Registered number: 00162636

BURBERRY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 30 MARCH 2019

STRATEGIC REPORT
FOR THE 52 WEEKS ENDED 30 MARCH 2019

The directors present their Strategic Report for the 52 weeks ended 30 March 2019.

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.

The Company had net assets of £346,641,000 as at 30 March 2019 and earned profit after tax of £157,650,000 for the 52 weeks ended 30 March 2019.

In the 52 weeks ended 30 March 2019, revenue increased by 3.6% (2018: decrease of 5.0%) and gross profit by 1.2% (2018: decrease of 12.4%) due to cost pressures on margin. The increase in operating profit by 31.1% was principally due to the increase in gross profit and decrease in operating expenditure by 9.4% primarily due to a decrease in administrative costs, with restructuring costs decreasing by 109%.

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 74 to 89 of the Group's 2018/19 Annual Report, with updated risks noted in the Group's September 2019 Interim Report, which do not form part of this report. There have been no significant changes to risks from the 2018/19 Annual Report to the 2019/20 Interim Report.

Financial risk management

The Company's financial risk management objectives and policies are set out within note 21 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 foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

STRATEGIC REPORT
FOR THE 52 WEEKS ENDED 30 MARCH 2019

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 on a standalone basis. The development, performance and position of the Group is discussed in the Financial Review section of the Group's 2018/19 Annual Report which does not form part of this report.

On behalf of the board.

I Brimicombe
Director
13 December 2019

DIRECTORS' REPORT
FOR THE 52 WEEKS ENDED 30 MARCH 2019

The directors present their report and the audited financial statements for the 52 weeks ended 30 March 2019.

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial 52 week period. 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.

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.

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.

Dividends paid

Dividends paid in the year amounted to £200,000,000 (2018 - £350,000,000).

Results and dividends

The Company's profit for the year, after taxation, amounted to £157,650,000 (2018 - £130,431,000).

The directors do not recommend the payment of a final dividend (2018 - £nil).

Directors

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

J Brown (resigned 15 April 2019)
E Rash
I Brimicombe
R Djellas (resigned 29 March 2019)
G Haig (appointed 15 April 2019)
R Kessell (appointed 15 April 2019)

DIRECTORS' REPORT
FOR THE 52 WEEKS ENDED 30 MARCH 2019

Branches outside of the UK

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

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 21 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 throughout 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, the Company donated £3,771,000 (2018 - £4,246,000) for the benefit of charitable causes. These donations principally comprised cash. The Company made no political donations in line with its policy (2018 - £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 30 March 2019 were 69 days (2018 - 56 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 148 to 149 of the Group's 2018/19 Annual Report.

DIRECTORS' REPORT
FOR THE 52 WEEKS ENDED 30 MARCH 2019

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.

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.

On behalf of the board.

I Brimicombe
Director
13 December 2019

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 30 March 2019 and of its profit for the 52 week period (the "period") 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 Income Statement for the 52 weeks ended 30 March 2019; the Balance Sheet as at 30 March 2019; the Statement of Changes in Equity for the 52 weeks ended 30 March 2019; 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

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.

We have nothing to report in respect of the above matters.

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. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

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

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 period ended 30 March 2019 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.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

CSchroeder

Catherine Schroeder (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
13 December 2019

INCOME STATEMENT
FOR THE 52 WEEKS ENDED 30 MARCH 2019

	Note	2019 £000	2018 £000
Revenue	3	**1,444,844**	1,395,309
Cost of sales		**(786,777)**	(745,298)
Gross profit		**658,067**	650,011
Net operating expenses	4	**(434,402)**	(479,383)
Operating profit		**223,665**	170,628
Finance income	8	**13,340**	3,724
Finance expenses	9	**(11,387)**	(3,610)
Profit before taxation		**225,618**	170,742
Taxation on profit	10	**(67,968)**	(40,311)
Profit for the year		**157,650**	130,431

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 58 form part of these financial statements.

BURBERRY LIMITED
REGISTERED NUMBER: 00162636

BALANCE SHEET
AS AT 30 MARCH 2019

	Note		2019 £000		2018 £000
Fixed assets					
Intangible assets	11		**107,199**		84,779
Property, plant and equipment	12		**54,814**		49,875
Investment in subsidiaries	13		**12,857**		47,046
			174,870		181,700
Current assets					
Inventories	14	**164,057**		151,815	
Trade and other receivables – amounts falling due after more than one year	15	**102,168**		29,859	
Trade and other receivables – amounts falling due within one year	15	**691,944**		737,127	
Cash and cash equivalents	16	**535,867**		661,467	
		1,494,036		1,580,268	
Creditors – amounts falling due within one year	17	**(1,202,592)**		(1,241,299)	
Net current assets			**291,444**		338,969
Total assets less current liabilities			**466,314**		520,669
Creditors – amounts falling due after more than one year	18		**(105,305)**		(108,482)
Provisions for liabilities	20		**(14,368)**		(34,998)
Net assets			**346,641**		377,189
Capital and reserves					
Called up share capital	23		**20,547**		20,547
Capital reserve			**2,387**		2,387
Profit and loss account			**323,707**		354,255
Total equity			**346,641**		377,189

The notes on pages 12 to 58 form part of these financial statements.

