BY APPOINTMENT TO
HM QUEEN ELIZABETH II
WEATHERPROOFERS
BURBERRY LIMITED LONDON

BY APPOINTMENT TO
HRH THE PRINCE OF WALES
OUTFITTERS
BURBERRY LIMITED LONDON

BURBERRY

LONDON ENGLAND

ANNUAL REPORT 2018/19

FOUNDED IN 1856,
BURBERRY IS
A GLOBAL LUXURY
BRAND WITH
A DISTINCTLY
BRITISH ATTITUDE.

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STRATEGIC REPORT

CHAIRMAN'S LETTER

DEAR SHAREHOLDER,

This is my first letter since succeeding Sir John Peace as Chairman following the AGM on 12 July 2018. I would like to begin by paying tribute to Sir John for all he achieved during his 16 years as Chairman of Burberry. Since becoming Chairman I have immersed myself in the business, visiting our manufacturing sites, distribution centres, retail stores and outlets and many of our key offices across the world. During these visits I have always been struck by the enthusiasm, dedication and commitment of our teams and their passion for our unique Burberry brand.

STRATEGY

It has been an exciting year for Burberry with the brand relaunch and our new Chief Creative Officer Riccardo Tisci's debut collections both landing well with consumers, influencers and our wholesale partners. We have also made significant progress on the evolution of our distribution channels, our operational excellence programme and ensuring we have the talent to deliver our strategy. These areas are explained in more detail on pages 22 to 41. We recognise that our strategy is all-absorbing and has had a huge impact on all parts of the business. We are currently at the apex of our creative transition and our Chief Executive Officer Marco Gobbetti and our management team are managing the business dynamically through this exciting but challenging transformation.

CULTURE AND PURPOSE

Burberry has a unique culture, which is implicit in everything we do. We are mindful of the changes introduced by the 2018 Corporate Governance Code and are working to articulate more explicitly and holistically our purpose and values and how they relate to all our stakeholders, not least our customers. We are also building on our formal and informal communication mechanisms to ensure there is meaningful two-way dialogue between our workforce and the Board, as explained in the Corporate Governance Report on page 100.

We are committed to being an industry leader in responsible and sustainable luxury fashion, a commitment that underpins everything we do. During the year we continued to make real progress and more details on Burberry's approach to responsibility can be found on pages 42 to 55.

However, there were two significant instances, which reinforced our resolve in this area: the challenge in July 2018 to the industry-wide practice of destroying unsaleable finished products and a perception from our February 2019 runway show that we lacked sensitivity to important vulnerability and cultural issues in our society. The Board, while very concerned about both incidents, is reassured by the total commitment of Marco and our management team to addressing these issues and by the speed and vigour of their response.

SHAREHOLDER RETURNS

The Group ended the year with a strong cash balance of £837 million, in line with the prior year after a £150 million share buyback and £171 million of dividends. Consequently, the Board has recommended a 3% increase in the full-year dividend to 42.5p, in line with our progressive dividend policy, resulting in a 52% pay-out ratio based on reported earnings per share. This reflects the Board's continued confidence in the future growth of the business.

"We are currently at the apex of our creative transition and we are managing the business dynamically through this exciting but challenging transformation."

Our approach to capital allocation is based on a clear set of priorities that balance investment in sustaining and growing our business, returning cash to our shareholders and maintaining a strong balance sheet with solid credit ratings.

Over the past five years, Burberry has returned around £808.7 million to shareholders through dividends, and over the past three years has completed £600 million of share buybacks. We have approved a continuation of the share buyback programme in FY 2019/20.

BOARD DEVELOPMENTS

We have continued to focus on the evolution of the Board throughout the year. Our aim is to continue to refresh the Board with new and different perspectives while ensuring stability and continuity during a period of transformation for the business.

Changes to the Board during the year to 30 March 2019 are as follows:

- I joined the Board as Chairman designate on the 17 May 2018.
- Sir John Peace retired from the Board following the AGM on the 12 July 2018.

Our longest-serving directors, Stephanie George and Ian Carter will retire from the Board following our AGM in July. We will miss their wise counsel and thank them both for their outstanding service to Burberry during a period of enormous growth and value creation.

FOCUS FOR THE FUTURE

In FY 2019/20, we will continue to focus on the creative transition and completing the first phase of our brand transformation. By the time we issue next year's Annual Report, substantially all products in our mainline stores will be Riccardo's. We are well on the way to completing the rationalisation of our wholesale and retail network and to establishing our new positioning.

We will refine our work on purpose and responsibility as the year progresses and we will continue to invest in re-energising our products and our technology, our stores and our people, the pillars on which Burberry's exciting future will rest.

I would like to end by thanking all our colleagues for their continued hard work and you our shareholders for your patience and support during this period of transformation.

GERRY MURPHY
Chairman

CEO'S LETTER

DEAR SHAREHOLDER,
Looking back on the past 12 months, I am extremely proud of our people and the progress we have made on our plan to transform and reposition Burberry and deliver sustainable long-term value. We achieved a huge amount in the period, starting with the launch of our new creative vision in the summer and building to the delivery of Riccardo Tisci's first collection in late February. Although we are only halfway through the first phase of Burberry's transformation, the positive initial reaction from customers is very encouraging.

FY 2018/19 PERFORMANCE
Our focus in this first phase is on investing to re-energise our brand and aligning distribution to our new positioning, while creating the foundations of a new product offering. Against this backdrop, we delivered FY 2018/19 results that met the objectives we had set for the business.

- Revenue was £2.7 billion, flat at reported rates, and up 2% at constant exchange rates (CER), excluding Beauty wholesale.
- Reported operating profit was £437 million, up 7%.
- Adjusted operating profit was £438 million, unchanged at CER.
- Diluted Earnings Per Share (EPS) was 81.7p, up 19%.
- Adjusted Diluted EPS was 82.1p, up 7% at CER.

Our performance was underpinned by operational and financial discipline, enabling us to self-fund our transformation. We delivered £105 million of cumulative cost savings, which was ahead of plan.

INTRODUCING A NEW BURBERRY
To signal a new era for the brand, we refreshed our logo for the first time in 20 years and revived the Thomas Burberry monogram inspired by our heritage. We brought these to life in surprising, engaging and impactful ways, generating exceptional visibility and presenting the new Burberry to millions of luxury consumers globally.

We unveiled Riccardo's debut collection Kingdom in London in September. His vision is of a Burberry that is as much for the young as for the old. Street influences play as important a role as the codes of luxury and sophistication. The response from press and wholesale partners was excellent.

Digital innovation has never been more important in luxury and we asserted our leadership in this area with our award-winning B Series. Available on social platforms, the monthly drop of limited-edition products has proved extremely popular and attracted new and younger customers to the brand. We also partnered with Instagram to launch checkout, a new feature enabling customers to buy products directly from the Burberry Instagram shop for a more seamless shopping experience.

Creating the right store environment for our brand is essential and over the course of the year, we began to align our distribution network to our new creative vision, starting with stores in key fashion cities, including London, Paris, New York, Seoul, Shanghai and Tokyo. In wholesale, we accelerated the closure of non-luxury doors in the US, while opening new, image-driving locations around the world to reach new customers and reinforce our brand positioning.

These initiatives combined to re-ignite brand heat and significantly shift consumer perceptions of Burberry. We added more than three million followers on our key social platforms and significantly increased engagement. Some of the world's most followed celebrities and influential fashion icons wore or endorsed Burberry products and we saw a step change in the response from global fashion press.

The first deliveries of Riccardo's products arrived in stores in February. Although this is currently a small portion of our offer, the initial reaction from customers has been very positive with sales of the new collections generating strong double-digit percentage growth in the final weeks of the year. Lead indicators for his second runway collection Tempest are also very promising.

"Over the course of the coming year, we will continue to build the new Burberry. We are energised by the early results."

AN ENGAGED TEAM

As a global company with more than 10,000 employees across 33 countries, creating shared purpose and unifying around our values and behaviours are vital to the successful delivery of our strategy. During the year, we focused on building capability and driving engagement among our teams. This included new training programmes for all retail associates and implementing plans we laid out last year to strengthen our pipeline of women leaders.

Erica Bourne joined Burberry as our new Chief Human Resources Officer. We also welcomed Gavin Haig as Chief Commercial Officer with responsibility for all regions and Rod Manley as our new Chief Marketing Officer. All three are great additions to our Executive Committee and are already having a positive impact on the business.

DRIVING POSITIVE CHANGE

As the Chairman noted in his letter, the year was not without challenges but I was impressed by the passion and determination of our people to respond and learn from them. We are stronger for it. The progress we made on our Responsibility Agenda was particularly satisfying and led to us being recognised as the leading luxury brand in the 2018 Dow Jones Sustainability Index.

We strengthened our commitment to revalue waste and ended the practice of destroying unsaleable products. We stopped using real fur. We pledged to reduce plastic usage in our supply chain. We also joined the UN Fashion Industry Charter for Climate Action and we are now carbon neutral across the Americas region, EMEIA retail stores and our UK operations. At the same time, we broadened and deepened our commitment to diversity and inclusion. We are passionate about driving positive change for our industry, our communities and the environment and we have ambitious plans for the year ahead.

LOOKING AHEAD

Over the course of the FY 2019/20, we will continue to build the new Burberry, while managing the business to maintain stable results. The range of products designed by Riccardo will steadily increase in stores and we will accelerate the transformation of our retail network.

The implementation of our plan is on track. What we have achieved this year gives me huge confidence for the future and we are energised by the early results.

I would like to take this opportunity to thank the Burberry team and our partners who made FY 2018/19 so successful. Their passion, commitment and energy has been integral to our progress and I am excited to see our plans come alive in the months ahead.

MARCO GOBBETTI
Chief Executive Officer

DRIVING POSITIVE CHANGE

Modern luxury means being socially and environmentally responsible.

This belief is core to us and key to our long-term success.

For over a decade we have worked to help the communities that support our industry and protect the natural resources on which our business depends. Our programmes, which cover our operations, our supply chain and extended communities, are designed to drive positive change and build a more sustainable future through innovation and collaboration.

As part of our five-year Responsibility Agenda, we have set ourselves ambitious goals for 2022. These support the aims of the Paris Climate Agreement, as well as a number of the United Nations Sustainable Development Goals. Key targets are owned by members of the Executive Committee and their teams with more than 140 people across various functions at Burberry accountable for their delivery.

In the past year, we have made significant progress against each of our goals, which has been recognised externally with Burberry ranked the leading luxury brand in the textiles, apparel and luxury goods sector in the 2018 Dow Jones Sustainability Index.

