Registered number: 00162636

BURBERRY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2018

The directors present their Strategic Report for the year ended 31 March 2018.

Business review

Burberry Limited (the "Company") is a wholly owned subsidiary of Burberry Group plc (the "Group"). Burberry is one of Britain's leading luxury brands offering men's and women's clothing, accessories, fragrance and beauty products to its customers all over the world. The Company's principal activities consist of manufacturing, wholesaling, retailing and licensing activities.

In the year ended 31 March 2018, revenue decreased by 5.0% (2017: increase of 3.8%) and gross profit by 12.4% (2017: increase of 0.7%). The decrease in operating profit by 22.3% was principally due to the decrease in gross profit, offset by decreases in operating expenditure by 8.3% primarily due to a decrease in selling and distribution costs.

Branches outside of the UK

The Company has branches in Hong Kong and the Republic of Korea.

Future developments

The Company will continue to seek opportunities to maximise the long term value derived from its brand.

Principal risks and uncertainties

The management of the business and the execution of the Company's growth strategies are subject to a number of risks.

The principal risks and uncertainties are integrated with the principal risks of the Group and are not managed separately. Accordingly, the principal risks and uncertainties of the Group, which include those of the Company, are discussed on pages 54 to 67 of the Group's 2017/18 Annual Report, with updated risks noted in the Group's September 2018 Interim Report, which do not form part of this report.

Financial risk management

The Company's financial risk management objectives and policies are set out within note 20 to the financial statements.

Going concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the forseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Key performance indicators

The Group's directors manage the Group's operations on a consolidated basis using key performance indicators. For this reason, the Company's directors believe that analysis using key performance indicators for the Company is not necessary or appropriate. The development, performance and position of the Group is discussed in the Financial Review section of the Group's 2017/18 Annual Report which does not form part of this report.

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2018

On behalf of the board.

I Brimicombe
Director
7 December 2018

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2018

The directors present their report and the audited financial statements for the year ended 31 March 2018.

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards comprising FRS 101 'Reduced Disclosure Framework', and applicable law).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Dividends paid

Dividends paid in the year amount to £350,000,000 (2017 - £450,000,000).

Results and dividends

The Company's profit for the year, after taxation, amounted to £130,431,000 (2017 - £175,666,000).

The directors do not recommend the payment of a final dividend (2017 - £nil).

Directors

The directors who served during the year and up to the date of signing the financial statements were as follows:

J Brown
J B Smith (resigned 5 June 2017)
I Brimicombe (appointed 19 July 2017)
R Djellas (appointed 5 June 2017)
E Rash (appointed 2 April 2018)

Future developments

Please refer to the Strategic Report on page 1 for the future developments of the Company.

Financial risk management

Please refer to note 20 for the financial risk management of the Company.

Qualifying third-party indemnity provision

J Brown has the benefit of an indemnity, which is a qualifying third-party indemnity as defined by Section 234 of the Companies Act 2006. The indemnity was put in place by the Group, and covers her duties as Director of the Group and its subsidiaries. The indemnity was in force throughough her tenure during the last financial year, and is currently in force. The Group also purchased and maintained throughout the financial year and up to the date of signing the financial statements Director's and Officer's liability insurance in respect of itself and its Group directors, including the directors of its subsidiaries.

Political and charitable donations

During the year to 31 March 2018, the Company donated £4,246,000 (2017 - £4,257,000) for the benefit of charitable causes. These donations principally comprised cash. The Company made no political donations in line with its policy (2017 - £nil).

Company's policy for payment of creditors

For all trade creditors, it is Company policy to:

- agree and confirm terms of payment at the commencement of business with that supplier;
- pay in accordance with contractual and other legal obligations; and
- continually review the payment procedures and liaise with suppliers as a means of eliminating difficulties and maintaining a good working relationship.

Trade creditor days as at 31 March 2018 were 56 days (2017 - 60 days) based on the ratio of average company trade creditors during the year to the amounts recorded as expense during the year attributable to trade creditors.

Employee involvement

The Company's employees are subject to the same employee involvement as the employees of the Group. The Group employee involvement policies and practices are set out on pages 124-125 of the Group's 2017/18 Annual Report.

Disabled employees

The Company supports the employment of disabled people wherever possible through recruitment, by retention of those who become disabled during their employment and generally through training, career development and promotion.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2018

Disclosure of information to auditors

In the case of each director in office at the time the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Post balance sheet events

There have been no significant events affecting the Company since the year end.

Independent auditors

Pursuant to section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and PricewaterhouseCoopers LLP will therefore continue in office.

By order of the board.

I Brimicombe
Director
7 December 2018

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BURBERRY LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, Burberry Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 March 2018, the Income Statement for the year then ended, the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Reporting on other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BURBERRY LIMITED (CONTINUED)

have not been received from branches not visited by us; or

- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Paul Cragg

Paul Cragg (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
7 December 2018

INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2018

	Note	2018 £000	2017 £000
Revenue	3	**1,395,309**	1,468,452
Cost of sales		**(745,298)**	(726,164)
Gross profit		**650,011**	742,288
Net operating expenses	4	**(479,383)**	(522,662)
Operating profit		**170,628**	219,626
Finance income	8	**3,724**	8,839
Finance costs	9	**(3,610)**	(8,765)
Profit on ordinary activities before taxation		**170,742**	219,700
Taxation on profit on ordinary activities	10	**(40,311)**	(44,034)
Profit for the year		**130,431**	175,666

The Company had no other comprehensive income during the year other than that reflected in the Income Statement above, and therefore no separate Statement of Comprehensive Income has been presented.

The above results are derived from continuing operations.

The notes on pages 12 to 49 form part of these financial statements.

BURBERRY LIMITED
REGISTERED NUMBER:00162636.

