

Registered number: 04251867

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**BURBERRY INTERNATIONAL HOLDINGS LIMITED**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2018**

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## BURBERRY INTERNATIONAL HOLDINGS LIMITED

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### STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2018

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

#### Business review

Burberry International Holdings Limited (the "Company") is a wholly owned subsidiary of Burberry Group plc (the "Group"). Its principal activity is to act as a holding company.

Refer to note 9 for details of new investments during the year.

The Balance Sheet on page 8 of the financial statements shows that the Company is in a net asset position.

#### Future developments

At the date of this report the directors do not anticipate any major changes in the Company's activities in the next year.

#### Principal risks and uncertainties

From the perspective of the Company, 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 which does not form part of this report.

#### Financial risk management

From the perspective of the Company, financial risk management is integrated with the financial risk management of the Group and is not managed separately. Accordingly, financial risk management of the Group, which include those of the Company, is discussed on pages 171 to 173 of the Group's 2017/18 Annual Report which does not form part of this report.

#### Other 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 Group Financial review section of the Group's 2017/18 Annual Report which does not form part of this report.

On behalf of the board



I Brimicombe  
Director  
30 August 2018

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## BURBERRY INTERNATIONAL HOLDINGS LIMITED

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### DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2018

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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 Strategic Report, the Directors' 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 these 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 judgments 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 to enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors 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**

There were no dividends paid during the year (2017 - £nil).

#### **Results and dividends**

The Company's profit for the year, after taxation, amounted to £261,784,000 (2017 - £15,499,000).

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:

I Brimicombe (appointed 15 September 2017)

N P Jones

R Djellas (appointed 5 June 2017)

B D Jackson (appointed 5 June 2017, resigned 31 March 2018)

J B Smith (resigned 5 June 2017)

E C Rash (appointed 2 April 2018)

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**BURBERRY INTERNATIONAL HOLDINGS LIMITED**

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

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**Future developments**

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

**Financial risk management**

Please refer to the Strategic Report on page 1 for the financial risk management of the Company.

**Qualifying third party indemnity provisions**

The Group purchased and maintained throughout the financial year and up to the date of signing the financial statements Director's and office's liability insurance in respect of itself and its Group directors, including the directors of its subsidiaries.

**Disclosure of information to auditors**

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- 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.

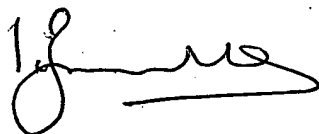
**Post balance sheet events**

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.

On behalf of the board



**I Brimicombe**  
Director  
30 August 2018

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## BURBERRY INTERNATIONAL HOLDINGS LIMITED

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### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BURBERRY INTERNATIONAL HOLDINGS LIMITED

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#### Report on the audit of the financial statements

##### **Opinion.**

In our opinion, Burberry International Holdings 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 on, 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

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## BURBERRY INTERNATIONAL HOLDINGS LIMITED

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

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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 2, 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](http://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:

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**BURBERRY INTERNATIONAL HOLDINGS LIMITED**

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

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

We have no exceptions to report arising from this responsibility.



**Christopher Solomides (Senior Statutory Auditor)**  
for and on behalf of for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London

30 August 2018

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**BURBERRY INTERNATIONAL HOLDINGS LIMITED**

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**INCOME STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2018**

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	Note	2018 £000	2017 £000
Income from investments	3	253,157	115,953
Net impairment reversal/(charge)	4	9,672	(90,716)
<b>Operating profit</b>	4	<b>262,829</b>	<b>25,237</b>
Finance income	5	1,168	295
Finance expenses	6	(403)	(3,150)
Other financing charges	7	(406)	(4,665)
<b>Profit on ordinary activities before taxation</b>		<b>263,188</b>	<b>17,717</b>
Taxation	8	(1,404)	(2,218)
<b>Profit for the year</b>		<b>261,784</b>	<b>15,499</b>

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

The above results are derived from continuing operations.