The financial statements on pages 9 to 58 were approved and authorised for issue by the board and were signed on its behalf by:

I Brimicombe
Director
13 December 2019

STATEMENT OF CHANGES IN EQUITY FOR THE 52 WEEKS ENDED 30 MARCH 2019

	Called up share capital £000	Capital reserve £000	Profit and loss account £000	Total equity £000
At 1 April 2018	**20,547**	**2,387**	**354,255**	**377,189**
Adjustment on initial application of IFRS 9	-	-	896	896
Adjusted balance as at 1 April 2018	**20,547**	**2,387**	**355,151**	**378,085**
Profit for the year	-	-	157,650	157,650
Total comprehensive income for the year	**-**	**-**	**157,650**	**157,650**
Dividends paid in the year	-	-	(200,000)	(200,000)
Value of share options granted	-	-	9,267	9,267
Tax on share options granted	-	-	1,639	1,639
Total transactions with owners	**-**	**-**	**(189,094)**	**(189,094)**
At 30 March 2019	**20,547**	**2,387**	**323,707**	**346,641**

STATEMENT OF CHANGES IN EQUITY FOR THE 52 WEEKS ENDED 30 MARCH 2018

	Called up share capital £000	Capital reserve £000	Profit and loss account £000	Total equity £000
At 1 April 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**

The notes on pages 12 to 58 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

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 31).

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).

The related party transactions presented for the prior period (see note 30) have been restated to take account of transactions relating to Burberry Middle East LLC and Burberry Qatar W.L.L as these entities are now considered to be not wholly owned, although the Group has 100% economic interest in these entities.

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);

1. Accounting policies (continued)

- 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'.

1.2 New accounting policy adopted in the period

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

Accounting reference date

On 1 April 2018, a new policy was adopted for the accounting reference date, in line with guidance under the Companies Act 2006 Section 390. Previously, the accounting reference date was 31 March each year. From 1 April 2018 onwards, the accounting reference date will be a Saturday within 7 days of 31 March. For the current year, the accounting reference date is 30 March 2019 for the full year. Comparative information for the year ended 31 March 2018 has not been restated. Had the new policy not been adopted, the impact on the results for the current year would be to increase revenue by £511,000 and decrease operating profit by £697,000.

New Standards adopted in the period

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

IFRS 9 Financial Instruments

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

1. Accounting policies (continued)

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

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

- The standard simplifies the mixed measurement model contained in IAS 39 and establishes three primary measurement categories for financial assets: amortised cost; fair value through Other Comprehensive Income (OCI); and fair value through profit and loss. The classification of financial assets is based on the business model in which the asset is managed and its contracted cash flow characteristics. The application of the new standard has resulted in a change in classification of some financial instruments to reflect the new measurement categories. The most significant impact for the Company is that cash equivalents held in money market funds will be classified as fair value through profit and loss whereas they were previously measured at amortised cost. However, as the Company only invests in low volatility funds, this change in measurement basis has not had any impact on the book value of cash equivalents. The impact of this change relating to cash and cash equivalents is set out in note 16.
- There are no other classification impacts other than the description applied to financial instruments. The Company's classification and measurement of financial instruments under IFRS 9 and IAS 39 is set out in note 1.17.
- IFRS 9 introduces a forward-looking impairment model based on expected credit losses on financial assets. This has had a minor effect on the measurement of the Company's bad debt provisions, as credit losses are recognised earlier than under IAS 39.
- There are also revised disclosure requirements for financial instruments. Comparative information has not been restated.

The Company has adopted IFRS 9 with the exception of the hedge accounting element which remains in accordance with IAS 39. Currently the Company does not apply any hedge accounting.

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

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

The impact, net of tax, of the transition to IFRS 9 on financial assets and retained earnings as at 1 April 2018 was to increase retained earnings by £896,000, increase current trade and other receivables by £1,079,000 and to decrease deferred tax assets by £183,000. This IFRS 9 adoption adjustment relates to the different approach to measuring impairment of receivables under IFRS 9 compared to IAS 39. Refer to the Company's Statement of Changes in Equity for more details.

1. Accounting policies (continued)

IFRS 15 Revenue from Contracts with Customers

The Company adopted IFRS 15 Revenue from Contracts with Customers, for the period commencing 1 April 2018. This standard addresses the way that revenue derived from contracts with customers is recognised in the financial statements. It replaces IAS 18 Revenue and IAS 11 Construction Contracts. The Company's new accounting policy for revenue, together with the previous policy, are set out in note 1.3.

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

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

- Revenue derived from digital retail sales is recognised when the goods are delivered to the customer. Under IAS 18, revenue was previously recognised when the goods were dispatched to the customer. The impact of this change on the current year results is a reduction in revenue of £546,000 for the 52 weeks to 30 March 2019 and a corresponding increase in contract liabilities of £546,000 as at 30 March 2019.
- Payments made to customers for services they provide, directly relating to sales to that customer, are recognised as a reduction in revenue, unless in exchange for a distinct good or service. These payments were previously recognised as operating expenses under IAS 18. The impact on the income statement, for the 52 weeks to 30 March 2019, is to reclassify charges of £521,000 from operating expenses to revenue.
- Amounts received from customers relating to performance obligations not yet completed are classified as contract liabilities. These amounts were previously classified as deferred income under IAS 18. Contract liabilities are disclosed in notes 17-18 for the current reporting period. The primary statements are not impacted by this change in classification.