BALANCE SHEET
AS AT 31 MARCH 2018

	Note		2018 £000		2017 £000
Fixed assets					
Intangible assets	11		**84,779**		62,886
Property, plant and equipment	12		**49,875**		68,050
Investment in subsidiaries	13		**47,046**		47,322
			181,700		178,258
Current assets					
Inventories	14	**151,815**		218,284	
Trade and other receivables - amounts falling due after more than one year	15	**29,859**		26,953	
Trade and other receivables - amounts falling due within one year	15	**737,127**		480,125	
Cash and cash equivalents		**661,467**		465,601	
		1,580,268		1,190,963	
Creditors - amounts falling due within one year	16	**(1,241,299)**		(706,401)	
Net current assets			**338,969**		484,562
Total assets less current liabilities			**520,669**		662,820
Creditors - amounts falling due after more than one year	17		**(108,482)**		(70,846)
Provisions for liabilities	19		**(34,998)**		(8,637)
Net assets			**377,189**		583,337
Capital and reserves					
Called up share capital	22		**20,547**		20,547
Capital reserve			**2,387**		2,387
Profit and loss account			**354,255**		560,403
Total equity			**377,189**		583,337

The notes on pages 12 to 49 form part of the financial statements.

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

T Brimicombe
Director
7 December 2018

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2018

	Called up share capital	Capital reserve	Profit and loss account	Total equity
	£000	£000	£000	£000
At 31 March 2017	20,547	2,387	560,403	583,337
Profit for the year	-	-	130,431	130,431
Total comprehensive income for the year	-	-	130,431	130,431
Dividends paid in the year	-	-	(350,000)	(350,000)
Value of share options granted	-	-	13,481	13,481
Tax on share options granted	-	-	(60)	(60)
Total transactions with owners	-	-	(336,579)	(336,579)
At 31 March 2018	20,547	2,387	354,255	377,189

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2017

	Called up share capital	Capital reserve	Profit and loss account	Total equity
	£000	£000	£000	£000
At 31 March 2016	20,547	2,387	823,815	846,749
Profit for the year	-	-	175,666	175,666
Total comprehensive income for the year	-	-	175,666	175,666
Dividends paid in the year	-	-	(450,000)	(450,000)
Value of share options granted	-	-	10,243	10,243
Tax on share options granted	-	-	679	679
Total transactions with owners	-	-	(439,078)	(439,078)
At 31 March 2017	20,547	2,387	560,403	583,337

The notes on pages 12 to 49 form part of these financial statements.

1. Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

1.1 Basis of preparation of financial statements

Burberry Limited is a global luxury goods manufacturer, retailer and wholesaler. It also licences third parties to manufacture and distribute products using 'Burberry' trademarks. The Company which is private and limited by shares, is incorporated and domiciled in the UK. The Company is registered in England and Wales and the address of its registered office is Horseferry House, Horseferry Road, London, SW1P 2AW.

The financial statements have been prepared on a going concern basis under the historical cost convention, as modified by derivative financial assets and derivative financial liabilities measured at fair value through profit and loss, and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006. As permitted under section 400 of the Companies Act 2006, group financial statements have not been prepared as the Company is itself a wholly owned subsidiary of another company (see note 30).

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 2).

Financial Reporting Standard 101 - reduced disclosure exemptions

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

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 'Share based payment' (details on the movement in the number and weighted-average exercise prices of share options, and how the fair value of goods or services received was determined);
- the requirements of IFRS 7, 'Financial Instruments: Disclosures';
- the requirements of paragraphs 91-99 of IFRS 13, 'Fair Value Measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities);
- the requirement in paragraph 38 of IAS 1, 'Presentation of financial statements' to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16, 'Property, Plant and Equipment'; and
  - paragraph 118(e) of IAS 38, 'Intangible assets' (reconciliations between the carrying amount at the beginning and end of the period);
- the requirements of the following paragraphs of IAS 1 'Presentation of financial statements':
  - 10(d) (statement of cash flows);
  - 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements);
  - 16 (statement of compliance with all IFRS);
  - 38A (requirement for minimum of two primary statements, including cash flow statements);
  - 38B-D (additional comparative information);
  - 40A-D (requirements for a third statement of financial position);
  - 111 (cash flow statement information); and
  - 134-136 (capital management disclosures).

1. Accounting policies (continued)

- the requirements of IAS 7 'Statement of Cash Flows';
- the requirements of paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective);
- the requirements of paragraph 17 of IAS 24 'Related Party Disclosures' (key management compensation);
- the requirements in IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 'Impairment of Assets'.

1.2 Revenue

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

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

In arrangements where the Company acts as a purchasing agent to facilitate the procurement of Burberry branded products on behalf of its licencees, the purchases and sales from the supplier to the licencee are not recorded as transactions by the Company. Any costs incurred by the Company are recorded as operating expenses and any agency fees receivable are recorded as operating income.

1.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker of the Group. The Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance, has been identified as the Board of Directors.

1.4 Share schemes

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

1. Accounting policies (continued)

revised at each balance sheet date.

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

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

1.5 Leases

The Company is both a lessor and lessee of property. 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 retained by the lessor 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 on the lease contract. Lease incentives, typically rent free periods and capital contributions, are held on the Balance Sheet in deferred income and other non-financial accruals and recognised over the term of the lease.

Finance leases where the Company is a lessee are capitalised at the commencement of the lease at the lower of fair value of the leased asset and the present value of the minimum lease payments. Interest is charged to the Income Statement and credited to the lease liability using the effective interest rate method. Lease liabilities are held in other payables on the Balance Sheet. The capitalised leased assets are held in Property, plant and equipment on the Balance Sheet, and are depreciated over the shorter of the lease term and the useful life of the leased asset.