The notes on pages 10 to 21 form part of these financial statements.



**BURBERRY INTERNATIONAL HOLDINGS LIMITED**  
**REGISTERED NUMBER: 04251867**

**BALANCE SHEET**  
**AS AT 31 MARCH 2018**

	Note	2018 £000	2017 £000
<b>Fixed assets</b>			
Investment in subsidiaries	9	104,766	113,199
		<u>104,766</u>	<u>113,199</u>
<b>Current assets</b>			
Trade and other receivables - amounts falling due after one year	10	161,145	-
Cash and cash equivalents		57	57
		<u>161,202</u>	<u>57</u>
Creditors - amounts falling due within one year	11	(13,109)	(10,868)
<b>Net current assets/(liabilities)</b>		<u>148,093</u>	<u>(10,811)</u>
<b>Total assets less current liabilities</b>		<u>252,859</u>	<u>102,388</u>
Creditors: amounts falling due after more than one year	12	(16,474)	(127,787)
		<u>236,385</u>	<u>(25,399)</u>
<b>Net assets/(liabilities)</b>		<u><u>236,385</u></u>	<u><u>(25,399)</u></u>
<b>Capital and reserves</b>			
Called up share capital	13	-	-
Profit and loss account		236,385	(25,399)
<b>Total equity/(deficit)</b>		<u><u>236,385</u></u>	<u><u>(25,399)</u></u>

The notes on pages 10 to 21 form part of these financial statements.

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

*N P Jones*

**N P Jones**  
 Director  
 30 August 2018

**BURBERRY INTERNATIONAL HOLDINGS LIMITED**

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

	Called up share capital £000	Profit and loss account £000	Total (deficit)/equity £000
At 31 March 2017	-	(25,399)	(25,399)
<b>Comprehensive income for the year</b>			
Profit for the year	-	261,784	261,784
<b>Total comprehensive income for the year</b>	-	261,784	261,784
<b>At 31 March 2018</b>	-	236,385	236,385

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

	Called up share capital £000	Profit and loss account £000	Total deficit £000
At 31 March 2016	-	(40,898)	(40,898)
<b>Comprehensive income for the year</b>			
Profit for the year	-	15,499	15,499
<b>Total comprehensive income for the year</b>	-	15,499	15,499
<b>At 31 March 2017</b>	-	(25,399)	(25,399)

The notes on pages 10 to 21 form part of these financial statements.

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## BURBERRY INTERNATIONAL HOLDINGS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

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#### 1. Accounting policies

The principal accounting policies adopted in the preparation of the 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 International Holdings Limited is a holding company. 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 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 14).

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates (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 IFRS 7, 'Financial Instruments: Disclosures';
- 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;
- 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).
- 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'.

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## BURBERRY INTERNATIONAL HOLDINGS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

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#### 1. Accounting policies (continued)

##### 1.2 Going concern

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

##### 1.3 Investments in subsidiaries

Investments in subsidiaries are measured at cost less accumulated impairment.

##### 1.4 Impairment of investments

Investments are not subject to amortisation and are tested annually for impairment. An impairment loss is recognised for the amount by which the carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. Investments for which an impairment has been previously recognised are reviewed for possible reversal of impairment at each reporting date.

##### 1.5 Dividend distributions

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.

##### 1.6 Financial instruments

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

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

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

###### *Cash and cash equivalents*

On the Balance Sheet, cash and cash equivalents comprise of cash held with banks.

###### *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

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## BURBERRY INTERNATIONAL HOLDINGS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

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#### 1. Accounting policies (continued)

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.

##### *Deferred consideration*

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

#### 1.7 Foreign currency translation

##### *Functional and presentation currency*

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

##### *Transactions in foreign currencies*

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

#### 1.8 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.

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## BURBERRY INTERNATIONAL HOLDINGS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

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#### 1. Accounting policies (continued)

##### 1.9 Taxation

Tax expense represents the sum of the tax currently payable.