1. Accounting policies (continued)

1.3 Revenue

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

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

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

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

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

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

1. Accounting policies (continued)

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

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

1.4 Segment reporting

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

1.5 Share schemes

The Company 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 Company. The cost of the share based incentives is measured with reference to the fair value of the equity instruments awarded at the date of grant. Appropriate option pricing models, including Black-Scholes 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 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.

1.6 Leases

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

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

1. Accounting policies (continued)

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

1.7 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.

1.8 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.

1.9 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 seven years.

1. Accounting policies (continued)

1.10 Property, plant and equipment

Property, plant and equipment, with the exception of assets in the course of construction, is stated at cost or deemed cost, based on historical revalued amounts prior to the adoption of 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
Short life leasehold improvements	Leasehold improvements	Up to 10 years
Plant and machinery	Fixtures, fittings and equipment	Up to 15 years
Retail fixtures and fittings	Fixtures, fittings and equipment	Up to 5 years
Office fixtures and fittings	Fixtures, fittings and equipment	Up to 5 years
Computer equipment	Fixtures, fittings and equipment	Up to 7 years
Assets in the course of construction	Assets in the course of construction	Not depreciated

Profit / loss on disposal of property, plant and equipment and 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.

1.11 Investments in subsidiaries

Investments in subsidiaries are carried at cost less accumulated impairment.

1.12 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. Accounting policies (continued)

1.13 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.

1.14 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 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.

1.15 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.

1. Accounting policies (continued)

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

1.16 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.

1.17 Financial instruments

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

Subsequent to initial recognition, all financial liabilities are stated at amortised cost using the effective interest rate method except for derivatives, which are 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 mostly approximate their carrying amount due to the short maturity of these instruments. Where the fair value of any financial asset or liability held at amortised cost is materially different to the book value, the fair value is disclosed.

1. Accounting policies (continued)

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

Financial instrument category	Note	Classification under IAS 39	Measurement under IAS 39	Classification under IFRS 9	Measurement under IFRS 9
Cash and cash equivalents	16	Loans and receivables	Amortised cost	Amortised Cost	Amortised cost
Cash and cash equivalents	16	Loans and receivables	Amortised cost	Fair value through profit and loss	Fair value through profit and loss
Trade and other receivables	15	Loans and receivables	Amortised cost	Amortised Cost	Amortised cost
Trade and other payables	17-18	Other financial liabilities	Amortised cost	Other financial liabilities	Amortised cost
Borrowings	22	Other financial liabilities	Amortised cost	Other financial liabilities	Amortised cost
Forward foreign exchange contracts (1)	21	Derivative instrument	Fair value through profit and loss	Fair value through profit and loss	Fair value through profit and loss

(1) Cash flow hedge and net investment hedge accounting is not applied.

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.

While cash at bank and in hand is classified as amortised cost under IFRS 9, some short-term deposits are classified as fair value through profit and loss.

Cash and cash equivalents held at amortised cost are subject to impairment testing each period end.

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

1. Accounting policies (continued)

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'.

1.18 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.

2. Key sources of estimation uncertainty and judgements

2.1 Key sources of estimation uncertainty

Preparation of the financial statements in conformity with FRS 101 requires that management make certain estimates and assumptions that affect the reported revenues, expenses, assets and liabilities and the disclosure of contingent liabilities.

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

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key areas where the estimates and assumptions applied have a significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next financial year are discussed below. Further details of the Company's accounting policies in relation to these areas are provided in note 1:

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.

Uncertain tax provisions
In common with many multinational companies, Burberry faces tax audits in jurisdictions around the world in relation to transfer pricing of goods and services between associated entities within the Group. These tax audits are often subject to inter-government negotiations. The matters under discussion are often complex and can take many years to resolve. Tax liabilities are recorded based on management's estimate of the expected outcome. Given the inherent uncertainty in assessing tax outcomes, which may prove binary in nature, we could, in future periods, experience adjustments to these tax liabilities that have a material positive or negative effect on our results for a particular period.

During the next year it is possible that some or all of the current disputes are resolved. Management estimate that the outcome across all matters under dispute or in negotiation between governments could be an increase or decrease of £0 to £20,000,000 relative to the current tax liabilities recognised at 30 March 2019. This would have an impact of approximately 0% to 9% on the Company's effective tax rate.

2. Key sources of estimation uncertainty and judgements (continued)

Impairment of investments in subsidiaries
Investments in subsidiaries are not subject to amortisation and are tested annually for impairment. When a review for potential impairment is conducted, the recoverable amount is determined based on the higher of an investment's fair value less costs to sell and value-in-use calculations prepared on the basis of management's assumptions and estimates. Refer to note 13 for further details on investments.

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 the expected loss on 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.

2.2 Key judgements in applying the Company's accounting policies
Judgements are those decisions made when applying accounting policies which have a significant impact on the amounts recognised in the Company's financial statements. Further details of the Company's accounting policies 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.

There were no key judgements arising in the current period.

<u>Key judgements relating to prior periods</u>
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 applied judgement in assessing the nature of the payment in order to determine the correct accounting treatment. Management 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 global licensees of beauty products, eyewear and from licenses relating to the use of non-Burberry trademarks in Japan.

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.