You can read more about our Responsibility Agenda and our progress against our goals on pages 42 to 55.

Leading luxury brand in the 2018 Dow Jones Sustainability Index.

Principal partner of the Living Wage Foundation since 2016.

Core partner of the Ellen MacArthur Foundation's Make Fashion Circular Initiative.

Signatory of the New Plastics Economy Global Commitment, led by the Ellen MacArthur Foundation in collaboration with UN Environment.

Founding signatory of the UN Fashion Charter for Climate Action.

Active member of The Prince's Accounting for Sustainability Project.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

REVENUE

2019	**£2,720m**
2018	£2,733m
2017	£2,766m
2016	£2,515m
2015	£2,523m

ADJUSTED OPERATING PROFIT

2019	**£438m**
2018	£467m
2017	£459m
2016	£418m
2015	£455m

OPERATING PROFIT

2019	**£437m**
2018	£410m
2017	£394m
2016	£403m
2015	£440m

NET CASH (AS AT 30 MARCH)

2019	**£837m**
2018	£892m
2017	£809m
2016	£660m
2015	£552m

ADJUSTED DILUTED EPS

2019	**82.1p**
2018	82.1p
2017	77.4p
2016	69.9p
2015	76.9p

Reported diluted EPS 81.7p (2018: 68.4p).

DIVIDEND PER SHARE

2019	**42.5p**
2018	41.3p
2017	38.9p
2016	37.0p
2015	35.2p

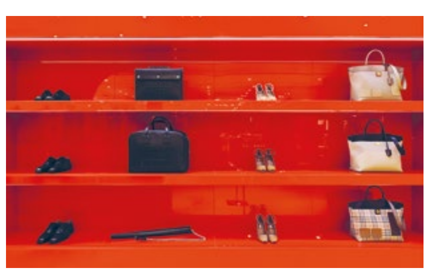
Alternative performance measures, including adjusting measures, are defined on page 71.

REVENUE BY CHANNEL[1,2]

Retail

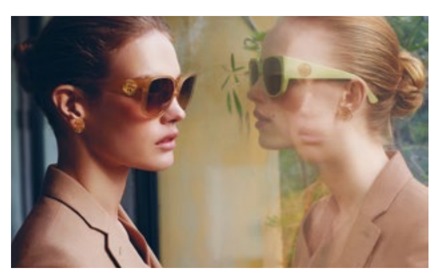
£2,186m, 0%

Wholesale



£488m, +7%

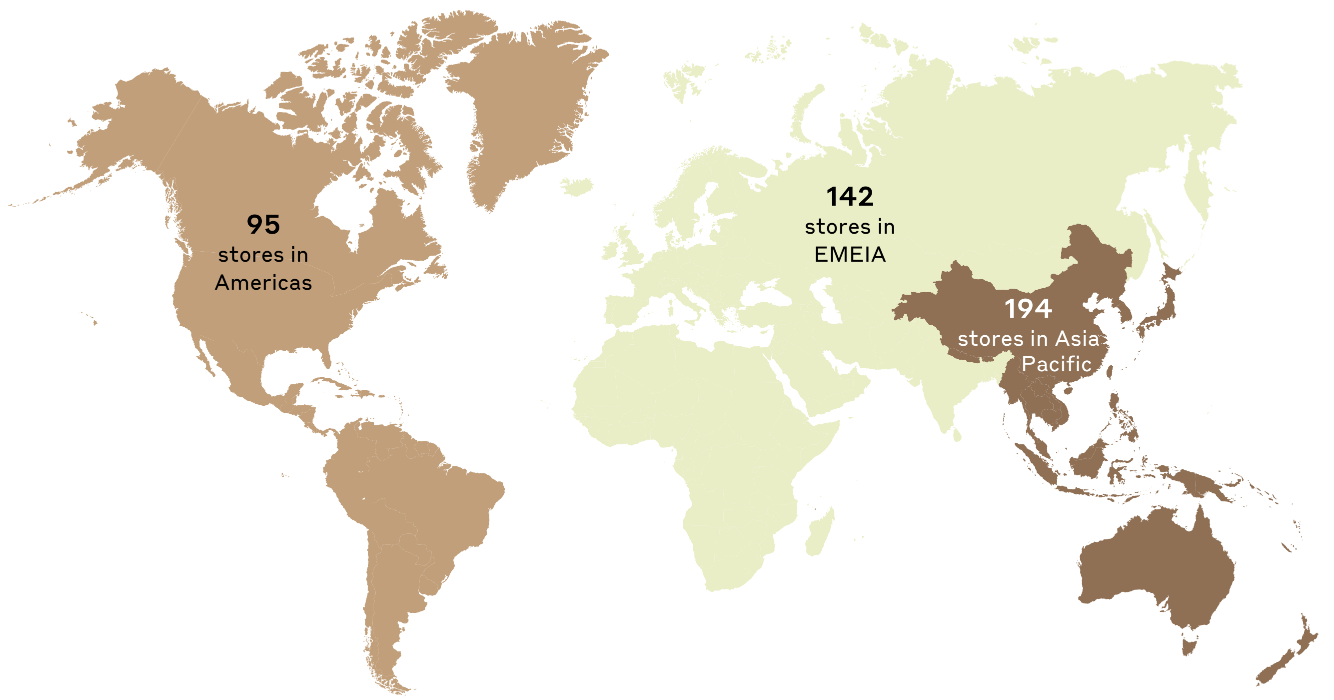
Licensing



£46m, +53%

REVENUE BY REGION[1,2,3]

Americas	EMEIA	Asia Pacific
£612m, 0%	£958m, +2%	£1,104m, +2%



We have a total of 431 directly operated stores, including mainline, concession and outlet. This excludes 44 franchise stores.

REVENUE BY PRODUCT[1,2,3]

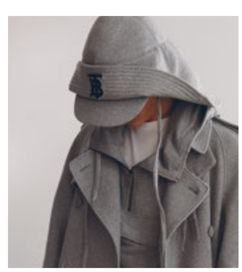
Accessories

£1,013m, -3%

Women's

£837m, +3%

Men's



£698m, +8%

Children

£120m, +2%

Beauty

£6m, -44%

1. All references to revenue growth on pages 14 and 15 are presented at CER. All references to revenue and revenue growth on pages 14 and 15 are excluding Beauty wholesale. See page 67 for reconciliation to total revenue.
2. Retail/wholesale revenue.
3. For more detail on performance see page 66.

BUSINESS MODEL

Our business model is designed to create long-term sustainable value for all our stakeholders.

ASSETS

We are a globally recognised luxury brand with a distinctive British attitude and 163 years of heritage. We have an extensive network of both owned and franchised stores which allow us to interact directly with luxury customers around the world and provide a strong sales base. We are digital pioneers, and innovative technology underpins every aspect of our business, from product design to distribution and marketing. Our wide-ranging marketing activities enable us to engage with luxury consumers across channels, from digital media and social platforms to image-driving print media and innovative installations. We leverage our strong financial position to develop and invest in capabilities in line with our capital allocation framework. To learn more about our investment case and capital allocation framework, see page 72.

INNOVATION

Our design process begins at our headquarters in London, where our creative teams work across womenswear, menswear, childrenswear and accessories. We collaborate with licensing partners on our Beauty offering. We innovate to bring our designs to life with new materials, techniques and combinations to remain at the forefront of fashion while ensuring our activities have a positive social and environmental impact.

PRODUCTION

We source materials based on their quality and sustainability, working closely with our network of suppliers to ensure we receive the highest quality materials and goods while supporting our partners to drive social and environmental improvements in their operations. We have fully owned manufacturing facilities in the UK and Italy, which allow us to maintain control of quality and design in key elements of our supply chain. To read more about our new manufacturing site in Italy, see page 29. Across our own facilities and those of our partners we are committed to implementing a zero-waste mindset. We are focused on reducing, reusing and recycling any waste we create while looking for innovative solutions to move towards a circular business model.

DISTRIBUTION AND COMMUNICATION

We have a large network of owned and franchised stores located in the top fashion destinations around the world, and our own e-commerce capability serving 44 countries. We also work with select luxury wholesale and licensing partners, including third-party digital providers, to complement our distribution. We enhance our customer touchpoints with our digital capabilities, from the moment of inspiration to the post-purchase experience. Our communications place product at their heart, reaching customers through their preferred channel, from editorial to influencer, across key fashion cities and amplified through made-for-social activations.

SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

We are committed to being an agent for positive change. Through our operations and supply chain we are reducing our environmental impact, while with research partnerships and creative design we aim to stimulate demand for more sustainable raw materials. We are also committed to supporting the people and communities touched by our operations with worker well-being, youth inspiration and community cohesion programmes, as well as social and economic empowerment. To learn more about our Responsibility Agenda, see pages 42 to 55.

VALUE CREATION

We create beautiful and distinctive products of the highest quality, representing the best of British fashion. We invest in the communities in which we operate to drive social good and support well-being and growth. By growing our core business in a responsible manner, increasing revenues and margins over time, we also drive long-term, sustainable shareholder value and return cash to shareholders.

LUXURY MARKET ENVIRONMENT

The luxury market grew by 5% in 2018, in line with 2017.[1,2] All segments performed well. Many of the trends evident in 2017 have continued into 2018, including growing demand from Chinese consumers, the rise of digital and the increasing number of young consumers entering the market.

LUXURY CONSUMERS

In 2018, consumers around the globe continued to be demanding of luxury brands, widely researching products prior to purchase and expecting exceptional in-store service levels. The high appetite for fashion-forward and innovative products was sustained by existing consumers, and reinforced by younger consumers entering the luxury market.

Fashion and newness

Consumers are increasingly using luxury products to express their point of view, individualism and personal style. This has resulted in the outperformance of fashion-forward products, including those designed through collaborations and sold through limited-edition drops. This trend was most pronounced in the fastest-growing luxury consumer segments, with both young consumers and Chinese consumers expecting to buy an increasing amount of products they would describe as "fashionable."[3]

Polarisation between mass and luxury

Consumers continued to prefer products positioned at the highest and lowest ends of the market over mid-market and premium products.

The growing emphasis on product as a way of expressing personal values and point of view supported a consumer trend of mixing and matching products from luxury and mass market brands. As a result, the strongest growth this year was from brands at the luxury and mass market ends of the spectrum, while growth at premium and mid-market operators plateaued.