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 liability for current tax is calculated using tax rates which have been enacted or substantively enacted by the balance sheet date.

#### 2. Key sources of estimation uncertainty

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

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

##### *Impairment of investments*

Investments are reviewed for impairment annually. When a review for impairment is conducted, the recoverable amount is determined based on value-in-use calculations prepared on the basis of management's assumptions and estimates. Refer to note 9 for further details of investments.

##### *Deferred consideration on the acquisition of the non-controlling interest in Burberry Middle East LLC*

On 22 April 2016, the Company entered into an agreement to transfer the economic right to the noncontrolling interest in Burberry Middle East LLC to the Company in consideration for fixed and contingent payments to be made to the minority shareholder. Management has applied judgement in assessing the nature of the payments associated with this transaction in order to determine the appropriate accounting treatment. Refer to note 11 for further details of this transaction.

#### 3. Income from investments

The Company received £253,157,000 (2017 - £115,953,000) in dividend income, which comprised £184,750,000 (2017 - £nil) from Burberry China Holdings Limited, £26,521,000 (2017 - £21,088,000) from Burberry Korea Limited, £17,275,000 (2017 - £nil) from Burberry France SASU, £13,951,000 (2017 - £41,058,000) from Burberry Asia Holdings Limited, £6,973,000 (2017 - £nil) from Burberry Macau Limited, £2,199,000 (2017 - £5,608,000) from Burberry (Singapore) Distribution Co. PTE Ltd, £779,000 (2017 - £11,425,000) from Burberry (Taiwan) Co Ltd, £709,000 (2017 - £nil) from Burberry (Malaysia) Sdn. Bhd. and £nil (2017 - £36,774,000) from Burberry Middle East LLC.

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**BURBERRY INTERNATIONAL HOLDINGS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018**

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**4. Operating profit**

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

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Impairment of investments (see note 9)	<b>12,812</b>	60,260
(Reversal)/impairment of loan receivables	<b>(22,484)</b>	30,456

During the year, the Company released in full provisions against debt owed by Burberry Japan K.K. of £21,576,000. Debt owed by Burberry Middle East LLC is provided in full, however a provision decrease of £908,000 was required to take account of changes in the loan balance.

In the previous year, the Company provided against debt owed by Burberry Middle East LLC of £8,880,000 and by Burberry Japan K.K. of £21,576,000 in full.

The directors did not receive any emoluments in respect of their services to the Company (2017 - £nil).

The Company has no employees (2017 - nil) and therefore no employee costs are included in these financial statements (2017 - £nil). The Company has not been recharged audit fees of £1,300 (2017 - £1,300) as these were all paid for by Burberry Limited.

**5. Finance income**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Interest receivable from fellow subsidiaries	<b>1,168</b>	295

**6. Finance expenses**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Interest payable to fellow subsidiaries	<b>403</b>	3,150

**7. Other financing charges**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Finance charge on deferred consideration	<b>2,036</b>	2,144
Foreign exchange (gains)/losses	<b>(1,630)</b>	2,521

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**BURBERRY INTERNATIONAL HOLDINGS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018**

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**8. Taxation**

The tax charge is based on profit for the year and comprises:

	2018 £000	2017 £000
Overseas tax	1,404	2,218
<b>Total current tax</b>	<b>1,404</b>	<b>2,218</b>

**Factors affecting tax charge for the year**

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.

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

	2018 £000	2017 £000
Profit on ordinary activities before taxation	263,188	17,717
Profit on ordinary activities before taxation multiplied by standard rate of corporation tax in the UK of 19% (2017 - 20%)	50,006	3,543
<b>Effects of:</b>		
Overseas tax not suffered	1,404	2,218
Impairment charge not deductible	(1,838)	18,144
Dividends from UK companies	(48,100)	(23,191)
Group relief claimed for nil consideration	(44)	933
Debt cap adjustment	-	571
Expenses not deductible	(24)	-
<b>Total tax charge for the year</b>	<b>1,404</b>	<b>2,218</b>