1.6 Dividend distribution

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

1.7 Pension costs

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

1. Accounting policies (continued)

1.8 Intangible assets

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

Computer software
The cost of acquiring computer software (including licences and separately identifiable development costs) is capitalised as an intangible asset at purchase price, plus any directly attributable cost of preparing that asset for its intended use. Software costs are amortised by equal annual instalments over their estimated useful lives, which are up to five years.

1.9 Property, plant and equipment

Property, plant and equipment, with the exception of assets in the course of construction, are stated at cost or deemed cost, based on historical revalued amounts, prior to the adoption of FRS 101, less accumulated depreciation and provision to reflect any impairment in value. Assets in the course of construction are stated at cost less any provision for impairment and transferred to completed assets when substantially all of the activities necessary for the asset to be ready for use have occurred. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset into its working condition for its intended use.

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

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

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

1. Accounting policies (continued)

1.10 Investments in subsidiaries

Investments in subsidiaries are carried at cost less accumulated impairment.

1.11 Impairment of non-financial assets

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

1.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost consists of all costs of purchase, costs of conversion, design costs and other costs incurred in bringing the inventories to their present location and condition. For inventories including raw materials and finished goods, cost is measured using a weighted average method. Where necessary, provision is made to reduce cost to no more than net realisable value having regard to the nature and condition of inventory, as well as its anticipated utilisation and saleability.

1.13 Taxation

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

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

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

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

Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is

1. **Accounting policies (continued)**

probable that the temporary difference will not reverse in the foreseeable future.

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

1.14 Provisions

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

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

1.15 Called up share capital

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

1.16 Financial instruments

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

Subsequent to initial recognition, all financial liabilities are stated at amortised cost using the effective interest rate method except for derivatives, which are classified as held for trading, and are held at fair value. The fair value of the Company's financial assets and liabilities held at amortised cost approximate their carrying amount due to the use of market interest rates.

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

Cash and cash equivalents
On the Balance Sheet, cash and cash equivalents comprise cash and short-term deposits with a maturity date of three months or less, held with banks and liquidity funds.

1. Accounting policies (continued)

Trade and other receivables
Trade and other receivables are included in current assets. Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the movement in the provision is recognised in the Income Statement.

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

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

Derivative instruments
The Company uses derivative financial instruments to hedge its exposure to fluctuations in foreign exchange rates arising on certain trading transactions. The principal derivative instruments used are forward foreign exchange contracts taken out to hedge highly probable cash flows in relation to future sales, royalty receivables and product purchases.

Derivatives are initially recognised at fair value at the trade date and are subsequently remeasured at their fair value. All derivatives are classified as held for trading with changes in the fair value of the derivatives recognised immediately in the Income Statement within 'net exchange gain / (loss) on derivatives held for trading'.

1.17 Foreign currency translation

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

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

1. **Accounting policies (continued)**

1.18 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

2. Key sources of estimation uncertainty and judgements

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

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key areas where the estimates and assumptions applied have a significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next 12 months are discussed below:

Impairment of property, plant and equipment
Property, plant and equipment is reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount of an asset or a cash generating unit is determined based on value-in-use calculations prepared on the basis of management's assumptions and estimates. Refer to note 12 for further details of property, plant and equipment.

Inventory provisioning
The Company manufactures and sells luxury goods and is subject to changing consumer demands and fashion trends. As a result it is necessary to consider the recoverability of the cost of inventories and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials. Refer to note 14 for further details of the carrying value of inventory.

Impairment of trade and loan receivables
The Company is required to make an estimate of the recoverable value of trade and loan receivables. When assessing impairment of trade and loan receivables, management considers factors including any specific known problems or risks. Refer to note 15 for further details on the net carrying value of trade and loan receivables.

Key judgements in applying the Company's accounting policies
Judgements are those decisions made when applying accounting policies which have a significant impact on the amounts recognised in the financial statements. Further details of the Company's accounting policies in relation to these areas are provided in note 1. Key judgements that have a significant impact on the amounts recognised in the Company's financial statements are discussed below:

Payment in relation to disposal of Beauty operations
The Company received £130m upon completion of the disposal of the Beauty operations and the granting of a licence for Beauty products to the acquirer. Management has applied judgement in assessing the nature of the payment in order to determine the correct accounting treatment. Management has determined that the payment represents both consideration received for the disposal of the Beauty operations as well as upfront revenue for the ongoing licence. In order to identify the payment that relates to the licence, management prepared a market-based valuation of the ongoing licence using the relief-from-royalty method, based on key assumptions including future sales projections and royalty rates. Management also prepared a discounted cash flow calculation to determine the fair value of the Beauty operations transferred. The results of these two valuations were used to allocate the upfront sum between the licence (royalty revenue) and proceeds on disposal. A change in the allocation of the proceeds would result in a higher or lower gain on disposal and a corresponding decrease or increase in the recognition of licence revenue over the term of the licence. Refer to note 5 for further details.

3. Segmental analysis

The Chief Operating Decision Maker has been identified as the Board of Directors. The Board reviews the Company'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 Company'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 product between retail and wholesale channels and across our regions is monitored and optimised at a corporate level and implemented via the Company's inventory hubs situated in Europe.

Licensing revenues are generated through the receipt of royalties from the Company's partners in Japan and global licensees of fragrance and beauty products, eyewear, timepieces and European childrenswear.

The Board assesses channel performance based on a measure of operating profit. 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.

	2018 £000	2017 £000
Revenue by country of destination		
EMEIA (1)	**772,558**	785,136
Americas	**240,075**	296,445
Asia	**382,676**	386,871
Total	**1,395,309**	1,468,452

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

All revenue originates in the United Kingdom.