3. Segmental analysis (continued)

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

	2019 £000	2018 £000
Revenue by country of destination		
EMEIA (1)	**770,366**	772,558
Americas	**252,376**	240,075
Asia	**422,102**	382,676
Total	**1,444,844**	**1,395,309**

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

All revenue originates in the United Kingdom.

	2019 £000	2018 £000
Revenue by segment		
Retail/wholesale	**1,397,660**	1,354,200
Licensing	**47,184**	41,109
Total	**1,444,844**	1,395,309

	2019 £000	2018 £000
Operating profit by segment		
Retail/wholesale	**206,644**	181,826
Licensing	**17,021**	(11,198)
Total	**223,665**	170,628

	2019 £000	2018 £000
Net assets by segment		
Retail/wholesale	**611,661**	745,243
Licensing	**(82,572)**	(88,828)
Net operating assets	**529,089**	656,415
Investments in subsidiary companies	**12,857**	47,046
Net balances from Group companies	**(185,707)**	(342,879)
Corporate tax	**(19,487)**	(1,640)
Deferred tax	**18,319**	21,682
Derivatives	**(2,547)**	(3,435)
Net assets	**352,524**	377,189

4. Net operating expenses

	2019 £000	2018 £000
Selling and distribution costs	**134,802**	132,965
Administrative expenses	**299,600**	346,418
Net operating expenses	**434,402**	479,383

5. Profit before taxation

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

	2019 £000	2018 £000
Depreciation of property, plant and equipment		
- within cost of sales	**1,005**	804
- within selling and distribution costs	**6,318**	10,548
- within administrative expenses	**7,381**	13,464
Amortisation of intangible assets		
- within selling and distribution costs	**332**	324
- within administrative expenses	**25,230**	22,000
Impairment charge relating to software	**3,914**	4
Net impairment of property, plant and equipment	**547**	2,374
Loss on disposal of property, plant and equipment and intangibles	**990**	2,075
Receivables net impairment (credit)/charge (see note 21)	**30,075**	(464)
Impairment charge relating to investment in subsidiaries	**6,187**	7,294
Loss on disposal of subsidiary	**1,833**	-
Auditors' remuneration	**1,642**	1,500
Directors' and employees' costs (see note 7)	**229,948**	227,011
Net exchange loss/(gain) on revaluation of monetary assets and liabilities	**(2,732)**	9,117
Net exchange gain on derivatives held for trading	**10,492**	(587)
Restructuring (releases)/costs*	**(3,321)**	35,910
Gain on disposal of Beauty operations**	**(717)**	(11,472)
Costs relating to the transfer of Beauty operations**	**-**	4,800
Operating lease rentals		
- minimum lease payments	**42,391**	63,265
- contingent rents	**8,563**	10,165

5. Profit before taxation (continued)

*Restructuring costs
Restructuring costs of £35.9m were incurred in the prior period, arising as a result of the Group's cost-efficiency programme announced in May 2016. In the current year, a net release of £3.3m was principally attributable to a reduction in the estimated cost of onerous lease obligations of property recognised in the prior year.

**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 was recognised for contingent consideration in relation to the estimated future proceeds arising from the disposal of inventory to Coty.

The licence agreement, which is for a term of up to 15 years, allows Coty to manufacture and sell Burberry Beauty products. Under the licence agreement Coty will pay the 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 carried out an allocation and attributed £30.0m of this upfront payment to the disposal of the Beauty operations.

The remaining £100.0m of the payment was 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 the current year, the provision for contract terminations has been reassessed, resulting in a net increase in the gain on disposal of £717,000.

In addition to the costs arising directly from the disposal of the Beauty operations, costs of £nil relating to the Beauty transaction were incurred in the year ended 30 March 2019 (2018: £4,800,000). These costs related to the termination of a distributor agreement and other ancillary charges incurred.

6. Auditor 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.

	2019 £000	2018 £000
Audit services in respect of the financial statements of the Company	**331**	294
Audit services in respect of the financial statements of other Group companies	**1,306**	1,171
Audit-related assurance services	**5**	30
Services relating to taxation - advisory	**-**	5
Total	**1,642**	1,500

7. Employees and Directors

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

	2019 Number	2018 Number
Production	**1,039**	989
Buying	**121**	71
Distribution/sales	**1,030**	1,064
Administration	**1,379**	1,429
	3,569	3,553

	2019 £000	2018 £000
Staff costs		
Wages and salaries	**183,300**	174,140
Social security costs	**4,447**	21,293
Termination benefits	**22,398**	10,656
Share based compensation (all awards and options settled in shares)	**11,562**	13,850
Other pension costs	**8,241**	7,073

	2019 £000	2018 £000
Staff costs include the following remuneration in respect of directors:		
Aggregate emoluments	**6,030**	4,961

7. Employees and Directors (continued)

	2019 Number	2018 Number
The number of directors who:		
Exercised options over shares in the Company	**4**	3
Had awards receivable in the form of shares under a long-term incentive scheme	**6**	4

	2019 £000	2018 £000
The directors' remuneration disclosed above includes the amounts paid to the highest paid director as follows:	**3,743**	3,735
Aggregate emoluments	**3,743**	3,735

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

	2019 £000	2018 £000
Interest receivable from Group companies	**9,695**	1,655
Bank interest income – amortised cost (1)	**714**	2,069
Finance income – amortised cost	**10,409**	3,724
Bank interest income – fair value through profit and loss (1)	**2,931**	-
	13,340	3,724

(1) Classification of interest in the current period has been impacted as a result of the adoption of IFRS 9. See note 16 for details of changes in classification of cash and cash equivalents arising from the adoption of IFRS 9.