**Factors that may affect future tax charges**

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



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**BURBERRY INTERNATIONAL HOLDINGS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018**

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**9. Investments**

	<b>Investments £000</b>
<b>Cost</b>	
At 31 March 2017	<b>269,966</b>
Additions	<b>4,379</b>
At 31 March 2018	<b>274,345</b>
<b>Accumulated impairment</b>	
At 31 March 2017	<b>156,767</b>
Impairment charge for the year	<b>12,812</b>
At 31 March 2018	<b>169,579</b>
<b>Net book value</b>	
At 31 March 2018	<b>104,766</b>
At 31 March 2017	<b>113,199</b>

## BURBERRY INTERNATIONAL HOLDINGS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

#### 9. Investments (continued)

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

Company name	Country of incorporation	Interest	Holding (%)
Burberry Asia Holdings Limited (1)	Hong Kong	Ordinary shares	100
Burberry Pacific Pty Ltd (2)	Australia	Ordinary shares	100
Burberry Korea Limited (3)	Republic of Korea	Ordinary shares	100
Burberry Italy (Rome) SRL (4)	Italy	Ordinary shares	100
Burberry (Malaysia) Sdn. Bhd. (5)	Malaysia	Ordinary shares	100
Burberry (Taiwan) Co Ltd (6)	Taiwan	Ordinary shares	100
Burberry (Austria) GmbH (7)	Austria	Ordinary shares	100
Burberry France SASU (8)	France	Ordinary shares	100
Burberry Czech Rep s.r.o. (9)	Czech Republic	Ordinary shares	75
Burberry Antwerp N.V. (10)	Belgium	Ordinary shares	75
Burberry Hungary kft (11)	Hungary	Ordinary shares	74
Burberry Netherlands B.V. (12)	Netherlands	Ordinary shares	100
Burberry China Holdings Limited (1)	Hong Kong	Ordinary shares	100
Burberry Middle East LLC <sup>1</sup> (13)	United Arab Emirates	Ordinary shares	49
Burberry Japan K.K. (14)	Japan	Ordinary shares	100
Burberry Ireland Limited (15)	Ireland	Ordinary shares	100
Burberry Macau Limited (16)	Macau	Ordinary quota	96
Burberry India Private Limited (17)	India	Ordinary shares	51
Burberry Latin America Limited (18)	UK	Ordinary shares	100
Horseferry Mexico S.A. de C.V. (19)	Mexico	Ordinary (fixed) shares	90
		Ordinary (variable) shares	90
Burberry Saudi Company Limited (20)	Kingdom of Saudi Arabia	Ordinary shares	75
Burberry Retail LLC (21)	Russian Federation	Participatory share	100
Burberry (Thailand) Limited (22)	Thailand	Ordinary shares	100
Burberry (Singapore) Distribution Company PTE Ltd (23)	Singapore	Ordinary shares	100
Sandringham Bahrain SPC <sup>2</sup> (24)	Bahrain	Ordinary shares	100
Burberry Qatar W.L.L <sup>3</sup> (25)	Qatar	Ordinary shares	49
Burberry Al Kuwait General Trading Company for Textiles and Accessories WLL <sup>3</sup> (26)	Kuwait	Ordinary shares	49
Horseferry Mexico Servicios Administrativos S.A. de C.V. <sup>3</sup> (19)	Mexico	Ordinary shares	10
Burberry (Deutschland) GmbH <sup>3</sup> (27)	Germany	Ordinary shares	100
Burberry (Shanghai) Trading Co., Ltd <sup>3</sup> (28)	China	Ordinary shares	100
Burberry Asia Limited <sup>3</sup> (1)	Hong Kong	Ordinary shares	100
Burberry Brasil Comércio de Artigos de Vestuário e Acessórios Ltda (29)	Brazil	Ordinary shares	0.00001
Burberry Canada Inc (30)	Canada	Common stock	100

During the year, the Company increased its investments in Burberry Retail LLC and Burberry (Malaysia) Sdn. Bhd by £1,019,000 and £135,000 respectively. In addition the Company purchased 100% of the share capital of Burberry Canada Inc for consideration of £3,225,000.