	2018 £000	2017 £000
Revenue by segment		
Retail/wholesale	**1,354,200**	1,418,767
Licensing	**41,109**	49,685
Total	**1,395,309**	1,468,452

3. Segmental analysis (continued)

	2018 £000	2017 £000
Operating profit by segment		
Retail/wholesale	**181,826**	250,242
Licensing	**(11,198)**	(30,616)
Total	**170,628**	219,626

	2018 £000	2017 £000
Net assets by segment		
Retail/wholesale	**745,243**	678,887
Licensing	**(88,828)**	1,279
Net operating assets	**656,415**	680,166
Investments in subsidiary companies	**47,046**	47,322
Net balances from Group companies	**(342,879)**	(157,770)
Corporate tax	**(1,640)**	(6,963)
Deferred tax	**21,682**	20,046
Derivatives	**(3,435)**	536
Net assets	**377,189**	583,337

4. Net operating expenses

	2018 £000	2017 £000
Selling and distribution costs	**132,965**	170,977
Administration costs	**346,418**	351,685
Total	**479,383**	522,662

5. Profit on ordinary activities before taxation

The operating profit is stated after charging/(crediting):

	2018 £000	2017 £000
Depreciation of property, plant and equipment		
- within cost of sales	**804**	1,559
- within selling and distribution costs	**10,548**	15,080
- within administrative expenses	**13,464**	8,770
Amortisation of intangible assets		
- within selling and distribution costs	**324**	468
- within administrative expenses	**22,000**	19,975
Impairment charge relating to software	**4**	14,361
Net impairment of property, plant and equipment	**2,374**	-
Loss on disposal of property, plant and equipment and intangibles	**2,075**	3,305
Trade receivables net impairment (credit)/charge	**(464)**	529
Impairment charge relating to investment in subsidiaries	**7,294**	1,689
Auditors' remuneration	**1,500**	2,033
Directors' and employee's costs (see note 7)	**227,011**	217,709
Net exchange loss/(gain) on revaluation of monetary assets and liabilities	**9,117**	(10,847)
Net exchange gain on derivatives held for trading	**(587)**	(10,464)
Restructuring costs*	**35,910**	13,507
Gain on disposal of Beauty operations**	**(11,472)**	-
Costs relating to the transfer of the Beauty operations**	**4,800**	4,641
Operating lease rentals		
- minimum lease payments	**63,265**	48,262
- contingent rents	**10,165**	9,573

5. Profit on ordinary activities before taxation (continued)

*Restructuring costs

Restructuring costs of £35.9m (2017: £13.5m) were incurred in the current year, arising as a result of the Group's cost-efficiency programme announced in May 2016. The most significant elements of the restructuring costs relate consultancy costs supporting organisational design and development of strategic growth and productivity initiatives, with the remainder relating to legal advice and project assurance.

**Disposal of Beauty operations

On 3 April 2017, the Company 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 Company's Beauty operations to Coty.

Under the agreement to transfer the Beauty operations, the Company transferred inventory and property, plant and equipment relating to the Beauty operations to Coty. A debtor of £4.1m has been recognised for contingent consideration in relation to the estimated future proceeds arising from the disposal of inventory to Coty.

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

The Company received an upfront payment of £130.0m for the licence and related disposal of the Beauty operations under the two agreements. The directors have carried out an allocation and have attributed £30.0m of this upfront payment to the disposal of the Beauty operations. The remaining £100.0m of the payment has been attributed to the licence and has been recognised as deferred royalty income on the balance sheet (refer to note 17). It will be recognised as royalty revenue over the term of the licence.

The agreements with Coty completed on 2 October 2017.

In addition to the costs arising directly from the disposal of the Beauty operations, costs of £4.8m relating to the Beauty transaction were incurred in the year ended 31 March 2018 (2017: £4.6m). These costs related to the termination of a distributor agreement and other ancillary charges incurred.

6. Auditors' remuneration

Fees incurred during the year in relation to audit and non-audit services are further analysed below. Non-audit services are provided by the auditors' where they are best placed to provide the service due to their previous experience or market leadership in a particular area.

	2018	2017
	£000	£000
Audit services in respect of the financial statements of the Company	**294**	294
Audit services in respect of the financial statements of other Group companies	**1,171**	1,405
Audit related assurance services	**30**	30
Services relating to taxation - advisory	**5**	304
Total	**1,500**	2,033

7. Employees and directors

The average monthly number of employees, including directors, during the year was as follows:

	2018 Number	2018 Number
Production	**989**	992
Buying	**71**	91
Distribution/sales	**1,064**	962
Administration	**1,429**	1,406
	3,553	3,451

	2018 £000	2017 £000
Staff costs		
Wages and salaries	**174,140**	175,968
Social security costs	**21,293**	19,367
Termination benefits	**10,656**	4,635
Share based compensation (all awards and options settled in shares)	**13,850**	10,614
Other pension costs	**7,073**	7,125

7. Employees and directors (continued)

	2018 £000	2017 £000
Staff costs include the following remuneration in respect of directors:		
Aggregate emoluments	**4,961**	3,888

	2018 Number	2017 Number
The number of directors who:		
Exercised options over shares in the Company	**3**	3
Had awards receivable in the form of shares under a long-term incentive scheme	**4**	4

	2018 £000	2017 £000
The directors' remuneration disclosed above includes the amounts paid to the highest paid director as follows:		
Aggregate emoluments	**3,735**	1,652
	3,735	1,652

For details of the emoluments of the highest paid director, including share options, long term incentive plans, pensions and other benefits, refer to the financial statements of Burberry Group plc.