9. Finance expenses

	2019 £000	2018 £000
Interest payable to Group companies	**10,277**	2,853
Bank charges	**176**	457
Other finance expense	**934**	300
	11,387	3,610

10. Taxation

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

	2019 £000	2018 £000
Corporation tax		
Current tax on profits for the year	**50,018**	35,666
Adjustments in respect of prior years	**13,876**	6,805
	63,894	42,471
Double taxation relief	**(2,776)**	(3,164)
	61,118	39,307
Foreign tax		
Overseas taxation	**4,041**	3,487
	4,041	3,487
Total current tax	**65,159**	42,794
Deferred tax UK deferred tax		
Origination and reversal of timing differences	**3,976**	(2,321)
Adjustments in respect of prior years	**(1,167)**	(162)
Impact of changes to tax rates	**-**	-
Total deferred tax	**2,809**	(2,483)
Taxation on profit	**67,968**	40,311

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% (2018 – 19%). The differences are explained below:

	2019	2018
	£000	£000
Profit before taxation	225,618	170,742
Profit before taxation multiplied by standard rate of corporation tax in the UK of 19% (2018 – 19%)	42,867	32,441
Effect of:		
Permanent differences	10,741	3,980
Overseas tax	1,265	323
Adjustments in respect of prior years	12,708	6,643
Debt cap adjustment	-	-
Impairment charge not deductible	1,176	1,386
Group relief received for nil consideration	(789)	(4,462)
Adjustments to deferred tax relating to changes in tax rates	-	-
Total tax charge for the year	67,968	40,311

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:

	2019	2018
	£000	£000
Current tax		
Current tax credit on share options (profit and loss account)	**(1,639)**	(907)
Deferred tax		
Deferred tax charge/(credit) on share options (profit and loss account)	**372**	847
Adjustment on the initial application of IFRS 9 (profit and loss account)	**183**	-
	(1,084)	(60)

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 2018	104,217	10,923	45,303	160,443
Additions	13,769	382	38,552	52,703
Disposals	(29,873)	(2,093)	-	(31,966)
Reclassifications from assets in the course of construction	38,291	-	(38,291)	-
At 30 March 2019	126,404	9,212	45,564	181,180
Amortisation				
At 1 April 2018	70,283	5,381	-	75,664
Charge for the year	24,945	617	-	25,562
Disposals	(29,066)	(2,093)	-	(31,159)
Impairment charge	3,914	-	-	3,914
At 30 March 2019	70,076	3,905	-	73,981
Net book value				
At 30 March 2019	56,328	5,307	45,564	107,199
At 31 March 2018	33,934	5,542	45,303	84,779

12. Property, plant and equipment

	Freehold land and buildings £000	Leasehold improvements £000	Fixtures, fittings and equipment £000	Assets in the course of construction £000	Total £000
Cost					
At 1 April 2018	3,638	69,899	126,959	4,823	205,319
Additions	165	1,833	10,770	7,654	20,422
Disposals	-	(14,968)	(69,540)	-	(84,508)
Reclassifications from assets in the course of construction	-	67	5,553	(5,620)	-
At 30 March 2019	3,803	56,831	73,742	6,857	141,233
Accumulated depreciation					
At 1 April 2018	956	43,653	110,835	-	155,444
Charge for the year	229	3,902	10,573	-	14,704
Disposals		(14,948)	(69,328)	-	(84,276)
Impairment charge		122	425	-	547
At 30 March 2019	1,185	32,729	52,505	-	86,419
Net book value					
At 30 March 2019	2,618	24,102	21,237	6,857	54,814
At 31 March 2018	2,682	26,246	16,124	4,823	49,875

13. Investment in subsidiaries

	Investments in subsidiary companies £000
Cost	
At 1 April 2018	57,432
Additions	6,187
Disposals	(34,189)
At 30 March 2019	29,430
Impairment	
At 1 April 2018	(10,386)
Charge for the year	(6,187)
At 30 March 2019	(16,573)
Net book value	
At 30 March 2019	12,857
At 31 March 2018	47,046

In January 2019 the Company disposed of its investment in Burberry Italy Retail Limited with a net book value of £34,189,000. The subsidiary was sold to another entity in the group for consideration of €35,788,972 (£32,356,000). The consideration was settled in the form of a loan between the Company and the acquiring entity.

During the year, the Company increased its investment in Burberry Brasil Comércio de Artigos de Vestuário E Acessórios Ltda £6,187,000, which was subsequently impaired (2018 - £7,018,000).

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

13. Investment in subsidiaries (continued)

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

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 Development Limited (1)	UK	Ordinary shares	100
Burberry Brasil Comércio de Artigos de Vestuário E Acessórios Ltda (3)	Brazil	Quota	100

* Strike off application filed subsequent to 30 March 2019

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) City of São Paulo, State of São Paulo, at Rua do Rocio, 350, 3rd floor of Condominium Atrium IX, suites No. 31 and No. 32, 28th subdistrict, Jardim Paulista, CEP 04552-000, Brazil

14. Inventories

	2019 £000	2018 £000
Raw materials	**9,264**	9,244
Work in progress	**198**	583
Finished goods	**154,595**	141,988
	164,057	151,815

	2019 £000	2018 £000
Total inventories, gross	**218,617**	204,445
Provisions	**(54,560)**	(52,630)
	164,057	151,815

The cost of inventories recognised as an expense and included in cost of sales amount to £198,493,000 (2018 - £191,664,992). The net movement in inventory provisions included in cost of sales for the 52 weeks ended 30 March 2019 was a cost of £17,961,000 (2018: £22,080,000).