During the year, investments in Burberry Saudi Company Limited and Burberry Retail LLC were impaired by £11,793,000 and £1,019,000 respectively to £nil, as the value of the investments were not supported by the underlying cash flows generated by the investments.

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## BURBERRY INTERNATIONAL HOLDINGS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

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#### 9. Investments (continued)

In the prior year, investments in Burberry Middle East LLC, Burberry Retail LLC, Burberry Antwerp N.V., Burberry Hungary kft and Burberry Japan K.K. were impaired by £45,017,000, £776,000, £585,000, £1,673,000 and £12,209,000 respectively to £nil, as the value of the investments were not supported by the underlying cash flows generated by the investments.

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

1. The Group has a 100% share of profits of Burberry Middle East LLC as well as a 100% and 88% share of profits in Burberry Middle East LLC's subsidiaries in Kuwait and Qatar respectively. The Group has the power to control these companies via the terms of the shareholder agreement for Burberry Middle East LLC.

2. The Company has an indirect holding of 100% of the issued share capital through a nominee.

3. Indirectly owned by the Company

#### Ref Registered office address

- (1) Suites 2201-02 & 11-14, 22/F Devon House, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong
- (2) Level 5, 343 George Street, Sydney NSW 2000, Australia
- (3) (Cheongdam-dong) 459, Dosan-daero, Gangnam-gu, Seoul, Republic of Korea
- (4) Via Monte Napoleone 12, 20121, Milan, Italy
- (5) Level 21, Suite 21.01, The Gardens South Tower, Mid Valley City, Lingkaren Syed Putra 59200 Kuala Lumpur, Wilayah Persekutuan, Malaysia
- (6) 5F, No. 451, ChangChun Road, Songshan District, Taipei City, 10547, Taiwan
- (7) Kohlmarkt 2, 1010 Wien, Austria
- (8) 56 rue du Faubourg Saint-Honoré, 75008, Paris, France
- (9) Praha 1, Přížská 11/67, PSC 11000, Czech Republic
- (10) Schuttershofstraat 29, 2000 Antwerp, Belgium
- (11) 1124 Budapest, Csörsz utca 49-51, Hungary
- (12) Pieter Cornelisz. Hooftstraat 48 H, -50, 1071BZ Amsterdam, Netherlands
- (13) Dubai Design District, Building 08, 3rd Floor, PO Box 333266, Dubai, United Arab Emirates
- (14) 1-8-14 Ginza, Chuo-Ku, Tokyo, Japan
- (15) Suite 9, Bunkilla Plaza, Bracetown Office Park, Clonee, Co. Meath, D15 XR27, Ireland
- (16) Avenida Dr. Sun Yat Sen, s/n.º Building One Central, 1st Floor, Shops 125-127, Macau Special Administrative Region, Macau
- (17) 3-A-1 Taj Apartments, Rao Tula Ram Marg, New Delhi, 110022, India
- (18) Horseferry House, Horseferry Road, London, SW1P 2AW, United Kingdom
- (19) Ejercito Nacional Mexicano, 843b Granada Miguel, Ciudad de México, 11520, Mexico
- (20) The Plaza Olaya Street, PO Box 2392, Riyadh, 12244, Kingdom of Saudi Arabia
- (21) Ulitsa Petrovka, 7, 107031, Moscow, Russian Federation
- (22) 989 Siam Piwat Tower, 12A Floor, Unit B1, B2, Rama 1 Road, Pathumwan Sub-district, Pathumwan District, Bangkok, 10330, Thailand
- (23) 391B Orchard Road #15-02/03, Ngee Ann City, 238874, Singapore
- (24) Building 1A, Road 365 (Isa Al Kabeer Avenue), Manama Center 316, Unit 7, Moda Mall, Manama, Bahrain
- (25) PO Box 22117, Doha, Qatar
- (26) Hawalli, Block 8, Tunis Street Building, 1 Shiraa Center, Floor 7 Office No.12, PO Box 22758, Code 13088, Safat, Kuwait
- (27) Königsallee 50, 40212, Düsseldorf, Germany
- (28) Units 3302-3305, Wheelock Square, 1717 Nanjing West Road, Shanghai, 200040, China
- (29) Rua Do Rocio, 350 3º Andar, Vila Olimpia, São Paulo – SP, CEP 04552-000, Brazil
- (30) 1 First Canadian Place, 100 King Street West, Suite 1600, Toronto ON M5X 1G5, Canada