Young consumers drive growth and demand purpose

In 2018, 100% of growth in the luxury market was driven by Generation Z and millennial consumers, compared to 85% in 2017.[2] Both millennials and Generation Z are demonstrating highly differentiated preferences in both shopping and products. Generation Z consumers are more willing to shop in a physical store (although they demand a digitally enhanced experience); orientate towards heavily logoed products and are less brand loyal. Millennials place a higher value on social experiences and focus on travel and mobility across geographies as an aspirational goal.[2] However, both groups of consumers are highly socially and environmentally aware, with sustainability and a brand's social or political stance a key factor in their purchasing decision process.[4]

1. Growth figures refer to growth in 2018, while discussion of trends covers FY 2018/19 (April 2018 – March 2019). All figures at CER.
2. Bain Luxury Study, Fall/Winter 2018.
3. Bain China Luxury Report, January 2018.
4. McKinsey State of Fashion 2019.

LUXURY SECTOR

Diverging performance

There were clear winners and losers in terms of performance over the year. Across fashion retail, 97% of profit was earned by just 20 companies. For both under- and over-performing brands, growth has become more expensive to achieve, requiring investment in capabilities such as digital and brand experience over physical infrastructure. While about 65% of luxury companies saw revenue growth, only a third of those companies translated that into an increase in profits.[2] The largest players have invested in marketing as they try to attract the new luxury consumer.

LUXURY GEOGRAPHIES[2]

Global businesses operated in a climate of instability in 2018. While concern over global security issues was less prevalent than in 2017, there was increased uncertainty in diplomatic and trade relations across China, the US and Europe in response to the US/China trade negotiations and a lack of clarity around the UK's withdrawal from the EU.

> **"The fastest-growing luxury consumer market, China, continues to be supported by a growing middle class, with latest indications of consumer confidence remaining positive."**

China

With luxury sales in Mainland China increasing by 20% in 2018, Chinese consumers continued to drive growth in the luxury market. As well as being bolstered by an uptick in consumer numbers, growth in China was supported by a repatriation of spend following Chinese import duty reductions; heightened regulations around the practice of purchasing abroad and reselling within China, and increased development of duty-free shops. Globally, Chinese spending at home and abroad now accounts for 33% of the luxury industry, up from 32% in 2017.

The Americas

The Americas grew 5% in 2018, supported by a strong US economy and robust local spending. However, in late 2018 and early 2019, there was a softening of consumer sentiment, which weighed on US footfall. In the US, where tourist spending accounts for a relatively small portion of the luxury industry, a strong US dollar resulted in weaker spend by Asian and Latin American tourists. Spending in Latin America remained subdued and impacted by political uncertainty.

Europe

Sales in Europe grew 1% in the year. Tourist spend, which accounts for a significant proportion of the European market, was impacted by a strong euro. However, local consumption continued to grow, albeit impacted by political and economic uncertainty including the UK's withdrawal from the EU in the UK and the "yellow vest" protests in France.

Other regions

Spending across the rest of Asia was strong during 2018, with Hong Kong, Macau and Japan benefitting from travelling Chinese consumers due to the relative strengthening of the Chinese yuan and strong local consumption in Korea. In Asia excluding China and Japan, luxury retail sales grew 9%, while Japan grew 6%. Trends in the Middle East remained stagnant due to flat oil prices and government spending restrictions.

CHANNELS[1]

Retail

Sales from retail channels grew 4% in 2018, with three quarters of that growth coming from like-for-like sales. Store openings continued to stagnate, with brands increasingly transitioning from store as a point of sale to store as a point of touch, and bricks-and-mortar stores focusing on creating an engaging brand experience.

Wholesale

Wholesale channels grew at 1% in 2018. High-end department stores again faced a strong challenge from online multi-brand retailers, who offer an increasingly luxurious service via their online experience. Speciality and niche stores, which had previously performed well against online competition, also felt the impact of digital this year.

Digital

Digital was again the fastest-growing luxury sales channel, growing 22% in 2018 to make up 10% of all luxury sales. The US continued to make up the majority (44%) of online sales, while growth in digital was driven by Asia. Almost all wholesale and retail sales are now influenced by digital at some point along the customer journey. The split of online players remains the same as last year, with e-tailers leading (39%), followed by brands (31%) and retailer e-commerce sites (30%).

Travel

Tourist spending was flat globally. Strong tourist flows were offset by currency fluctuations, which reduced spending per tourist. By region, Asia benefitted from Chinese tourism, while Europe felt the negative impact of the strong euro.

PRODUCTS[1]

Apparel

The apparel category shrank by 1% in 2018, with positive growth in womenswear offset by a weaker performance in menswear. The softening of menswear was largely due to performance in the Americas and Europe. Growth in this category is predicted to outpace womenswear over the long term due to the rise of streetwear, a category historically popular with men.

Accessories

The handbag category continued to deliver good growth, increasing by 5% in 2018 as consumers responded to product innovations. Both shoes and jewellery increased 7% in 2018, outperforming overall industry growth. Shoes benefitted from the casualisation trend driven by younger consumers, with strong growth in sneakers. Growth in jewellery was driven by younger and Asian customers.

Outlook

Growth in the luxury market in 2019 is predicted to be the same or slightly lower than 2018, with estimates ranging from 3% to 5%.[1,2] This is underpinned by supportive market fundamentals but partly offset by ongoing geopolitical uncertainty, with international trade and investment weakening globally. The fastest-growing luxury consumer market, China, continues to be supported by a growing middle class, with latest indications of consumer confidence remaining positive. Looking further ahead, growth estimates for the luxury market over the next five years remain in line with 2019 estimates, ranging from 3% to 5%.[1]

All figures at CER

1. Bain Luxury Study, Fall/Winter 2018
2. McKinsey State of Fashion 2019

STRATEGY

In November 2017, we set out our multi-year strategy to establish our position firmly in luxury fashion, inspiring luxury customers and delivering long-term sustainable value for our shareholders.

TWO PHASED TRANSFORMATION JOURNEY

BUILD THE FOUNDATION

FY 2018/19 AND FY 2019/20
- Commence programme to re-energise the brand
- Rationalise and invest to align our distribution
- Manage creative transition

ACCELERATE AND GROW

FY 2020/21 ONWARDS
- Complete full brand transformation, including alignment of distribution
- Accelerate growth

FOUR REVENUE DRIVERS

DISTRIBUTION

- Enhance the luxury store experience
- Elevate customer service
- Grow the proportion of image-driving luxury doors

COMMUNICATION

- Product first
- Content revolution
- Focus on experiences

PRODUCT

- Create a new, strong, fashionable product offer
- Transform leather goods
- Continually engage the customer
- Develop outfitting
- Rebalance the price architecture

DIGITAL

- Content curation and storytelling
- Personalised luxury services
- Seamless omnichannel experiences
- Accelerate digital partnerships

TWO ENABLERS

OPERATIONAL EXCELLENCE

- Simplification and efficiency
- Adapt our supply chain
- Investments in technology
- Drive procurement savings

INSPIRED PEOPLE

- Motivate our teams, reinforcing behaviours, culture and values
- Invest in leadership, core capabilities and talent
- Build a sustainable future through our Responsibility Agenda

A full description of the underlying principles of each pillar and the progress we have made on each is found on pages 26 to 41.

OUR STRATEGY

Over the past 163 years, we have built a global business with a distinctively British attitude, becoming one of the most valuable and iconic brands in the world. Since our Initial Public Offering in 2002, we have driven strong growth through a focus on digital leadership, expanding our luxury retail footprint, and developing strength across multiple product categories.

As set out on pages 18 to 20, the luxury sector continues to change rapidly. With this in mind, we are sharpening our brand positioning, changing our approach to products, communication and customer experience. Building on our strong existing brand assets, our vision is to establish Burberry firmly in luxury fashion. By doing so, we will operate in the most rewarding, enduring segment of the market, and deliver sustainable long-term value for all our stakeholders. Our actions are underpinned by a continued focus on productivity, simplification and financial discipline. We will continue to engage and motivate our teams and reinforce our culture and values.

RATIONALE

Our move to luxury fashion is in response to two key market changes:

Fashion: today's luxury consumers are more demanding with respect to personalisation, newness and fashion-forward products. They are moving away from traditional notions of luxury and elegance and are looking for casual, fun fashion, such as streetwear that fits with their lifestyles. They want innovative, exciting assortments, which can be used to express their opinions and points of view.

Luxury: the increasingly blurred line between luxury and casual has meant customers are more comfortable mixing luxury and mass market products, as they look to define an individual and unique sense of style. As a result, the market is polarising, with premium and mid-market retailers left behind while growth at the top and bottom ends of the market remains strong.

DEVELOPING OUR STRATEGY

We developed our strategy over the course of 2017, led by our Chief Executive Officer and the Executive Committee. Over FY 2018/19, we closely monitored our strategic progress and provided regular updates to our Board, and to the wider business. Given the pace of change in the sector, being agile is a priority for us, and we continuously test and refine our implementation and tactical priorities.

Underpinning our strategy are six pillars: four revenue drivers to support our sales, and two enablers to ensure our organisation is optimised.

DELIVERING OUR STRATEGY

We are implementing our strategic vision in two stages. Our initial two-year phase is focused on building a strong foundation: re-energising our brand, rationalising our distribution and managing through the creative transition. In the second phase, we expect growth to accelerate in a sustainable and enduring manner, underpinning strong financial performance.

In FY 2018/19, we embarked on the first stage of our transformation. We invested in building brand heat through global campaigns, exciting collaborations and brand activations. Major brand moments included the launch of our new logo and a refreshed Thomas Burberry monogram inspired by our heritage. This was extremely well received and drove engagement from industry insiders, influencers, press and wholesale partners.

Significant progress was also made on our distribution evolution. In the second half of the year, we stepped up our closure programme of non-luxury doors in the US, while in retail, the new creative aesthetic was brought to life in 14 of our stores. We focused on the Operational Excellence and Inspired People pillars of our strategy to support the transformation, delivering £105 million of cumulative cost savings, which was ahead of plan.

FY 2018/19 was also a year of transition for our products. The first deliveries of Riccardo Tisci's products reached stores in February 2019. As the proportion of products designed by him continues to grow over FY 2019/20, we will focus on supporting his vision for the brand. We will do this through our marketing and digital activities, while also continuing to transform our store network and providing extensive training and support for our retail colleagues.

The groundwork undertaken in FY 2018/19 allows us to move at pace to complete this phase of the brand's transformation.

OUTLOOK

We are at the halfway point in the first phase of our strategy's implementation, which offers us not only a vantage point on how effective our foundation-building efforts have been so far but also on the work that remains to be done in the year ahead. With reignited brand heat and a newly energised product offering and retail network, the groundwork undertaken in FY 2018/19 allows us to move at pace to complete this phase of the brand's transformation.