15. Trade and other receivables

	2019 £000	2018 £000
Amounts falling due after more than one year		
Deferred tax assets (note 19)	**18,319**	21,682
Deposits and other financial receivables	**-**	2,433
Prepayments	**2,048**	2,234
Amounts owed by fellow subsidiaries	**81,801**	3,510
	102,168	29,859

	2019 £000	2018 £000
Amounts falling due within one year		
Trade debtors	**27,709**	33,334
Amounts owed by the ultimate parent	**9,990**	12,402
Amounts owed by fellow subsidiaries	**595,772**	641,539
Other debtors	**6,063**	4,939
Other non-financial receivables	**14,431**	11,354
Prepayments	**26,889**	24,593
Accrued income	**8,577**	8,581
Derivatives	**2,513**	385
	691,944	737,127

Included in amounts owed by the ultimate parent and fellow subsidiaries are loans of £454,813,000 (2018 - £427,092,000) 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 £232,750,000 (2018 - £230,359,000) are interest free. Amounts owed by fellow subsidiaries falling due after more than one year are unsecured and receivable between 1 March 2021 and 27 March 2023. Amounts owed by the ultimate parent and fellow subsidiaries falling due within one year are unsecured and receivable on demand.

The Company's impairment policies and the calculation of the loss allowances under IFRS 9 are detailed in note 21 credit risk.

16. Cash and cash equivalents

	2019 £000	2018 £000
Cash and cash equivalents held at amortised cost		
Cash at bank and in hand	**41,367**	41,655
Short-term deposits	**20,000**	619,812
	61,367	661,467
Cash and cash equivalents held at fair value through the profit and loss		
Short-term deposits	**474,500**	-
Total	**535,867**	661,467

Cash and cash equivalents have been reclassified from loans and receivables to cash and cash equivalents held at amortised cost and held at fair value through the profit and loss on adoption of IFRS 9. Refer to note 1.17 for the impact of the adoption of IFRS 9 on the Company's financial instrument categorisation.

Cash and cash equivalents classified as fair value through profit and loss relate to deposits held in low volatility net asset value money market funds. The value of deposits held in these money market funds at 31 March 2018 was £595,412,000.

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

17. Creditors – amounts falling due within one year

	2019 £000	2018 £000
Bank overdrafts (note 22)	**8,279**	1,690
Trade payables	**148,372**	112,101
Amounts owed to fellow subsidiaries	**320,026**	515,404
Amounts owed to ultimate parent	**553,244**	475,124
Corporate tax	**25,370**	1,640
Other taxes and social security costs	**18,042**	21,026
Derivative financial liabilities	**5,059**	3,820
Other payables	**2,574**	2,695
Accruals	**109,518**	96,286
Deferred income and non-financial accruals	**4,258**	11,513
Contract liabilities	**7,850**	-
	1,202,592	1,241,299

Included in amounts owed to the ultimate parent and fellow subsidiaries are loans of £617,973,000 (2018 - £719,469,000) which are interest bearing, unsecured and repayable between 11 April 2019 and 2 March 2020. The interest rate is based on relevant national LIBOR equivalents plus 0.5%. The remaining amounts owed to fellow subsidiaries of £255,297,000 (2018 - £227,769,000) are interest free, unsecured and repayable on demand.

17. Creditors – amounts falling due within one year (continued)

Contract liabilities

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

	As at 30 March 2019 £000
Retail contract liabilities (1)	1,293
Licensing contract liabilities (2)	90,164
Total contract liabilities	**91,457**
Amounts falling due after more than one year (note 18)	**83,607**
Amounts falling due within one year	**7,850**

(1) At 31 March 2018 £998,000 of retail contract liabilities were presented within deferred income and non-financial accruals.
(2) At 31 March 2018 £96,721,000 of licensing contract liabilities were presented within deferred income and non-financial accruals.

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

	52 weeks to 30 March 2019 £000
Retail revenue relating to contract liabilities	**546**
Deferred revenue from Beauty license	**6,557**
Revenue recognised that was included in contract liabilities at the start of the year	**7,103**

18. Creditors – amounts falling due after more than one year

	2019 £000	2018 £000
Amounts owed to fellow subsidiaries	**-**	9,803
Other payables	**420**	713
Deferred income and non-financial accruals	**21,278**	97,966
Contract liabilities (note 17)	**83,607**	-
	105,305	108,482

Amounts owed to fellow subsidiaries are comprised of loans of £nil (2018 - £9,803,000) 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%.