8. Finance income

	2018 £000	2017 £000
Interest receivable from Group companies	**1,655**	7,126
Bank interest income	**2,069**	1,713
	3,724	8,839

9. Finance costs

	2018 £000	2017 £000
Interest payable to Group companies	**2,853**	8,447
Bank interest payable	**457**	318
Other	**300**	-
	3,610	8,765

10. Taxation

Corporation tax is based on the profit for the year and comprises:

	2018 £000	2017 £000
Corporation tax		
Current tax on profits for the year	**35,666**	51,683
Adjustments in respect of prior years	**6,805**	(6,413)
	42,471	45,270
Double taxation relief	**(3,164)**	(819)
	39,307	44,451
Foreign tax		
Overseas taxation	**3,487**	1,113
	3,487	1,113
Total current tax	**42,794**	45,564
Deferred tax UK deferred tax		
Origination and reversal of timing differences	**(2,321)**	(1,760)
Adjustments in respect of prior years	**(162)**	(501)
Impact of changes to tax rates	**-**	731
Total deferred tax	**(2,483)**	(1,530)
Taxation on profit on ordinary activities	**40,311**	44,034

UK Group companies do not charge/pay for group tax relief from other UK companies. As such, the Company does not recognise a tax (credit)/charge for any (losses)/profits to the extent that there are sufficient profits/(losses) within the UK Group companies to fully offset the Company's UK liability.

10. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19% (2017 - 20%). The differences are explained below:

	2018 £000	2017 £000
Profit on ordinary activities before taxation	**170,742**	219,700
Profit on ordinary activities before taxation multiplied by standard rate of corporation tax in the UK of 19% (2017 - 20%)	**32,441**	43,940
Effects of:		
Permanent differences	**3,980**	4,282
Overseas tax	**323**	294
Adjustments in respect of prior years	**6,643**	(6,914)
Debt cap adjustment	**-**	1,363
Impairment charge not deductible	**1,386**	338
Group relief received for nil consideration	**(4,462)**	-
Adjustments to deferred tax relating to changes in tax rates	**-**	731
Total tax charge for the year	**40,311**	44,034

The main rate of corporation tax will change to 17% from 1 April 2020, as legislated in the Finance Bill 2016.

Analysis of charge for the year recognised directly in equity:

	2018 £000	2017 £000
Current tax		
Current tax credit on share options (profit and loss account)	**(907)**	**(223)**
Deferred tax		
Deferred tax charge/(credit) on share options (profit and loss account)	**847**	**(456)**
	(60)	**(679)**

11. Intangible assets

	Computer software £000	Trademarks, licences and other intangible assets £000	Assets in the course of construction £000	Total £000
Cost				
At 1 April 2017	**138,591**	**10,628**	**19,726**	**168,945**
Additions	**7,315**	**295**	**38,309**	**45,919**
Disposals	**(54,382)**	**-**	**(39)**	**(54,421)**
Reclassifications from assets in the course of construction	**12,693**	**-**	**(12,693)**	**-**
At 31 March 2018	**104,217**	**10,923**	**45,303**	**160,443**
Amortisation				
At 1 April 2017	**101,262**	**4,797**	**-**	**106,059**
Charge for the year	**21,740**	**584**	**-**	**22,324**
Disposals	**(52,723)**	**-**	**-**	**(52,723)**
Impairment charge	**4**	**-**	**-**	**4**
At 31 March 2018	**70,283**	**5,381**	**-**	**75,664**
Net book value				
At 31 March 2018	**33,934**	**5,542**	**45,303**	**84,779**
At 31 March 2017	37,329	5,831	19,726	62,886

12. Tangible fixed assets

	Freehold property £000	L/Term Leasehold Property £000	Fixtures & fittings £000	Assets in the course of construction £000	Total £000
Cost					
At 1 April 2017	3,467	66,834	150,772	1,722	222,795
Additions	171	3,076	5,548	4,905	13,700
Disposals	-	(225)	(30,398)	(553)	(31,176)
Reclassifications from assets in the course of construction	-	214	1,037	(1,251)	-
At 31 March 2018	3,638	69,899	126,959	4,823	205,319
Accumulated depreciation					
At 1 April 2017	898	31,821	122,026	-	154,745
Charge for the year	58	11,679	13,079	-	24,816
Disposals	-	(225)	(26,266)	-	(26,491)
Impairment charge	-	378	1,996	-	2,374
At 31 March 2018	956	43,653	110,835	-	155,444
Net book value					
At 31 March 2018	2,682	26,246	16,124	4,823	49,875
At 31 March 2017	2,569	35,013	28,746	1,722	68,050

13. Investment in subsidiaries

	Investments in subsidiary companies £000
Cost	
At 1 April 2017	**50,414**
Additions	**7,018**
At 31 March 2018	**57,432**
Impairment	
At 1 April 2017	**3,092**
Charge for the year	**7,294**
At 31 March 2018	**10,386**
Net book value	
At 31 March 2018	**47,046**
At 31 March 2017	47,322

In accordance with Section 409 of the Companies Act 2006 a full list of related undertakings as at 31 March 2018, including country of incorporation and percentage share ownership, is disclosed below. Unless otherwise stated, all undertakings are directly owned by the Company and operate in the country of incorporation.

13. Investment in subsidiaries (continued)

Company name	Country of incorporation	Interest	Holding (%)
Burberry Distribution Limited (1)	UK	Ordinary shares	100
Worldwide Debt Collections Limited (2)	UK	Ordinary shares	100
Temple Works Limited (1)	UK	Ordinary shares	100
Sweet Street Developments Limited (1)	UK	Ordinary shares	100
Burberry Italy Retail Limited (1)	UK	Ordinary shares	100
Burberry Brasil Comércio de Artigos de Vestuário E Acessórios Ltda (3)	Brazil	Ordinary shares	100

During the year, the Company increased its investment in Burberry Brasil Comércio de Artigos de Vestuário E Acessórios Ltda by £7,018,000, which was subsequently impaired. In the prior year, the Company purchased Burberry Brasil Comércio de Artigos de Vestuário E Acessórios Ltda for consideration of 1 Brazilian Real (BRL).