With Riccardo Tisci's first collections existing and potential customers were given an insight into what they can expect from the brand going forward. As we continue to grow the proportion of new products in the year ahead, we will further underscore our positioning in the luxury fashion arena. Meanwhile, the introduction in September 2018 of B Series will continue to support Burberry's luxury fashion-forward positioning and create opportunities to build on excitement around the brand on an ongoing basis. We will continue to integrate the refreshed Thomas Burberry monogram into the brand's visual lexicon and with it convey Burberry's new spirit and personality. The creation in 2018 of Burberry Manifattura, our leather goods centre of excellence, gives us the infrastructure required to support our plan to gain greater prominence in the leather goods category.

From a distribution perspective, we will continue to build upon the significant progress made in transforming our network in FY 2018/19 so that our customers' in-store experience aligns with our overall brand vision.

In the second phase of our transformation, which will begin in FY 2020/21, we will accelerate growth by building on our new brand positioning and new creative vision, and by completing the evolution of our distribution network. This, alongside our improved operating model, simplified processes and inspired organisation, will support sustainable increases in our operating margin and revenues, while driving positive social impact. An in-depth look at our progress so far can be found on pages 26 to 41.

PRODUCT

Product is at the heart of our strategy and brand vision. We are focused on re-energising our product offering to signal immediate and visible change, and win the attention of luxury consumers, while retaining our core customer. In the first year of transition we worked to evolve our assortment to align with Riccardo Tisci's creative vision. Our progress included the development of our product calendar to deliver frequent newness, the evolution of our leather goods strategy, and our commitment to going fur-free.

Spring/Summer 2019 show
Kingdom, Riccardo Tisci's debut collection, paid homage to the individuality, eccentricity and inimitable attitude of Britain. The collection, unveiled during London Fashion Week in September, celebrated creativity and style traditions, from the punk and rebellious to the formal and refined. It defined a new visual language and lexicon for Burberry. Rankings from Vogue.com and the Financial Times indicated that the show was the second most viewed collection in September 2018. Products started to reach stores globally at the end of February 2019 and initial signs around the launch of the wider collection are very encouraging, with customers and wholesale partners responding positively.

Burberry & Vivienne Westwood
In December, we collaborated with legendary designer Vivienne Westwood, releasing a limited-edition collection of her iconic pieces re-imagined in Burberry Vintage Check. British Vogue described this as "one of the most unexpected and exciting collaborations of the year." The launch drove a significant uplift in traffic to Burberry.com, while the Vintage Check beret sold out online within two hours. Burberry and Vivienne Westwood were united by a shared vision to support and promote Cool Earth, a UK-based non-profit organisation that works alongside rainforest communities to halt deforestation and climate change.

Going fur-free
In September 2018, we committed to going fur-free. This commitment builds on the goals we set in 2017 as part of our five-year Responsibility Agenda.

Autumn/Winter 2019 show
For Autumn/Winter 2019, Riccardo Tisci evolved the cues and codes set out in his debut collection, taking inspiration from the contrasts in British culture, weather and marine themes. The collection, Tempest, was unveiled in February in two contrasting show environments within the Tate Modern Tanks in London. One space was more structured, traditional and formal, with rigid wood seating set above a dimly lit runway, while the other was more rebellious and played host to more than 100 young people who scaled the walls of the venue.

“Burberry Manifattura is a major milestone for us and a statement of our ambition in this strategically important category.”

MARCO GOBBETTI
Chief Executive Officer

A focus on leather goods
During the year, we enhanced our leather goods offering and expanded our product architecture by launching new leather handbag styles and updating our classic styles. We improved the prominence of our handbags within our retail network and supported new shapes through dedicated social media and marketing content. For example a travelling global pop-up store concept, the Burberry Conservatory, visited 11 cities to market the Belt Bag.

In September 2018, we completed the acquisition of a division of a long-standing Italian partner and created a new centre of excellence known as Burberry Manifattura. This covers all activities from prototyping, product innovation and engineering to the co-ordination of production.

With over 100 expert craftsmen and craftswomen specialising in the development of luxury handbags and accessories, Burberry Manifattura gives us greater control over quality, cost, delivery and sustainability of our leather goods.

COMMUNICATION

Our communications approach is product led and tailored for social channels. In this phase we have focused on re-energising our brand and reaching consumers through influencers and key opinion leaders. Key focuses for FY 2018/19 were bringing Riccardo Tisci's creative vision to life, re-igniting brand heat and shifting consumer perceptions.

Relaunching our brand
In 2018, we collaborated with graphic designer Peter Saville on a new logo alongside a refreshed Thomas Burberry monogram inspired by our heritage. To bring this to life for our customers, we created high-impact activations and brand experiences to major fashion cities worldwide. This included wrapping the outside of high-profile stores in Milan, Hong Kong and Seoul in the Thomas Burberry monogram and displaying large-scale Thomas Burberry Bears in New York, Shanghai and London. We reached more than 60 million consumers directly with these activations and the impact was amplified through social networks, influencers and press.

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Social first
Over the year, we re-imagined the content and cadence of our social media presence, with an increased frequency of posts, tailored social media campaigns and a deeper focus on products. This approach was exemplified by B Series, (see page 33). As a result of this social-first strategy, we have seen significant improvements across reach, engagement and volume of followers.

Evolving our influencer approach
We have expanded our approach to influencers, aligning with our new creative vision to stretch from global personalities to emerging influencers, whose posts resonate strongly with smaller but highly engaged audiences. We focused on building communities to encourage conversation with our target audience, through a programme of product engagement activities including dressings, drops and bespoke pieces for global personalities. This resulted in many of the most-followed Instagram users engaging with the brand on social media over FY 2018/19, while multiple emerging names shared our shows and capsule collections. We also created unique experiences for our influencers, such as the Vivienne Westwood & Burberry launch party.

Delivering newness with B Series
In September, we launched B Series, limited-edition product drops released on the 17th of each month for a restricted time period and sold predominantly through social media platforms. B Series resonated strongly with new and young consumers and was endorsed by key influencers around the world. This new go-to market model of frequent product drops keeps our customers engaged and excited by continued newness. B Series won a Webby award in 2019 and is a significant contributor to our overall improving social engagement.

A Burberry Christmas
Our Christmas campaign "Close Your Eyes and Think of Christmas," celebrated the eccentricity of a British Christmas and featured an all-star cast, including Kristin Scott-Thomas, M.I.A., Matt Smith, Naomi Campbell and Valerie Campbell, Naomi's mother.

From the unpredictable British weather, to family togetherness, delayed trains and feasts, British artist and photographer Juno Calypso captured Christmas traditions and rituals through a subversive and original lens.

DISTRIBUTION

Burberry is changing and we are evolving our distribution network to reflect the brand's new positioning in luxury fashion. To ensure the in-store Burberry experience reflects our vision for the brand, a refurbishment programme for our retail stores is underway and we are enhancing our level of customer service. We are also rationalising our non-luxury wholesale and retail doors. We made progress across each of these areas in FY 2018/19, with highlights including our retail store refreshes, our wholesale transition, and upgrades to our customer experience.

Regent Street experience
To coincide with Riccardo Tisci's first collection for Burberry, we re-imagined our 121 Regent Street flagship store for September 2018 celebrating the past and future of Burberry. Inspired by the building's history as a cinema, each room was decorated with draped curtains and luxuriously carpeted floors. Trench-inspired hues, ranging from stone to honey, featured throughout the store alongside accents of rose and pistachio. Individual rooms were also curated to celebrate iconic products, such as The Heritage Trench Coat and The Car Coat, while another room was dedicated entirely to the Vintage Check. At the heart of the newly transformed space was "Sisyphus Reclined," an immersive and interactive art installation by artist Graham Hudson.

Enhancing our mainline stores
We translated our new creative vision to our stores with a new architectural and visual concept to align with our luxury positioning. We aligned 14 of our stores to the new creative aesthetic including Regent Street and Bond Street in London, 57th Street in New York City, Kerry Centre in Shanghai and Cheongdam-dong in Seoul. At the same time, we continued to refine our directly operated store network to fully reflect our luxury positioning, closing 18 net stores in the year.

We took a segmented approach to our store refresh programme, tailoring each store to its location while reflecting our new creative vision. In our Bond Street store, we created a floral room, with fashion photographer Nick Knight's photograph of a rose covering the entire space from floor to ceiling. In contrast, men's streetwear was showcased in an "under construction" room, which was stripped to its shell, complete with concrete flooring. Customers were invited to graffiti the walls.

Our broader mainline store network also played a significant role across key brand moments, with Burberry's new creative vision brought to life in our windows and across store fronts worldwide.

Evolving our wholesale footprint

We made significant progress evolving our wholesale distribution. We accelerated the rationalisation and relocation of non-luxury doors in the US. We also entered new image-driving doors around the world to reach new customers and reinforce our brand positioning. Luxury wholesale clients responded positively to the new creative vision and product aesthetic, with a number of high-profile activations around the launch of our Spring/Summer 2019 collection in February, such as our window takeovers and pop-ups at Barneys across the US and Isetan in Tokyo.

Enhancing our customer experience

To enhance our customer service proposition in stores, we implemented a new programme to improve front and back of house capabilities in more than 50 of our top stores. In addition, across the wider store network, we enhanced sales associate digital tools, rolled out merchandise-led retail associate training programmes and held regional retail leadership conferences to better align skills globally and engage our teams to deliver exemplary luxury service.

DIGITAL

We are finding new and exciting ways to engage customers by displaying highly curated product assortments and personalised stories and editorialising our website. We are improving our omnichannel experience to enable more flexibility around payment and delivery options as well as seamless switching between physical and digital channels. We are also growing and strengthening our digital partnerships. We made progress across each of these areas in FY 2018/19, with highlights including the launch of social selling; the expansion of digital third party relationships; the evolution of Burberry.com, and the enhancement of our personalisation capabilities.

Evolving Burberry.com
During the year we significantly evolved Burberry.com to align with our new brand positioning and deliver improved functionality and more immersive storytelling. This included introducing fresh and curated editorial content with more frequency, and enhancing all our product pages with styling suggestions and easy-to-navigate product and brand information.

Enhancing personalisation
Delivering a personalised experience is important across all our brand touchpoints, and digital is a key enabler. One area of focus has been the interaction between our online and offline customer experiences by creating a link between the highly personal service we offer in our stores and the personalisation available through our digital channels. This year we introduced the "For You" page on Burberry.com, which shows customers suggested products, store locations and relevant capsule collections. On the Burberry app, we launched a function to allow sales associates to communicate directly with customers, offering one-to-one service at any time. This channel of communication was also used to offer exclusive opportunities to select customers, including early access to new products.