19. 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 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
Credited/(charged) to the Income Statement	111	(2,637)	(282)	(2,808)
Charged/(credited) to equity	-	(372)	(183)	(555)
As at 30 March 2019	13,799	4,071	449	18,319

20. Provisions for liabilities

	Property obligations £000	Other £000	Total £000
At 1 April 2018	26,844	8,154	34,998
Created during the year	3,214	5,757	8,971
Utilised during the year	(1,495)	(5,230)	(6,725)
Released during the year	(17,421)	(6,169)	(23,590)
Discount unwind	714	-	714
At 30 March 2019	**11,856**	**2,512**	**14,368**

Property obligations relate to onerous leases of £6,035,000 (2018 - £22,133,000) which are expected to be utilised within 6 years, and asset retirement obligations of £5,821,000 (2018 - £4,711,000), which are expected to be utilised in 19 years.

21. 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.

<u>Market risk</u>

Foreign exchange risk

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

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.

21. Financial risk management (continued)

Credit risk

Trade receivables

The Company has no significant concentrations of credit risk. The trade receivables balance is spread across a large number of different customers with no single debtor representing more than 6% of the total balance due (2018: 9%). The Company has policies in place to ensure that wholesale sales are made to customers with an appropriate credit history. Sales to retail customers are made in cash or via major credit cards. In some retail locations, where the Company's store is located within a department store or mall, for example a concession, the sales proceeds may be initially held by the operator of the wider location, giving rise to retail debtors. In addition, receivables balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant and default rates have historically been very low.

The Company applies the IFRS 9 simplified approach when measuring the trade receivable expected credit losses. The approach uses a lifetime expected loss allowance. To measure the expected credit losses trade receivables have been grouped based on segment, geographical region and the days past due.

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

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

21. Financial risk management (continued)

Credit risk (continued)

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

	Trade receivables £000
As at 31 March 2018 – under IAS 39	**4,984**
Adjustment on the initial application of IFRS 9	(1,079)
Adjusted balance as at 1 April 2018	**3,905**
Receivables written off during the year as uncollectable	(2,197)
Unused amount reversed	(889)
As at 30 March 2019	**(819)**

Receivables excluding trade receivables
The counterparty credit risk of other receivables including amounts due from group companies, is reviewed on a regular basis and the IFRS 9 impairment model is applied as follows:

At inception the receivable is recorded net of expected 12 month credit losses. If a significant change in the credit risk occurs the life time of the receivable, credit losses are recorded in the profit and loss account and the effective interest is calculated using the gross carrying amount of the asset. If a loss event occurs, the effective interest is calculated using the amortised cost of the asset net of any credit losses. As at 30 March 2019, the expected 12 month credit losses of receivables, other than trade receivables, were significant and hence net impairment losses of £30,964,000 were recorded in the income statement.

Other financial assets
With respect to credit risk arising from other financial assets, which comprise cash and short-term deposits and certain derivative instruments, the 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. A total of £1,000 (2018 - £533,000) was held with institutions with a rating below 'A' at 30 March 2019. These amounts are monitored on a weekly basis and regularly reported to the board.

Impairment of receivables
As at 30 March 2019, the charge for impairment of receivables and other financial assets, including amounts due from group companies, recorded in the income statement was a debit of £30,075,000 due to an impairment of a loan receivable from a fellow subsidiary partially offset by a reversal of the unused provision in the period, all which were related to contracts with customers.

The maximum exposure to credit risk at the reporting date with respect to trade and other receivables is approximated by the carrying amount on the Balance Sheet.

21. 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.

All short-term trade and other payables, accruals and bank overdrafts mature within one year or less. The carrying value of all financial liabilities due in less than one year is equal to their contractual undiscounted cash flows.

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 30 March 2019, the Company had net cash of £527,588,000 (2018 - £659,777,000) and total equity of £346,641,000 (2018 - £377,189,000).

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

22. Bank overdrafts and borrowings

Bank overdrafts of £8,279,000 (2018 - £1,690,000) represent balances on cash pooling arrangements.

Burberry Limited has access to the Group's £300,000,000 (2018 - £300,000,000) multi-currency revolving credit facility. At 30 March 2019 the Company had not drawn from this facility (2018 - £nil). Further details of the Group's revolving credit facilities are included in note 26 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.

23. Called up share capital

	2019 £000	2018 £000
Allotted, called up and fully paid share capital		
20,546,750 (2018 – 20,546,750) ordinary shares of £1 each	**20,547**	20,547

The capital reserve consists of non-distributable reserves.

24. Dividends

	2019 £000	2018 £000
Dividends paid in the year	**200,000**	350,000
	200,000	350,000

The directors paid an interim dividend of £9.73 per ordinary share (2018 - £17.03 per ordinary share).

25. 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 not accrue dividends during the course of the vesting period; and an expected share price volatility, which is determined by calculating the historical annualised standard deviation of the market price of Burberry Group plc shares over a period of time, prior to the grant, equivalent to the vesting period of the option.

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

The Burberry Group plc Executive Share Plan 2014 ('the ESP')
The ESP was set up in the year ended 31 March 2015, to replace the previous two long-term incentive plans – the Burberry Co-Investment Plan and the Restricted Share Plan. The ESP aims to reward executives and senior management for sustainable long-term performance and successful execution of the Group's long-term strategy.

