMPANY

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

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

12. INTANGIBLE ASSETS

	Goodwill	Trademarks, licences and other intangible assets	Computer software	Intangible assets in the course of construction	Total
Cost	£m	£m	£m	£m	£m
As at 31 March 2018	94.9	18.2	130.2	46.5	289.8
Effect of foreign exchange rate changes	0.7	–	0.9	–	1.6
Additions	–	0.4	13.8	39.8	54.0
Business combination	19.5	–	–	–	19.5
Disposals	–	(6.1)	(31.0)	–	(37.1)
Reclassifications from assets in the course of construction	–	–	39.4	(39.4)	–
As at 30 March 2019	115.1	12.5	153.3	46.9	327.8
Effect of foreign exchange rate changes	1.0	0.1	0.1	–	1.2
Additions	–	0.4	27.0	35.9	63.3
Reclassifications from assets in the course of construction	–	0.2	18.4	(18.6)	–
As at 28 March 2020	116.1	13.2	198.8	64.2	392.3
Accumulated amortisation and impairment					
As at 31 March 2018	6.5	10.4	92.8	–	109.7
Effect of foreign exchange rate changes	–	–	0.9	–	0.9
Charge for the year	–	0.9	27.7	–	28.6
Disposals	–	(6.1)	(30.2)	–	(36.3)
Impairment charge on assets	–	–	3.9	–	3.9
As at 30 March 2019	6.5	5.2	95.1	–	106.8
Effect of foreign exchange rate changes	0.3	–	0.2	–	0.5
Charge for the year	–	0.9	25.5	–	26.4
Impairment charge on assets	–	–	–	11.6	11.6
As at 28 March 2020	6.8	6.1	120.8	11.6	145.3
Net book value					
As at 28 March 2020	109.3	7.1	78.0	52.6	247.0
As at 30 March 2019	108.6	7.3	58.2	46.9	221.0

During the 52 weeks to 28 March 2020 an impairment charge of £11.6 million was recognised in relation to computer software assets under construction (last year: £nil). £10.0 million of this charge related to rescheduling of the development of a software project following changes to management investment plans due to the impact of COVID-19. As a result of this delay, management no longer expect to fully utilise the expenditure incurred to date. The recoverable value of the asset at the balance sheet date is £25.8 million. £10.0 million of the impairment charge has been presented as an adjusting item relating to COVID-19 (refer to note 7).

12. INTANGIBLE ASSETS (CONTINUED)

Impairment testing of goodwill

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

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

1. Goodwill which arose on acquisition of Burberry Manifattura S.R.L. has been allocated to the group of cash generating units which make up the **Group's retail and wholesale operating segment cash generating unit**. This reflects the level at which the goodwill is being monitored by management.

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

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

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

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

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

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

13. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings	Leasehold improvements	Fixtures, fittings and equipment	Assets in the course of construction	Total
Cost	£m	£m	£m	£m	£m
As at 31 March 2018	136.3	462.1	488.7	18.9	1,106.0
Effect of foreign exchange rate changes	8.5	14.0	13.0	1.1	36.6
Additions	0.2	26.2	23.5	25.9	75.8
Business combination	–	–	0.5	–	0.5
Disposals	(0.2)	(56.9)	(190.3)	–	(247.4)
Reclassifications from assets in the course of construction	–	5.2	13.7	(18.9)	–
As at 30 March 2019	144.8	450.6	349.1	27.0	971.5
Adjustment on initial application of IFRS 16 ¹	–	–	(2.9)	–	(2.9)
Adjusted balance as at 31 March 2019	144.8	450.6	346.2	27.0	968.6
Effect of foreign exchange rate changes	5.7	9.1	7.5	(0.2)	22.1
Additions	–	50.9	23.1	21.6	95.6
Disposals	(3.6)	(26.2)	(15.8)	(0.7)	(46.3)
Reclassifications from assets in the course of construction	–	12.4	11.8	(24.2)	–
As at 28 March 2020	146.9	496.8	372.8	23.5	1,040.0
Accumulated depreciation and impairment					
As at 31 March 2018	46.2	316.4	429.8	–	792.4
Effect of foreign exchange rate changes	3.3	9.6	11.2	–	24.1
Charge for the year	4.3	42.7	40.2	–	87.2
Disposals	(0.2)	(56.7)	(190.1)	–	(247.0)
Net impairment charge on assets	–	1.6	6.3	–	7.9
As at 30 March 2019	53.6	313.6	297.4	–	664.6
Adjustment on initial application of IFRS 16 ¹	–	–	(2.2)	–	(2.2)
Adjusted balance as at 31 March 2019	53.6	313.6	295.2	–	662.4
Effect of foreign exchange rate changes	2.3	6.8	6.5	–	15.6
Charge for the year	4.1	47.7	31.5	–	83.3
Disposals	(0.6)	(26.2)	(15.8)	–	(42.6)
Net impairment (reversal)/charge on assets	(0.5)	20.7	5.7	0.5	26.4
As at 28 March 2020	58.9	362.6	323.1	0.5	745.1
Net book value					
As at 28 March 2020	88.0	134.2	49.7	23.0	294.9
As at 30 March 2019	91.2	137.0	51.7	27.0	306.9

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

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

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

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

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

The charge relating to COVID-19 has been presented as an adjusting item (refer to note 7).