Partnerships
In line with our strategy, we have made good progress with digital third parties. Over FY 2018/19 we partnered with Instagram and WeChat to launch social shopping for the first time. We became the first luxury brand to integrate our full Chinese stock onto the WeChat platform, allowing customers to pay through WePay. In March, we became one of only six luxury businesses to partner with Instagram on the launch of an integrated shopping experience, allowing customers to navigate products within the app and use integrated payment systems, such as Apple Pay. We have also continued to deepen our relationship with Farfetch, enabling customers to access our full range of inventory in more than 150 countries, and rolling out access to our regional fulfilment hub for US customers. The same business model was used as a template to launch with additional third parties over the year, serving customers across Europe, the US and China.

OPERATIONAL EXCELLENCE

We are focused on increasing Burberry's flexibility and agility, optimising our performance against the backdrop of a rapidly changing business environment. Over the year we made good progress across all of these areas, evolving our supply chain to support our new strategic ambitions; delivering new technology to support customers' experience in store, and delivering cumulative savings of £105 million in FY 2018/19, ahead of plan.

Improving simplification and efficiency
Burberry Business Services (BBS), our shared service centre in Leeds which opened in 2017, has continued to embed and expand its role in the business. Now employing 400 people across five core functions, BBS is a central part of our efforts to simplify processes across our business, ensuring we are as focused and streamlined as possible.

Changes during the year included:

- Appointing global process owners for key enabling processes across the business.
- Simplifying our key product processes across Merchandising, Allocation and Planning, including the integration of our financial forecasts into merchandising plans.
- Developing an aligned revenue/cost matrix to unlock efficient, accurate and standardised reporting across all business segments.

We continued to focus on achieving procurement savings this year. Through a managed service provider we launched new technology to simplify and centralise our management of contingent labour. In addition, we simplified a number of our buying, payment and administrative process tasks, reducing the level of manual intervention and ensuring purchases are processed quickly and efficiently.

Developing a more agile supply chain
Our progress in supply chain has supported our go-to market model of frequent product drops. Our internal supply chain teams and external partners have collaborated to create new ways of working, simplifying decision-making and implementing technology to speed up processes.

We have been enhancing the quality and efficiency of our supply chain. All priority category product is inspected before leaving the manufacturer and we have introduced an accreditation programme in quality management for top suppliers. We also continued to make progress on our multi-year business and IT transformation programme to improve omnichannel capabilities globally. This will enable us to transform our ways of working and optimise our product flow, delivering better lead times for customers. Additionally, we relocated our Asia hub, successfully optimising our product flow into Asia and increasing operational synergies.

Using technology to support our in-store experience
One key focus over the year has been supporting the retail associate experience and elevating Customer Service. We completed the deployment of our global standardised point-of-sale system in all but a handful of stores, with the remainder on track to complete in early FY 2019/20. In addition, all sales associates received access to our new mobile-based client engagement tool, R-World. To enhance our customer engagement through this channel, we are developing a comprehensive road map for evolving R-World and how it is used, based on input from our sales associates. Throughout the year, we continued to enhance our omnichannel capabilities globally and made good progress in the transformation of the entire IT function. This included completing the establishment of our IT team within BBS, enhancing our cybersecurity capabilities and strengthening ways of working with strategic partners.

PARTNERING WITH OUR SUPPLIERS

"Johnstons have supplied Burberry since 1900 and we have never worked more closely than we do today. This year we received accreditation for self-inspection, meaning that Burberry's high quality standards are assured at our mill and not rechecked in Burberry distribution centres. This was a huge statement of trust in our ability, which was founded upon more than a year of training and testing, alongside the development of shared information and audit processes. The net result is a leaner supply chain, with right-first-time quality and better delivery performance to the store. While the pace of change and level of innovation when working with Burberry can be daunting, it also feels like a shared endeavour, as with challenge comes support. We feel like partners in a common supply chain, rather than simply vendors. We share a lot of values with Burberry and their support allows us to move forward more quickly than we otherwise could on sustainability projects. The elimination of harmful chemicals from the supply chain, our involvement with the Sustainable Fibre Alliance to support cashmere herders in Mongolia, and recycling and energy management projects all benefit from our partnership."

CHRIS GAFFNEY
Group Finance Director and Managing Director Elgin Mill, Johnstons of Elgin

INSPIRED PEOPLE

We are committed to making Burberry the best place to work for our 10,000 colleagues across 33 countries. We have designed an ambitious Inspired People agenda to deliver this goal, with work focused on leadership; culture and engagement; talent and capabilities; ways of working; and responsibility. While our programme has a multi-year horizon, we made good progress over FY 2018/19, which has been reflected in positive early results, including an improvement in employee engagement and a decrease in attrition. Employee engagement overall has risen by two points to 74%, and 87% of our people are proud to work at Burberry.

Leadership
We are focused on building capability and driving engagement notably in our design, product and digital teams. We have prioritised deepening capability in the areas most critical to delivering our strategy. The Burberry Leaders group, made up of our most senior employees globally, is responsible for galvanising the organisation and delivering our strategic goals.

To further strengthen the capability of our leadership population and accelerate delivery of our strategy, this year we launched our new Leadership Development Programme, delivered over nine months and including 360 feedback, tailored coaching and support, and an intensive three-day gathering of global leaders. Over 80 of our most senior leaders have completed the programme with all other leaders to be enrolled by the end of FY 2019/20. The programme is grounded in the Burberry Behaviours, which were launched in 2018 and underpin the way we work. Our annual Global Icon Awards celebrate the employees who best bring to life these behaviours day to day. The Behaviours are: Putting Customers First; Being Bold And Open to New Ideas; Being One Team; and Being Accountable And Responsive.

The Burberry Leaders group has also led the engagement of the wider business in our strategy. To ensure leaders are fully equipped to do this, we increased communication and engagement across this group, for example hosting a global Strategy Offsite in June 2018. Focus on this area has driven clear results, with our engagement survey showing significant improvement in employee understanding of our Company direction.

Culture

At Burberry, we have always sought to build a culture that is diverse, open and inclusive and one where all perspectives are valued. We value and respect people of all cultures, nationalities, races, religions and ethnicities, regardless of characteristics such as gender, gender identity and/or expression, age, disability or sexual orientation. We are passionate about attracting, developing and rewarding the most talented and skilled individuals and ensuring they feel a sense of belonging. At our London headquarters, 60 different nationalities are represented.

Over the last 12 months, we continued to focus on evolving strategies for recruiting and developing key talent within the business in a way which promotes our cultural values. We are committed to delivering training for all managers on how to build an inclusive environment, as well as unconscious bias training for all employees. We are also expanding our scholarship programme, which supports students who would not otherwise have the financial resources to attend top fashion schools, and offer one-year placements post-graduation to provide valuable work experience.

With respect to our senior women, we are proud to have the highest representation of women in Executive Committee and direct report positions (58.5%) in the FTSE 100. This was recognised in the 2018 Hampton Alexander Review where Burberry was named the top performer.

As at 30 March 2019, the representation of women in the workforce is set out below:

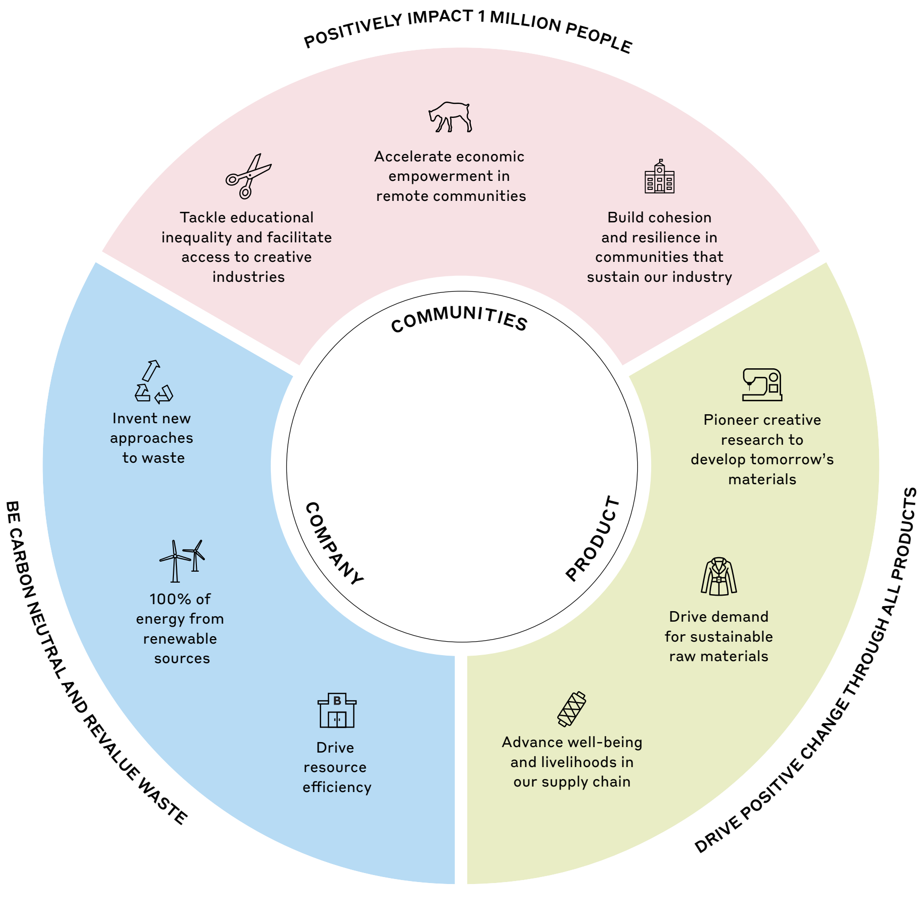
	Total	Number of women	Percentage of women
Executive Committee	9	3	33%
Leadership (Director and above)	288	147	51%
All Workforce	10,332	6,870	67%

We offer continued support for the LGBTQ+ community through our ongoing membership of LGBTQ+ group INvolve. As part of this membership, we have nominated senior LGBTQ+ leaders onto a board-readiness programme and senior Burberry leaders have mentored LGBTQ+ employees from other organisations.

Broadening and deepening our Diversity and Inclusion agenda is a key priority for the business in FY 2019/20. The strategy will be supported by both an employee council focused on raising awareness globally and fostering a culture of belonging, as well as an external advisory board.

CREATING TOMORROW'S HERITAGE

Our Responsibility Agenda is designed to drive positive change and build a more sustainable future. We have set ourselves ambitious goals for 2022, split into three focus areas.