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

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

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

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

25. Share based payments (continued)

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

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

Date of grant	Options granted	Fair value	Participant group	Performance conditions	Targets Threshold	Targets Maximum
31 July 2018	115,834	£21.07	Management	Continued service	N/A	N/A
31 July 2018	6,604	£21.07	Senior Management	3-year growth in Group adjusted PBT	2%	10%
				3-year growth in Group revenue	1%	5.5%
31 July 2018	486,882	£21.07	Senior Management	3-year growth in Group adjusted PBT	0%	7.5%
				3-year growth in Group revenue	1%	5.5%
31 July 2018	563,168	£21.07	Senior Leadership Team	3-year growth in Group adjusted PBT	0%	7.5%
				3-year growth in Group revenue	1%	5.5%
				3-year average retail/wholesale adjusted ROIC	13.5%	17%
19 November 2018	4,499	£17.82	Management	Continued service	N/A	N/A
19 November 2018	7,138	£17.82	Senior Management	3-year growth in Group adjusted PBT	0%	7.5%
				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 2018	19 November 2018
Share price at contract commencement date	£21.07	£17.82
Exercise price	£nil	£nil
Life of award	Equivalent to vesting period	Equivalent to vesting period
Expected volatility	28.9%	28.6%
Risk-free interest rate	0.89%	0.74%

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

25. Share based payments (continued)

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

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

	52 weeks to 30 March 2019	Year to 31 March 2018
Outstanding at start of year	**4,485,780**	3,897,177
Granted during the year	**1,157,595**	1,849,555
Lapsed and forfeited during the year	**(1,839,046)**	(1,152,390)
Exercised during the year	**(80,821)**	–
Net transfers during the year*	–	(108,562)
Outstanding at end of year	**3,723,508**	4,485,780
Exercisable at end of year	**25,713**	–

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

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

Term of the award	Number of awards as at 30 March 2019	Number of awards as at 31 March 2018
22 July 2015 – 21 July 2025	**26,707**	1,501,195
18 November 2015 – 17 November 2025	**6,468**	99,924
30 January 2017 – 30 January 2027	**1,210,306**	1,332,394
31 July 2017 – 31 July 2027	**1,328,480**	1,522,536
27 November 2017 – 27 November 2027	**27,320**	29,731
31 July 2018 – 31 July 2028	**1,112,590**	–
19 November 2018 – 19 November 2028	**11,637**	–
Total	**3,723,508**	4,485,780

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.

During the year options in respect of 731,368 ordinary shares were granted as three one-off awards.

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

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

25. Share based payments (continued)

Exceptional, one-off awards (continued)

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

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

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

	52 weeks to 30 March 2019	52 weeks to 31 March 2018
Outstanding at start of year	**1,680,321**	2,430,623
Granted during the year	**731,368**	279,412
Lapsed and forfeited during the year	**(64,875)**	(409,255)
Exercised during the year	**(1,449,162)**	(620,459)
Outstanding at end of year	**897,652**	1,680,321
Exercisable at end of year	**75,677**	613,099

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

Term of the award	**Number of awards as at 30 March 2019**	Number of awards as at 31 March 2018
14 June 2013 – 15 July 2019	**-**	825,950
12 June 2014 – 31 July 2020	**-**	168,921
18 November 2015 – 18 November 2025	**31,801**	273,889
30 January 2017 – 22 December 2026	**18,537**	222,865,
30 January 2017 – 30 January 2027	**81,250**	154,000
08 February 2018 – 07 February 2028	**34,696**	34,696
31 July 2018 – 31 July 2028	**667,626**	-
12 February 2019 – 12 February 2029	**63,742**	-
Total	**897,652**	1,680,321

25. Share based payments (continued)

Other schemes

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

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

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

26. 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. At 30 March 2019, there were £nil outstanding drawings (2018 - £nil). The facility matures in November 2021.

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.

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 30 March 2019 the guarantee commitments totalled £40,501,000 (2018 - £33,746,000).

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

27. Capital commitments

At 30 March 2019 the Company had capital commitments as follows:

	2019 £000	2018 £000
Contracted but not provided for:		
Property, plant and equipment	**1,252**	1,355
Intangible assets	**6,270**	4,271
Total	**7,522**	5,626

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.

28. 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 £8,241,000 (2018 - £7,073,000).

29. Financial commitments

As at 30 March 2019 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2019 £000	2018 £000
Amounts falling due:		
Within 1 year	**45,636**	41,944
Between 1 and 5 years	**89,835**	101,918
After 5 years	**154,477**	10,640
Total	**289,948**	154,502

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:

	2019 £000	2018 £000
Amounts falling due:		
Within 1 year	**134**	2,480
Between 2 and 5 years	**-**	1,167
Total	**134**	3,647

30. Related party transactions

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

- Burberry Kuwait General Trading Textiles and Accessories Company \ With Limited Liability
- Burberry India Private Limited
- Burberry Saudi Company Limited

The Company also has the following related parties which the Group does not hold 100% of the share capital of, though it has a 100% economic interest in these related parties:

- Burberry Middle East LLC
- Burberry Qatar W.L.L

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:

	2019 £000	2018 £000
Sales		
- Product	**27,265**	26,160
- Royalty income	**1,777**	1,770
Amounts owed by Group companies	**2,200**	3,957
Amounts owed to Group companies	**(28)**	-

The related party transactions presented for the prior period have been restated to take account of transactions relating to Burberry Middle East LLC and Burberry Qatar W.L.L as these entities are now considered to be not wholly owned, as set out above, although the Group has 100% economic interest in these entities. This has resulted in an increase in product sales of £15,937,000, an increase in royalty income of £1,185,000, and an increase in amounts owed by Group companies of £2,110,000.

31. 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.

32. Events after the balance sheet date

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