During year, the Company's investment in Sweet Street Developments Limited was impaired by £276,000 (2017: £1,689,000).

The directors consider the carrying value of the investments to be supported by their underlying assets.

Ref ***Registered office address***
(1) Horseferry House, Horseferry Road, London, SW1P 2AW, United Kingdom
(2) Adelaide House, London Bridge, London, EC4R 9HA, United Kingdom
(3) Rua Do Rócio, 350 3º Andar, Vila Olimpia , São Paulo – SP, CEP 04552-000, Brazil

14. Inventories

	2018 £000	2017 £000
Raw materials	**9,244**	30,636
Work in progress	**583**	1,771
Finished goods	**141,988**	185,877
	151,815	218,284

The cost of inventories recognised as an expense and included in cost of sales amount to £191,664,992 (2017 - £231,362,000). The net movement in inventory provisions included in cost of sales for the year ended 31 March 2018 was a cost of £22,080,000 (2017: £26,034,000).

15. Trade and other receivables

	2018	2017
	£000	£000
Amounts falling due after more than one year		
Deferred tax assets (note 18)	**21,682**	20,046
Deposits and other financial receivables	**2,433**	484
Prepayments	**2,234**	2,416
Amounts owed by fellow subsidiaries	**3,510**	4,007
	29,859	26,953

	2018	2017
	£000	£000
Amounts falling due within one year		
Trade debtors	**33,334**	86,796
Amounts owed by the ultimate parent	**12,402**	11,054
Amounts owed by fellow subsidiaries	**641,539**	339,226
Other debtors	**4,939**	6,245
Other non-financial receivables	**11,354**	8,476
Prepayments	**24,593**	21,700
Accrued income	**8,581**	2,602
Derivatives	**385**	4,026
	737,127	480,125

Included in amounts owed by the ultimate parent and fellow subsidiaries are loans of £427,092,000 (2017 - £156,822,000) which are interest bearing. The interest rate earned is based on relevant national LIBOR equivalents plus 0.5 - 0.9%. The remaining amounts owed by fellow subsidiaries of £230,359,000 (2017 - £197,465,000) are interest free. Amounts owed by fellow subsidiaries falling due after more than one year are unsecured and receivable between 1 March 2021 and 24 March 2021. Amounts owed by the ultimate parent and fellow subsidiaries falling due within one year are unsecured and receivable on demand.

16. Creditors - amounts falling due within one year

	2018 £000	2017 £000
Bank overdrafts and borrowings (note 21)	**1,690**	-
Trade payables	**112,101**	116,569
Amounts owed to fellow subsidiaries	**515,404**	289,138
Amounts owed to ultimate parent	**475,124**	172,276
Corporate tax	**1,640**	6,963
Other taxes and social security costs	**21,026**	18,736
Derivative financial liabilities	**3,820**	3,490
Other payables	**2,695**	2,847
Accruals	**96,286**	90,381
Deferred income and other non-financial accruals	**11,513**	6,001
	1,241,299	706,401

Included in amounts owed to the ultimate parent and fellow subsidiaries are loans of £719,469,000 (2017 - £255,554,000) which are interest bearing, unsecured and repayable between 12 April 2018 and 1 March 2019. The interest rate is based on relevant national LIBOR equivalents plus 0.5%. The remaining amounts owed to fellow subsidiaries of £227,769,000 (2017 - £205,860,000) are interest free, unsecured and repayable on demand.

17. Creditors - amounts falling due after more than one year

	2018 £000	2017 £000
Amounts owed to fellow subsidiaries	**9,803**	50,643
Other payables	**713**	1,008
Deferred income and other non-financial accruals	**97,966**	19,195
	108,482	70,846

Amounts owed to fellow subsidiaries are comprised of loans of £9,803,000 (2017 - £50,643,000) which are interest bearing, unsecured and repayable between 17 June 2019 and 1 September 2023. The interest rate is based on relevant national LIBOR equivalents plus 0.5 - 0.9%.

18. Deferred tax assets

The analysis of the deferred tax assets is shown below:

	Capital allowances £000	Share schemes £000	Other short term timing differences £000	Total £000
As at 31 March 2016	8,939	7,487	1,634	18,060
Credited/(charged) to the Income Statement	2,349	(320)	(499)	1,530
Credited to equity	-	456	-	456
As at 31 March 2017	**11,288**	**7,623**	**1,135**	**20,046**
Credited/(charged) to the Income Statement	2,400	304	(221)	2,483
Charged to equity	-	(847)	-	(847)
As at 31 March 2018	**13,688**	**7,080**	**914**	**21,682**

19. Provisions for liabilities

	Property obligations £000	Other £000	Total £000
At 1 April 2017	**4,409**	**4,228**	**8,637**
Created during the year	**22,622**	**15,884**	**38,506**
Utilised during the year	**(270)**	**(3,508)**	**(3,778)**
Released during the year	**(244)**	**(8,450)**	**(8,694)**
Discount unwind	**327**	**-**	**327**
At 31 March 2018	**26,844**	**8,154**	**34,998**

Property obligations relate to onerous leases of £22,133,000 (2017 - £867,000) which are expected to be utilised within 6 years, and asset retirement obligations of £4,711,000 (2017 - £3,542,000), which are expected to be utilised in 20 years.

20. Financial risk management

The Company's principal financial instruments comprise derivatives, cash and short-term deposits, external borrowings (including overdrafts), trade and other receivables, and creditors arising directly from operations.