During the 52 weeks to 28 March 2020, a net charge of £11.2 million (last year: £11.2 million) was recorded within net operating expenses as a result of the annual review of impairment of retail store assets. This review was carried out during the year, and did not include any impacts relating to COVID-19. A credit of £2.0 million (last year: charge of £7.5 million) was recorded against property, plant and equipment and a charge of £13.2 million (last year: £nil) was recorded against right-of-use assets. In the prior year, £3.7 million was charged in relation to onerous lease provisions. Refer to note 20 for further details of onerous lease provisions.

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

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

14. RIGHT-OF-USE ASSETS

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

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

As a result of the assessment of retail cash generating units for impairment, a charge of £141.3 million was recorded for impairment of right-of-use assets. Refer to note 13 for further details. The impairment charge consists of £128.1 million relating to the impact of COVID-19 on the value-in-use of retail cash generating units and a charge of £13.2 million relating to other trading impacts during the year. The charge relating to COVID-19 has been presented as an adjusting item (refer to note 7).

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

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

15. TRADE AND OTHER RECEIVABLES

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

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

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

16. INVENTORIES

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

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

Inventory provisions of £169.5 million (last year: £92.2 million) are recorded, representing 27.3% (last year: 16.5%) of the gross value of inventory. The provisions reflect management's best estimate of the net realisable value of inventory, where this is considered to be lower than the cost of the inventory.

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

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

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

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

17. CASH AND CASH EQUIVALENTS

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

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

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

18. TRADE AND OTHER PAYABLES

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

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

2. Upon adoption of IFRS 16 Leases, deferred income and accruals at 30 March 2019 relating to leases recognised on the balance sheet have been reclassified to be included in the measurement of the initial right-of-use asset. Refer to note 1 for further details.

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

Contract liabilities

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

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

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

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

18. TRADE AND OTHER PAYABLES (CONTINUED)

Deferred consideration

Following the purchase of the economic right to the non-controlling interest in Burberry Middle East LLC on 22 April 2016, the Group has recognised a liability in relation to the deferred consideration for this transaction. The deferred consideration consisted of fixed payments to be paid over the period 2016 to 2019, and contingent payments calculated as an agreed percentage of the future revenue of Burberry Middle East LLC and its subsidiaries, over the period 2016 to 2023. Payments of £2.7 million were made in the 52 weeks to 28 March 2020 (last year: £11.1 million).

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

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

A 10% increase in the estimate of future revenues of Burberry Middle East LLC and its subsidiaries would result in a £0.9 million increase in the carrying value of the deferred consideration at 28 March 2020 and a corresponding £0.9 million decrease in the profit before taxation for the 52 weeks to 28 March 2020.

Deferred consideration of £6.9 million at 28 March 2020 (last year: £6.5 million) relates to the acquisition of Burberry Manifattura S.R.L. on 19 September 2018 and consists of a future performance related payment to be made in 2021. The amount of the performance related payment is dependent upon the acquired business achieving against several performance criteria and will be assessed over the three year period. Initial deferred consideration was recognised as the maximum amount payable, discounted using an appropriate discount rate linked to the borrowing rate. Based on performance since the acquisition, the deferred consideration continues to be estimated at the maximum amount payable.

19. LEASE LIABILITIES

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

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

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

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

19. LEASE LIABILITIES (CONTINUED)

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

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

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

The Group's accounting policy for leases is set out in note 1. Details of income statement charges and income for leases are set out in note 6. The right-of-use asset categories on which depreciation is incurred are presented in note 14. Interest expense incurred on lease liabilities is presented in note 8.

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

20. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	Property obligations £m	Other costs £m	Total £m
Balance as at 31 March 2018	86.7	16.8	103.5
Effect of foreign exchange rate changes	2.6	0.1	2.7
Created during the year	18.4	2.4	20.8
Discount unwind	1.2	–	1.2
Utilised during the year	(8.2)	(7.2)	(15.4)
Released during the year	(21.3)	(6.2)	(27.5)
Balance as at 30 March 2019	79.4	5.9	85.3
Adjustment on initial application of IFRS 16	(48.0)	–	(48.0)
Adjusted balance as at 31 March 2019	31.4	5.9	37.3
Effect of foreign exchange rate changes	1.1	0.1	1.2
Created during the year	7.3	3.9	11.2
Discount unwind	0.1	–	0.1
Utilised during the year	(3.1)	(2.1)	(5.2)
Released during the year	(1.3)	(1.5)	(2.8)
Balance as at 28 March 2020	35.5	6.3	41.8