Overall responsibility for the delivery of our social and environmental programmes lies with our Chief Supply Chain Officer, who reports on progress against targets to the Ethics Committee, the Risk Committee and the Board.

Objectives and progress are regularly reviewed by the Burberry Responsibility Advisory Committee, comprising external expert stakeholders from Non-Governmental Organisations (NGOs), social enterprise and an ethical trade, human rights and labour standards consultancy, to ensure we stay focused on the most material issues and drive real positive impact for the long-term.

CREATING TOMORROW'S HERITAGE

Our goals for 2022:

PRODUCT

Progress: 36%^ of product with more than one positive attribute
Goal: to have 100% of product with more than one positive attribute by 2022, where positive attributes relate to social and/or environmental improvements achieved at either raw material sourcing or product manufacturing stage.

Progress: 68%^ of cotton procured through the Better Cotton Initiative (BCI)
Goal: to source 100% of cotton through the BCI, a not-for-profit organisation focused on making global cotton production better for the people who produce it, better for the environment it grows in and better for the sector's future.

Progress: 49% of leather sourced from tanneries with environmental, traceability and social certifications
Goal: to source 100% of leather from certified tanneries by 2022. The significant increase from 1% in FY 2017/18 was achieved by working closely with key tanneries in Italy to improve particularly the traceability of leather.

COMPANY

Progress: 43%^ reduction in market-based emissions since base year FY 2016/17
Goal: to achieve a zero-carbon footprint in our own operational energy use by reducing absolute emissions, improving energy efficiency and switching to renewable energy sources, before offsetting any remaining emissions.

Progress: 68% of electricity procured from renewable sources
Goal: as part of our RE100 membership, we have committed to 100% renewable electricity by 2022 and are driving this through close collaboration with our procurement and retail teams and engagement with landlords.

Progress: Ended the practice of destroying unsaleable finished products
Goal: reduce and revalue waste. We already reuse, repair, donate or recycle unsaleable products and we will continue to expand these efforts.

COMMUNITIES

Progress: 125,000^ people positively impacted in our communities since base year FY 2016/17
Goal: we aim to positively impact 1 million people by 2022. Progress during FY 2018/19 includes:

- 65,000 students and teachers engaged in Yorkshire, UK, through school workshops, teacher training, guest speaker sessions and work experience at Burberry.
- 18,000 people in Tuscany, Italy, benefitting from enhanced multi-cultural spaces and events, new youth mentoring programmes and better access to community support services.
- 7,000 people in Afghanistan benefitting from training on more sustainable livestock management and participation in community-owned collective action organisations.

PRODUCT

DRIVING POSITIVE CHANGE THROUGH 100% OF OUR PRODUCTS

We create products using the highest quality materials involving many manufacturing communities around the world. We are committed to using our position and influence to drive social and environmental improvements and foster innovation in our supply chain, from the sourcing of raw materials to the manufacturing of finished products.

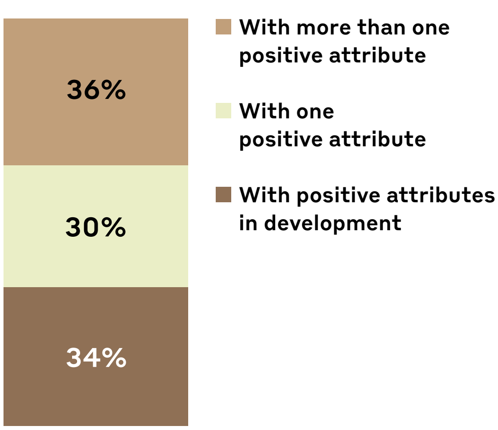
Our goal is to ensure that all our products have more than one positive attribute by 2022. A product may, for example, have a positive attribute if it is made from leather sourced from tanneries with environmental, traceability and social certifications, or if it was manufactured in a facility with employee health and well-being programmes. In the second year of our strategy, we have reached 30%^ of product with one positive attribute and a further 36%^ of product with more than one positive attribute.

With our 2022 goals, we are taking our supply chain programmes to the next level, focusing on:

Stimulating demand for more sustainable raw materials

Cotton, cashmere and leather are three of our key raw materials, representing approximately 30% of our overall greenhouse gas (GHG) emissions. We are focused on improving the traceability and sourcing of these materials and have set two goals for 2022: to procure 100% of our cotton through the Better Cotton Initiative (currently at 68%^, up from 21% in FY 2017/18) and to source 100% of our leather from tanneries with environmental, traceability and social compliance certifications (currently at 49%, up from 1% in FY 2017/18). During FY 2018/19 we made significant progress particularly on leather traceability, by working closely with our Italian tanneries.

% OF PRODUCTS WITH POSITIVE ATTRIBUTES^



^ Please see page 54 for details on external assurance.

We continue to support the Sustainable Fibre Alliance (SFA) to help promote sustainable cashmere production in Mongolia. During 2018, over 3,800 herding families producing approximately 170 tonnes of cashmere committed to the SFA's Codes of Practice on Rangeland Stewardship and Animal Welfare. These programmes aim to stimulate positive change beyond our footprint and make sustainable materials more mainstream across the industry.

Promoting worker well-being

To ensure compliance with our Responsible Business Principles, our Ethical Trading Programme covers all finished goods vendors, subcontractors and key raw material suppliers. Our Ethical Trading teams visit supply chain partners on a regular basis, engaging with both management and workers to review performance and drive improvements.

We conduct scheduled and unscheduled audits at intervals of three to 18 months, depending on findings, and work closely with supply chain partners to help them achieve more than regulatory compliance. During FY 2018/19 we conducted 481 audits and assessments (446 in FY 2017/18) and completed 221 training and engagement visits (263 in FY 2017/18), to support our partners in building stronger human resource management systems and introducing innovative worker engagement and well-being programmes. We continued to roll out a new Worker Well-being Survey, developed in collaboration with Oxfam. Since launching the survey in 2018, we have engaged with approximately 1,400 workers across eight key facilities worldwide.

Our global supply chain comprises of first-, second- and third-tier facilities, including vendors, subcontractors and raw material suppliers. While driving and supporting improvements at facilities we directly engage with, through our Vendor Ownership Programme, we also help our partners build their own capacity and set up their own ethical trading programme to monitor and improve working conditions in their upstream supply chain. We currently have 16 key supply chain partners involved in the programme.

We are accredited as a UK Living Wage employer and a Principal Partner of the Living Wage Foundation. We are supporting the global Living Wage initiative, which aims to harness the increasing interest in a global Living Wage approach to address in-work poverty across all sectors and multiple geographies. We believe that all workers have the right to a living wage and continue to promote this standard throughout our supply chain. Further details of our supply chain activities, including our ethical trading programme and Human Rights Statement, are available at www.burberryplc.com.

CREATING NEW SUSTAINABLE PACKAGING

To coincide with the launch of our Spring/Summer 2019 collection in February, we rolled out new sustainable packaging.

Using an innovative manufacturing technique, 40% of the new packaging material is made from recycled coffee cups. The resulting product, which has a beautiful, luxurious feel, is fully recyclable and is certified by the Forest Stewardship Council (FSC).

Further to our commitment to the Ellen MacArthur Foundation New Plastics Economy initiative in November 2018, we are also making changes that will reduce the plastic footprint of our transit packaging. We will introduce new transit hangers made from a bio-based compostable alternative. In addition, we are switching our garment bags to a compostable PHA-blended material.

Leading chemical management and elimination
We work closely with our supply chain partners to improve chemical management in the manufacturing of our products. Our program goes significantly beyond the required international environmental and safety standards. We have set all our chemical requirements at levels that are more stringent than legal limits and have committed to eliminating the use of chemicals that may have a negative environmental impact. To achieve this, we are working closely with our supply chain partners, setting clear standards and guidelines and providing focused training and support. During the year, we hosted a chemical management event with other luxury brands at the Politecnico in Milan, Italy. More than 250 representatives of finished goods vendors, mills and tanneries attended the event.

To achieve our goals, we have trained over 1,000 people in chemical management. During FY 2018/19, 41% of product achieved a positive attribute in this area, based on both a product's finished goods vendor and main raw material supplier achieving a rating of "green" for their chemical management practices, as assessed through Burberry's Partner Progress Tool. More information on our assessment tool can be found on www.burberryplc.com.

We are also Board members of the Zero Discharge of Hazardous Chemical (ZDHC) Foundation, the most prominent multi-stakeholder initiative in this field, and are collaborating with 26 other leading brands to drive positive change more widely across our industry and global supply chains.

Managing energy use in manufacturing
We continue to evolve our energy reduction programme, which, for wet processing facilities, has been modelled on the Natural Resource Defence Council's "Clean by Design" principles. Through this programme, we work directly with both finished goods and raw material facilities to identify and implement energy saving opportunities. During FY 2018/19, 19 facilities were involved in the programme, with the aim of achieving at least a 5% reduction in carbon emissions. Examples of energy-saving measures include lighting replacements and process improvements. We also work with our supply chain partners to promote the use of renewable energy across our supply chain. As a result, in FY 2018/19, 7% of our products were manufactured in facilities that procure a significant proportion of their energy from renewable sources.

Minimising our water footprint
Water resources are vital to sustaining both our communities and our industry. We are committed to carefully managing water use and quality across our supply chain and apply the World Wildlife Fund for Nature's water risk assessment tool each year to identify potential areas of risk. We require regular effluent testing and work with over 40 wet processing facilities, who represent approximately 50% of Burberry's raw material procurement volume, to monitor and improve their effluent management practices. We work with suppliers to identify water-saving opportunities, such as water recycling and leak repairs.

Driving innovation in sustainable materials
Ever since our founder, Thomas Burberry, invented gabardine in 1879, materials innovation has formed part of our DNA and continues to be a key focus today. During FY 2018/19, we held a two-day internal event showcasing new materials and technologies. A group of industry experts discussed innovation in the areas of Fashion, Sustainability, Science and Technology.

In our continuous pursuit of more sustainable garments, we worked with company 37.5 to incorporate thermoregulation technology in our men's quilted jackets. Using volcanic sand and waste coconut shells, this new heat management technology enables customers to feel more comfortable in a range of climates. A further example is a high-quality nylon fabric we have developed from ECONYL yarn. ECONYL yarn is produced from nylon waste collected from landfill and oceans around the world. We will be using this fabric in some of our outerwear garments for Autumn/Winter 2019. We also continue to integrate recycled fibres, such as recycled cashmere and wool, into our collections, and have started making our dust bags from REFIBRA yarn, a new yarn produced by upcycling cotton leftovers at our internal manufacturing site in Yorkshire.