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

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

Market risk

Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency denominated transactions, including royalty income, sales and purchases. To reduce exposure to currency fluctuations, the Group has a policy of hedging foreign currency denominated transactions by entering into forward foreign exchange contracts.

Further details of the Group's foreign exchange risk are included in the consolidated financial statements of Burberry Group plc, which are available publicly.

Price risk

The Company's exposure to equity securities price risk is minimal. The Company is not exposed to commodity price risk.

Interest rate risk

The Company's exposure to market risk for changes in interest rates relates primarily to cash, short-term deposits and external borrowings (including overdrafts). Borrowings are linked to the LIBOR rate, while cash and short-term borrowings are affected by the UK market rates. Bank overdrafts are at variable rates.

Credit risk

The Company has no significant concentrations of credit risk. It has policies in place to ensure that wholesale sales are made to customers with an appropriate credit history. Sales to retail customers are made in cash or via major credit cards. In addition, receivables balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant and default rates have historically been very low.

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

20. Financial risk management (continued)

Liquidity risk

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

Capital risk

The Company manages its capital (defined as net cash plus equity) to ensure that its subsidiaries are able to operate as going concerns and optimise returns to shareholders. At 31 March 2018, the Company had net cash of £659,777,000 (2017 - 465,601,000) and total equity of £377,189,000 (2017 - £583,337,000).

Cash is used to fund the continued investment in the Company and growth of the global brand. It is also used to make routine outflows of capital expenditure, tax and dividends.

The Company is in compliance with the financial and other covenants within its committed bank credit facilities, and has been in compliance throughout the financial year.

21. Bank overdrafts and borrowings

Bank overdrafts of £1,690,000 (2017 - £nil) represent balances on cash pooling arrangements.

Burberry Limited has access to the Group's £300,000,000 (2017 - £300,000,000) multi-currency revolving credit facility. At 31 March 2018 the Company had not drawn from this facility (2017 - £nil). Further details of the Group's revolving credit facilities are included in Note 25 and in the consolidated financial statements of Burberry Group plc, which are publicly available.

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

22. Called up share capital

	2018	2017
	£000	£000
Allotted, called up and fully paid share capital		
20,546,750 (2017 - 20,546,750) ordinary shares of £1 each	**20,547**	20,547

The capital reserve consists of non-distributable reserves.

23. Dividends

	2018 £000	2017 £000
Dividends paid in the year	**350,000**	450,000
	350,000	450,000

The directors paid an interim dividend of £17.03 per ordinary share (2017 - £21.90 per ordinary share).

24. Share based payments

Share options granted to directors and employees

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

The key inputs used in the Black-Scholes pricing model to determine the fair value include the share price at the commencement date; the exercise price attached to the option; the vesting period of the award; an appropriate risk-free interest rate; a dividend yield discount for those schemes that do no accrue dividends during the course of the vesting period; and an expected share price volatility, which is determined by calculating the historical annualised standard deviation of the market price of Burberry Group plc shares over a period of time, prior to the grant, equivalent to the vesting period of the option.

24. Share based payments (continued)

The Burberry Group plc Executive Share Plan 2014 ('the ESP')

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

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

Dependent on the performance of the vesting conditions, 50% of the award will vest on the third anniversary of the grant date, and the remaining 50% of the award will vest on the fourth anniversary of the grant date.

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

Awards made to Senior Management in 2015 will be subject to two non-market performance conditions and will be measured 75% based on annual adjusted PBT growth and 25% based on annual revenue growth. Awards made to Senior Management in 2016 and the current year will be subject to two non-market performance conditions and will be measured 50% based on annual adjusted PBT growth and 50% based on annual revenue growth.

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

24. Share based payments (continued)

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

Date of grant	Options granted	Fair value	Participant group	Performance conditions	Targets: Threshold	Targets: Maximum
31-Jul-17	998,970	£17.11	Senior Leadership Team	3-year growth in Group adjusted PBT	2%	10%
				3-year growth in Group revenue	1%	5.5%
				3-year average retail/wholesale adjusted ROIC	16.2%	18.2%
31-Jul-17	667,208	£17.11	Senior Management	3-year growth in Group adjusted PBT	2%	10%
				3-year growth in Group revenue	1%	5.5%
31-Jul-17	143,646	£17.11	Management	Continued service	N/A	N/A
27-Nov-17	29,731	£17.49	Senior Management	3-year growth in Group adjusted PBT	2%	10%
				3-year growth in Group revenue	1%	5.5%

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

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

	31 July 2017	27 November 2017
Share price at contract commencement date	£17.11	£17.49
Exercise price	£nil	£nil
Life of award	Equivalent to vesting period	Equivalent to vesting period
Expected volatility	27.5%	28.1%
Risk-free interest rate	0.32%	0.6%

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

24. Share based payments (continued)

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

	Year to 31 March 2018	Year to 31 March 2017
Outstanding at 1 April	**3,897,177**	2,527,005
Granted during the year	**1,849,555**	1,999,015
Lapsed and forfeited during the year	**(1,152,390)**	(552,612)
Exercised during the year	**-**	(1,718)
Net transfers during the year*	**(108,562)**	(74,513)
Outstanding at 31 March	**4,485,780**	3,897,177
Exercisable at 31 March	**-**	-

*Net transfers during the year arise from employees transferring into and out of Burberry Limited to other Burberry Group companies.

The weighted average share price at the respective exercise dates during the year ending 31 March 2017 was £14.17.