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

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

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

20. PROVISIONS FOR OTHER LIABILITIES AND CHARGES (CONTINUED)

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

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

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

21. BANK OVERDRAFTS

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

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

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

22. BORROWINGS

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

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

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

23. SHARE CAPITAL AND RESERVES

Allotted, called up and fully paid share capital	Number	£m
Ordinary shares of 0.05p (as at 30 March 2019: 0.05p) each		
As at 31 March 2018	418,275,123	0.2
Allotted on exercise of options during the year	185,349	–
Cancellation of treasury shares	(7,004,471)	–
As at 30 March 2019	411,456,001	0.2
Allotted on exercise of options during the year	434,790	–
Cancellation of treasury shares	(7,184,905)	–
As at 28 March 2020	404,705,886	0.2

The Company has a general authority from shareholders, renewed at each Annual General Meeting, to repurchase a maximum of 10% of its issued share capital. During the 52 weeks to 28 March 2020, the Company entered into agreements to purchase £150.0 million of its own shares back, excluding stamp duty, as part of a share buy-back programme (last year: £150.0 million). Own shares purchased by the Company, as part of a share buy-back programme, are classified as treasury shares and their cost offset against retained earnings. When treasury shares are cancelled, a transfer is made from retained earnings to the capital redemption reserve, equivalent to the nominal value of the shares purchased and subsequently cancelled. In the 52 weeks to 28 March 2020, 7.2 million treasury shares with a nominal value of £3,600 were cancelled (last year: 7.0 million treasury shares with a nominal value of £3,500).

23. SHARE CAPITAL AND RESERVES (CONTINUED)

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

The capital reserve consists of non-distributable reserves and the capital redemption reserve arising on the purchase of own shares.

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

	Hedging reserves			Foreign currency translation reserve £m	Total £m
	Capital reserve £m	Cash flow hedges £m	Net investment hedge £m		
Balance as at 31 March 2018	41.1	(0.2)	4.0	214.7	259.6
Other comprehensive income:					
Cash flow hedges – losses deferred in equity	–	(1.0)	–	–	(1.0)
Cash flow hedges – gains transferred to income	–	(1.1)	–	–	(1.1)
Net investment hedges – gains deferred in equity	–	–	1.6	–	1.6
Foreign currency translation differences	–	–	–	14.3	14.3
Tax on other comprehensive income	–	0.4	(0.2)	(1.3)	(1.1)
Total comprehensive income for the year	–	(1.7)	1.4	13.0	12.7
Balance as at 30 March 2019	41.1	(1.9)	5.4	227.7	272.3
Other comprehensive income:					
Cash flow hedges – gains deferred in equity	–	1.8	–	–	1.8
Cash flow hedges – losses transferred to income	–	0.9	–	–	0.9
Net investment hedges – losses deferred in equity	–	–	(1.2)	–	(1.2)
Foreign currency translation differences	–	–	–	18.4	18.4
Tax on other comprehensive income	–	(0.5)	0.2	(0.9)	(1.2)
Total comprehensive income for the year	–	2.2	(1.0)	17.5	18.7
Balance as at 28 March 2020	41.1	0.3	4.4	245.2	291.0

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

24. CAPITAL COMMITMENTS

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

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

25. RELATED PARTY TRANSACTIONS

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

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

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

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

26. CONTINGENT LIABILITIES

The Group is subject to claims against it and to tax audits in a number of jurisdictions which arise in the ordinary course of business. These typically relate to Value Added Taxes, sales taxes, customs duties, corporate taxes, transfer pricing, payroll taxes, various contractual claims, legal proceedings and other matters. Where appropriate, the estimated cost of known obligations have been **provided in these financial statements in accordance with the Group's accounting policies**. The Group does not expect the outcome of current similar **contingent liabilities to have a material effect on the Group's financial condition**.

27. EVENTS AFTER THE BALANCE SHEET DATE

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

PRO FORMA INCOME STATEMENT (UNAUDITED)

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

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

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

	52 weeks to 28 March 2020 Reported £m	52 weeks to 28 March 2020 Pro forma £m	52 weeks to 30 March 2019 Reported £m
Re-presented Group Income Statement			
Revenue	2,633.1	2,633.1	2,720.2
Cost of sales	(927.6)	(927.6)	(859.4)
Gross profit	1,705.5	1,705.5	1,860.8
Net operating expenses	(1,516.8)	(1,545.8)	(1,423.6)
Operating profit	188.7	159.7	437.2
Net finance (expense)/income	(20.2)	4.7	3.4
Profit before taxation	168.5	164.4	440.6
Taxation	(46.9)	(46.0)	(101.5)
Profit for the period	121.6	118.4	339.1
Attributable to:			
Owners of the Company	121.7	118.5	339.3
Non-controlling interest	(0.1)	(0.1)	(0.2)
Profit for the period	121.6	118.4	339.1
	£m	£m	£m
Reconciliation of adjusted profit before taxation:			
Profit before taxation	168.5	164.4	440.6
Adjusting operating items:			
Cost of sales	68.3	68.3	–
Operating expenses	176.1	176.1	0.9
Adjusting financing items	1.2	1.2	1.7
Adjusted profit before taxation – non-GAAP measure	414.1	410.0	443.2
Adjusted earnings per share – diluted	78.7p	77.9p	82.1p
Earnings per share – diluted	29.8p	29.0p	81.7p

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

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

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