Inspiring the next generation of designers and engineers
During FY 2018/19, we continued to support The Burberry Foundation's five-year partnership with the Royal College of Art. This involved advancing the work of the Burberry Material Futures Research Group, the first of its kind in the world, and expanding the Burberry Design Scholarship Fund, benefiting 15 students in FY 2018/19. The Research Group is the first explicit "Science, Technology, Engineering, Art and Mathematics" (STEAM) research centre at a traditional art-and-design university. It applies radical thinking to invent more sustainable materials, advance manufacturing processes and transform user experiences. All research will be made publicly available for the benefit of our industry and the wider community.

COMPANY

BECOMING CARBON NEUTRAL AND REVALUING WASTE

While our biggest environmental impacts occur in the supply chain, we are just as committed to addressing climate change impacts from our own operations, including offices, stores, manufacturing and distribution sites. We have set two goals for 2022: to become carbon neutral in our own operational energy use, with a focus on driving energy efficiencies and renewable energy procurement; and to revalue waste, by leading a makers' movement and creating innovative solutions.

Becoming carbon neutral in our own operational energy use

We aim to achieve a zero-carbon footprint by improving energy efficiency, reducing absolute consumption and switching to renewable energy sources, before offsetting any remaining emissions. Our retail network is responsible for 76% of our direct carbon emissions. We have set energy targets for all our stores globally, spearheaded by regional leadership and reinforced by a training programme and technical support. Over the last year, we established a network of Responsibility champions in key stores, whose objective is to inspire and support retail teams to improve energy efficiency and engage with the Responsibility Agenda more broadly. We are now carbon neutral across the Americas region, EMEIA retail stores and our UK operations.

We reduced our global, absolute energy consumption by 7%, primarily through behavioural changes and LED lighting. We then used the cost savings from energy reductions to finance additional renewable energy procurement. On track to achieve our RE100 commitments, we now obtain 58%^ of our total energy (including 68%^ of our electricity) from renewable sources, an increase of 13% from last year. We assess our progress towards carbon neutrality by looking at the reduction in our total market-based carbon dioxide equivalent (CO_2e) emissions year on year and since the launch of our strategy in 2017, we have reduced our emissions by 43%^.

ENERGY AND GLOBAL GREENHOUSE GAS EMISSIONS

The disclosures required by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 are included below.

(Year to 30 March 2019)

	Reporting year 18/19	Reporting year 17/18	Reporting year 16/17
Total energy (KWH) - including energy from fuel used in vehicles	76,575,371^	82,309,197	85,150,844
Combustion of fuel and operation of facilities (Scope 1) (Kg CO_2e)	2,096,267^	2,144,091	2,128,334
Electricity, heat, steam and cooling purchased for own use (Scope 2) (Kg CO_2e)	29,111,338^	32,072,001	33,839,522
Total emissions location based (Scope 1 & 2) (Kg CO_2e)	31,207,605^	34,216,092	35,967,856
Electricity, heat, steam and cooling purchased for own use (Scope 2) (Kg CO_2e) MARKET BASED APPROACH	12,729,675^	18,060,686	23,027,948
Total emissions market based (Scope 1 & 2) (Kg CO_2e)	14,825,942^	20,204,777	25,156,282
Total emissions offset by Verified Emissions Reduction Certificates (Kg CO_2e)	352,729^	170,411	0
Intensity measurement (Location based Kg CO_2e per £1000 sales revenue)	11.5^	12.5	13.0
% of Energy (kWh) from Renewable Sources	58%^	48%	37%

Note: Burberry applies an operational control approach to defining its organisational boundaries. Data is reported for sites where it is considered that Burberry has the ability to influence energy management. Data is not reported for sites where Burberry has a physical presence, but does not influence the energy management for those sites, such as a concession within a department store. Overall, the emissions inventory reported equates to 94% of our sq. ft. (net selling space). Emissions resulting from activities in the UK amount to 22% of total global emissions (29% of total energy consumption). The Company uses the Greenhouse Gas Protocol (using a location and market-based approach to reporting Scope 2 emissions) to estimate emissions and applies conversion factors from Defra and IEA guidance. All material sources of emissions are reported. Refrigerant gases were deemed not material and are not reported. Burberry has updated GHG data for FY 2016/17 and FY 2017/18 to account for updated emission factors and improvements in data availability and estimation methods. Further detail is available within Burberry's basis of reporting at www.burberryplc.com.

^ Please see page 54 for details on external assurance.

“We are now carbon neutral across the Americas region, EMEIA retail stores and our UK operations.”

EXPANDING OUR AMBITIONS

We started looking beyond 2022, setting ambitious carbon goals for 2030. Our targets have been approved by the Science Based Target Initiative (SBTi) and include a commitment to reduce our Scope 1 and 2 emissions by 95% by 2022 and our Scope 3 emissions by 30% by 2030, both from a 2016 base year. Targets are classed as science based if they are in line with the level of carbon reduction required to keep the global temperature increase to 1.5 degrees Celsius, compared to pre-industrial levels, as described in the Fifth Assessment Report of the Intergovernmental Panel on Climate Change. In December 2018, we joined the UN Fashion Industry Charter for Climate Action. One of its aims is to reduce aggregate GHG emissions across the fashion industry by 30% by 2030. Representatives of the Responsibility team actively participate in the working groups and chair one of them.

As members of the Prince of Wales Accounting for Sustainability (A4S) initiative, we are working towards implementing the recommendations of the Financial Stability Board's Task Force for Climate-related Financial Disclosures. In line with their recommendations and to future-proof our business, climate change is included as a principal risk in our Risk and Viability Report. During FY 2018/19, we conducted three scenario-planning workshops, involving senior leadership from key functions across the business, including Risk, Strategy, Investor Relations, Customer Insight, Responsibility, Supply Chain, IT and External Communications. Facilitated by Forum for the Future, the workshops helped us identify and assess long-term environmental, social and technological trends that could significantly impact Burberry's business model and operations over the next 20 years. These trends will inform our long-term supply chain strategy and our strategic response to climate change risks, a process that has already started with the presentation of key insights to the Board in March 2019.

Reducing and revaluing waste

Our five-year Responsibility Agenda also includes a goal to help tackle the waste challenge facing our industry. In September 2018, we strengthened our commitment by becoming the first luxury company to announce that we were stopping, with immediate effect, the practice of destroying unsaleable finished products.

During the year, we expanded existing reuse, repair, donation and recycling routes, while developing new partnerships and revaluation solutions. We also focused on limiting the causes of waste, enabled by an increasingly global view of inventory management and our new model of tighter more frequent collections, which allows us to be much more targeted and precise in the way we design, buy and sell.

In FY2018/19, we handled around 20,000 repair and replacement part enquiries for products ranging from well-loved leather goods to vintage items. We also donated more than 20,000 items of business clothing as part of our long-term partnerships with charities such as Smart Works. The UK-based charity supports unemployed women with interview training, smart clothing and styling advice as they prepare for potentially life-changing interviews. To celebrate International Women's Day 2018, we hosted a special event at Horseferry House for some Smart Works clients who have gained employment through the service. The clients received a special Burberry styling session from members of our retail teams and were gifted their Burberry wardrobes to keep and wear to their new job.

Prior to our announcement in September, we had destroyed £1.4 million of unsaleable finished products, following the waste hierarchy. This represented a significant reduction on the prior years. In addition, to respect regulatory constraints, £0.8 million of damaged, defective or expired beauty products were destroyed where recycling was not an option.

Raw materials are a significant waste stream for the luxury fashion industry. For leather, even when product patterns are carefully planned to maximise the use of a hide, the process inevitably creates small offcuts. Through The Burberry Foundation, we are working with sustainable luxury company Elvis & Kresse to transform leather offcuts from the production of Burberry products into a range of accessories and homeware by 2022. Half of the profits from this range are donated to charitable organisations promoting renewable energy, while the remaining half is reinvested by Elvis & Kresse to expand their work and generate apprenticeship and work experience opportunities. Since the launch of this partnership in 2017, 3.7 tonnes of leather offcuts have been transformed into products and over 5,000 potential "makers" have been inspired about waste revaluation.

During the year, we supported the London College of Fashion with raw materials to launch their “1000 Coats” project, which aims to provide women in East London with technical sewing skills and knowledge by making 1000 coats for children in need, while creating potential new employment opportunities for the women involved.

Similarly, we have initiated a partnership and started donating excess fabric to Progetto Quid in Italy, a women-led not-for-profit cooperative, providing women and men from disadvantaged backgrounds with employment opportunities through sustainable fashion.

When waste is inevitable, we work with innovative organisations to recycle it. For example, in Italy last year, we recycled 70 tonnes of pre-consumer textiles into regenerated yarns, fabrics and automotive insulation materials. We are also conducting trials to explore ways of repurposing raw materials and some unsaleable finished products.

To further strengthen our existing commitments, in May 2018 we were proud to become a core partner of the Ellen MacArthur Foundation’s Make Fashion Circular Initiative, joining other leading organisations to explore how our industry can work towards the vision of a circular fashion economy. In December 2018, we joined the New Plastics Economy Global Commitment, which aims to eradicate plastic waste and pollution by 2025. The commitment is also led by the Ellen MacArthur Foundation in collaboration with UN Environment and aims to create a new normal for plastic packaging globally. As part of this, we are working to eliminate problematic or unnecessary plastic packaging; ensure plastic in our packaging can be easily reused, recycled or composted; and circulate any plastic packaging so that it can be made into new packaging or products. We have also completed a Plastic Footprint Mapping exercise, identifying the use of plastic across our activities worldwide.

COMMUNITIES

POSITIVELY IMPACTING ONE MILLION PEOPLE BY 2022
We have a long history of investing in the communities in which we operate, enabling employees to dedicate up to three working days a year to support their local communities and donating each year 1% of adjusted Group profit before tax to charitable causes. These range from supporting disaster relief efforts, to nurturing emerging talent through scholarships at the Royal College of Art, with a significant proportion going to The Burberry Foundation (UK registered charity number 1154468).

The Burberry Foundation takes a strategic and long-term approach and partners with leading organisations to support key communities sustaining the luxury industry. We aim to impact one million people mainly by supporting community programmes through financial contribution and employee volunteering. We helped to positively impact nearly 103,000^ people in FY 2018/19.

The Foundation's efforts are specifically tailored to address social and/or environmental priorities in selected communities, with a view to tackling the causes as well as treating the symptoms.