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

Term of award	**Number of awards as at 31 March 2018**	Number of awards as at 31 March 2017
22 July 2015 - 21 July 2025	**1,501,195**	1,864,512
18 November 2015 - 17 November 2025	**99,924**	99,924
30 January 2017 - 30 January 2027	**1,332,394**	1,932,741
31 July 2017 - 31 July 2027	**1,522,536**	-
27 November 2017 - 27 November 2027	**29,731**	-
Total	**4,485,780**	3,897,177

24. Share based payments (continued)

Exceptional, One-off Awards

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

On 8 February 2018 options in respect of 279,412 ordinary shares were granted as two one-off awards. The first award was for options in respect of 227,627 ordinary shares and was immediately exercisable. The second award was for options in respect of 51,785 ordinary shares and will vest in the following manner: 33% vested immediately, 33% will vest on 23 October 2018, 17% will vest on 22 October 2019 and 17% will vest on 30 October 2020.

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

	First award	Second award
Share price at contract commencement date	£15.44	£15.44
Exercise price	£nil	£nil
Life of award	Equivalent to vesting period	Equivalent to vesting period
Expected volatility	0.0%	29.3%
Risk-free interest rate	0.31%	0.83%

24. Share based payments (continued)

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

	Year to 31 March 2018	Year to 31 March 2017
Outstanding at 1 April	**2,430,623**	2,089,281
Granted during the year	**279,412**	478,900
Lapsed and forfeited during the year	**(409,255)**	(112,558)
Exercised during the year	**(620,459)**	(25,000)
Outstanding at 31 March	**1,680,321**	2,430,623
Exercisable at 31 March	**613,099**	-

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

	Number of awards as at 31 March 2018	Number of awards as at 31 March 2017
Term of the award		
14 June 2013 - 15 July 2019	**825,950**	1,000,000
12 June 2014 - 31 July 2020	**168,921**	500,000
18 November 2015 - 18 November 2025	**273,889**	451,723
30 January 2016 - 22 December 2026	**222,865**	478,900
30 January 2017 - 30 January 2027	**154,000**	-
08 February 2018 - 07 February 2028	**34,696**	-
Total	**1,680,321**	2,430,623

The weighted average share price at the respective exercise dates was £16.48 (2017: £14.71).

Other schemes
The Company also issues options to employees under Savings-Related Share Option Schemes (Sharesave) and free shares to employees under an All Employee Share Plan. In the year ended 31 March 2018, options were granted under Sharesave with a three-year and five-year vesting period.

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

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

25. Contingent liabilities

On 25 November 2014, the Group entered into a £300,000,000 multi-currency revolving credit facility with a syndicate of third-party banks. Interest is currently charged on this facility at LIBOR plus 0.9% on drawings less than £100,000,000, at LIBOR plus 1.05% on drawings between £100,000,000 and £200,000,000 and at LIBOR plus 1.20% on drawings over £200,000,000. In the prior year the Group exercised an option to extend the maturity of the facility to November 2021, after receiving consent from all members of the syndicate.

The Company, together with Burberry Group plc, Burberry Asia Limited, Burberry (Wholesale) Limited (US) and Burberry Limited (US) make up the Guarantor Group for this facility agreement. At 31 March 2018 there were £nil outstanding drawings (2017 - £nil).

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

The Company has indemnified banks against potential liabilities and claims resulting from several guarantee commitments made by banks on behalf of other Group companies. At 31 March 2018 the guarantee commitments totalled £33,746,000 (2017 - £36,596,000).

On 30 May 2018, the Company committed to ensuring Burberry Italy s.r.l. is funded such that it is able to pay any and all amounts due by Burberry Italy s.r.l. to the sellers of the Burberry related part of the business of CF&P, which is being acquired by the Group.

As the Company refines its wholesale distribution and modernises its supply chain, former wholesale customers, suppliers and agents may assert claims against the Company in respect of the termination of their relationships with the Company.

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

26. Capital commitments

At 31 March 2018 the Company had capital commitments as follows:

	2018 £000	2017 £000
Contracted but not provided for:		
Property, plant and equipment	**1,355**	625
Intangible assets	**4,271**	3,069
Total	**5,626**	3,694

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.

27. Retirement benefit obligations

The Company provides post retirement arrangements for its employees which are defined contribution in nature.

Further details of the Company's pension schemes are reported in the financial statements of Burberry Group plc.

The total value of costs recognised in the Income Statement in the year in relation to the defined contribution scheme is £7,073,000 (2017 - £7,125,000).

28. Financial commitments

At 31 March 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £000	2017 £000
Amounts falling due:		
Within 1 year	**41,944**	45,070
Between 1 and 5 years	**101,918**	86,322
After 5 years	**10,640**	18,936
Total	**154,502**	150,328

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

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

	2018 £000	2017 £000
Amounts falling due:		
Within 1 year	**2,480**	2,346
Between 2 and 5 years	**1,167**	1,022
Total	**3,647**	3,368

29. Related party transactions

The Company has the following related parties which are not wholly owned subsidiaries of Burberry Group plc:

- Burberry Middle East LLC
- Burberry Qatar WLL CR
- Burberry Kuwait General Trading Textiles and Accessories Company WLL
- Burberry India Pvt Limited
- Burbery Saudi Company Limited
- Sandringham Bahrain SPC

Aggregate related party transactions and balances which arise in the normal course of business from transactions that are carried out on an arm's length basis with the related parties above are set out below:

	2018 £000	2017 £000
Sales		
- Product	**10,223**	11,791
- Royalty income	**585**	875
Amounts owed by Group companies	**1,847**	1,893

30. Immediate and ultimate parent undertaking

The immediate parent undertaking is Burberry (UK) Limited, which is registered in England and Wales.

The ultimate parent undertaking and controlling party is Burberry Group plc, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Burberry Group plc is registered in England and Wales and copies of the consolidated financial statements can be obtained from the Company Secretary at Burberry Group plc, Horseferry House, Horseferry Road, London, SW1P 2AW.

31. Events after the balance sheet date

There have been no significant events affecting the Company since the year end.