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**BURBERRY INTERNATIONAL HOLDINGS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018**

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**10. Trade and other receivables - amounts falling due after one year**

	<b>2018 £000</b>	<b>2017 £000</b>
Amounts owed by fellow subsidiaries	<b>169,117</b>	30,456
Provision for doubtful debts	<b>(7,972)</b>	(30,456)
	<b>161,145</b>	-

Amounts owed by fellow subsidiaries falling due after one year are interest bearing. The interest rate earned was based on relevant national LIBOR equivalents plus 0.9%. These loans are unsecured and repayable between 24 May 2021 and 27 July 2022.

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**BURBERRY INTERNATIONAL HOLDINGS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018**

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**11. Creditors - amounts falling due within one year**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
Amounts owed to fellow subsidiaries	<b>(467)</b>	-
Other creditors	<b>(12,642)</b>	<b>(10,868)</b>

Amounts payable to fellow subsidiaries in the year were unsecured, interest free and repayable on demand.

*Deferred consideration*

Following the purchase of the economic right to the non-controlling interest in Burberry Middle East LLC on 22 April 2016, the Company has recognised a liability in relation to the deferred consideration for this transaction. The deferred consideration consists of fixed payments to be paid over the period 2016 to 2019, and contingent payments calculated as an agreed percentage of the future revenue of Burberry Middle East LLC and its subsidiaries, over the period 2016 to 2023. Payments of £3.0m were made in the year ended 31 March 2018 (2017: £15.1m).

The fair value of the deferred consideration relating to the fixed payments has been derived via a present value calculation of the remaining fixed payments, discounted at an appropriate risk-free rate applicable to Burberry Middle East LLC.

The fair value of the deferred consideration relating to the contingent payments has been estimated using a present value calculation, incorporating observable and non-observable inputs. The inputs applied in arriving at the value of this component 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 relating to contingent payments 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/decrease in the estimate of future revenues of Burberry Middle East LLC and its subsidiaries would result in a £1.6m increase/decrease in the carrying value of the deferred consideration relating to contingent payments at 31 March 2018 and a corresponding £1.6m decrease/increase in the profit before taxation for the year ended 31 March 2018.

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**BURBERRY INTERNATIONAL HOLDINGS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018**

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**12. Creditors - amounts falling due after more than one year**

	<b>2018</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
<b>Due after more than one year</b>		
Amounts owed to fellow subsidiaries	-	104,042
Deferred consideration	<b>16,474</b>	<b>23,745</b>

In the prior year, all amounts owed to fellow subsidiaries falling due after more than one year are interest bearing. The interest rate earned is based on LIBOR plus 0.9%. These loans were paid during the current year.

*Deferred consideration*  
See note 11.

**13. Called up share capital**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
<b>Allotted, called up and fully paid</b>		
2 (2017 - 2) ordinary shares of £1 (2017 - £1) each	<b>2</b>	<b>2</b>

Burberry Europe Holdings Limited, a wholly owned subsidiary of Burberry Group plc, holds one of the ordinary shares of the Company in trust for Burberry Group plc and has no beneficial interest in it.

**14. Immediate and ultimate parent company**

The immediate parent undertakings are Burberry Group plc and Burberry Europe Holdings Limited. 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.