Tackling educational inequality and enhancing career advice for young people in the UK
In the second year of The Burberry Foundation's partnership with Teach First, The Careers & Enterprise Company and MyKindaFuture, the three organisations have continued to support young people in disadvantaged communities across Yorkshire and London. Our objective is to inspire and prepare young people for the world of work and improve access to the creative industries. During FY 2018/19 over 60,000 students and teachers were engaged in a range of activities, including school workshops, teacher training, guest speaker sessions and work experience weeks at Burberry. Three new Enterprise Advisers were appointed, connecting 29 schools with local employers and supporting the development of robust, school-wide career programmes. These benefitted more than 15,000 students this year.

In October 2018, The Burberry Foundation launched Burberry Inspire, partnering with the Ideas Foundation to deliver a four-year programme in and around Leeds to help young people transcend their circumstances and reach their potential through in-depth exposure to arts and culture. The programme is delivered in collaboration with the Northern Ballet, the Hepworth Wakefield, Leeds Young Film and Leeds Playhouse, and has already provided exciting new opportunities for 3,130 students across eight participating schools. We plan to roll out Burberry Inspire globally in FY 2019/20.

Fostering community cohesion and supporting youth employability in Italy
The Florentine area of Italy has a long tradition of creativity and craftsmanship and is renowned for its production of garments and luxury leather goods. In recent years, the region has faced challenges due to poverty, youth unemployment and economic migration. In 2017, we supported The Burberry Foundation in launching a five-year partnership with Oxfam, aimed at fostering cohesion between local and migrant communities. During FY 2018/19, the partnership helped four local community centres expand their day-to-day services and deliver large-scale multicultural events. It launched a new community information desk and appointed 8 facilitators to improve access to vital support services. It also engaged 10 schools in a peer-to-peer mentoring scheme and an innovative teacher-training programme on inclusive education. Overall, more than 18,000 community members benefitted from these activities in FY 2018/19.

Supporting social and economic empowerment of rural communities in Afghanistan
Despite persistent armed conflict and extreme poverty, Afghanistan remains the world's third-largest producer of cashmere fibre, behind Mongolia and China, and a key sourcing region for the luxury fashion industry. In partnership with Oxfam and PUR Projet, The Burberry Foundation is implementing a long-term programme focused on developing a more inclusive and sustainable cashmere industry and helping herders enhance their livelihoods. During FY 2018/19, a new goat breeding facility designed to help herders improve the quality and yield of their cashmere production was opened. It currently hosts over 150 "elite" cashmere goats. In addition, more than 2,500 herders have been trained on sustainable cashmere harvesting and livestock management practices. Key local stakeholders have been engaged to facilitate the development of community-owned collective action organisations, pro-actively involving women in their design and management. Overall, more than 7,000 community members benefitted from these activities during the year.

HUMAN RIGHTS STATEMENT

While we respect and uphold human rights wherever we operate, we are aware that risks can arise in relation to our own workforce, our supply chain, our communities and customers. Burberry's Human Rights Policy sets out our procedures to uphold human rights across our own operations and extended supply chain, and the mechanisms we use to identify and address any instances of potential infringement. The policy was developed with reference to the International Bill of Human Rights and follows the UN Guiding Principles on Business and Human Rights for the implementation of the UN's "Protect, Respect and Remedy" framework.

Responsibility for the policy lies with Burberry's Chief Executive Officer. To ensure compliance with the policy, we assess human rights impacts and monitor labour conditions across our own operations and extended supply chain on a regular basis through our Ethical Trading programme, delivered by an established global team of Ethical Trading experts. Details of the programme and a full copy of our Human Rights Policy can be found at www.burberryplc.com.

We conduct a Human Rights Impact Assessment every two years to confirm potential areas of risk, capture any emerging risks in relation to new operations and projects, and review or develop mitigation plans as required. We have completed three impact assessments since 2014, each process involving mapping our own operations and those of our extended supply chain, and assessing them in terms of their potential impact on human rights as set out in the Universal Declaration of Human Rights. For both our FY 2016/17 and FY 2018/19 assessments, we reviewed key findings and mitigation plans with Ergon, a specialist human rights consultancy.

To strengthen our efforts in this field even further, we have developed "theories of change" for key themes arising from our FY 2018/19 Human Rights Impact Assessment, including migrant workers, income-vulnerable workers, diversity and inclusion. We conduct interviews with relevant stakeholder groups to better understand their needs and perceptions, get insight into the direct and indirect impacts of our business and develop focused mitigation plans. For example, we provide grievance mechanisms for our global employees, as well as confidential hotlines run by Non-Governmental Organisations for workers in our supply chain. Currently, more than 11,000 workers across 21 factories are provided with improved access to remedy and confidential support, including advice and information on workers' rights and well-being. The effectiveness of the hotlines is regularly reviewed. During FY 2018/19, Burberry-sponsored hotlines received 572 calls and their resolutions have been monitored closely by our local Responsibility teams.

Supporting our human rights commitment is our Modern Slavery Statement. This is published in line with the UK Modern Slavery Act and can be found at www.burberryplc.com.

EXTERNAL ASSURANCE OF CORPORATE RESPONSIBILITY DISCLOSURES

Burberry has appointed PricewaterhouseCoopers LLP (PwC) to provide limited assurance over selected Company, Product and Community information for FY 2018/19. Information forming part of the assurance scope is denoted with a ^ on pages 43 to 52. The assurance statement and Burberry's basis of reporting are available at www.burberryplc.com.

TRANSFORMING OUR APPROACH TO WASTE THROUGH PARTNERSHIP

"We have partnered with The Burberry Foundation to solve our most ambitious material challenge to date: the vast amounts of waste created through the production of leather goods. Through this partnership, we demonstrate how the traditional leather goods supply chain can be disrupted and changed for the better. We also transform at least 120 tonnes of leather offcuts from the production of Burberry products into accessories and homeware."

KRESSE WESLING MBE
Co-Founder of Elvis & Kresse

OUR INVESTMENT CASE

Our framework for long-term value creation centres around three major pillars: revenue growth, operating margin accretion and capital efficiency.

REVENUE GROWTH**

Burberry operates in the luxury goods sector, where industry growth tends to deliver ahead of overall global Gross Domestic Product (GDP) growth per annum. Our ambition, in the medium term, is to drive towards high single-digit top-line growth. We have four strategic pillars supporting revenue growth to enable us to achieve this:

PRODUCT

Evolve our product offer to signal change and attract further luxury consumers.

COMMUNICATION

Develop our communication approach to be led by product and tailored for social channels.

DISTRIBUTION

Transform our distribution to achieve a network that is consistent with our luxury positioning.

DIGITAL

Revolutionise our digital proposition, finding new and exciting ways to engage customers by displaying highly curated product assortments and personalised stories, and editorialising our website.

ADJUSTED OPERATING PROFIT MARGIN ACCRETION**

Burberry currently generates an Adjusted Operating Profit Margin of 16.1%. In the medium term, our ambition is to deliver meaningful Adjusted Operating Profit Margin improvements each year. There are two significant factors underpinning our ambition:

OPERATING LEVERAGE

Leverage the fixed and semi-fixed cost components of our operating expenses.

COST-EFFICIENCY PROGRAMME

Work more efficiently and effectively, including adapting our approach to procurement, to generate cost savings. Our current cost-saving programme aims to deliver £135 million annualised cost savings by FY 2021/22.*

This will be achieved by driving simplification and efficiency through our organisation, including optimising back-office functions; generating procurement savings, and through technology initiatives that increase our business agility.

* Base year FY 2016/17

** At constant exchange rates

CAPITAL EFFICIENCY

Burberry has a history of strong free cash flow generation, with our cash conversion averaging 106% over the last five years. We have a clear capital allocation framework, which prioritises our uses of cash, while maintaining an appropriate capital structure for the business. Our target is to maintain a strong balance sheet with solid investment grade credit metrics. Our uses of cash are summarised below.

REINVEST

Reinvest for organic growth.

DIVIDEND

Pay our progressive dividend.

STRATEGIC INVESTMENT

Invest in strategic initiatives.

CAPITAL RETURNED

Return excess cash to shareholders.

Our capital allocation framework is set out and discussed in full on page 72. Over the past five years, Burberry has returned £809 million to shareholders through dividends, and over the past three years has completed £600 million of share buybacks.

KEY PERFORMANCE INDICATORS

Key Performance Indicators (KPIs) help management measure progress against our six strategic pillars and responsibility targets.

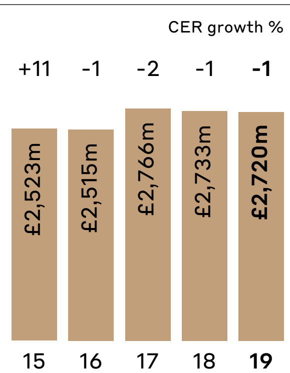
REVENUE GROWTH*

KPI

This measures the appeal of the Burberry brand for customers, through all our sales channels.

Financial ambition
High single-digit top-line growth.*

MEASURE



PERFORMANCE

FY 2018/19 revenue declined 1%.Total retail sales was flat at CER. Wholesale growth excluding Beauty was up 7% at CER. This was offset by the loss of Beauty wholesale revenue following the beauty license with Coty. Excluding Beauty wholesale, revenue growth was 2%.

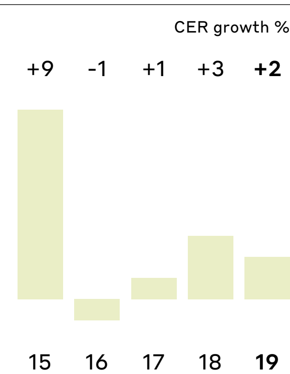
COMPARABLE SALES GROWTH*

KPI

This measures the growth in productivity of existing stores. It is calculated as the annual percentage increase in sales from retail stores that have been open for more than 12 months. It is adjusted for closures and refurbishments, and includes all digital revenue.

Financial ambition
High single-digit top-line growth.*

MEASURE



PERFORMANCE

Comparable sales grew 2% in FY 2018/19, with low single-digit growth across all three regions.

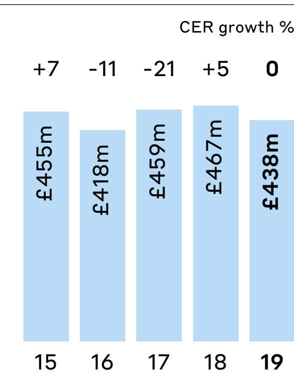
ADJUSTED OPERATING PROFIT GROWTH*

KPI

This measure tracks our ongoing operating profitability and reflects the combination of revenue growth and cost management.

Financial ambition
Adjusted operating profit growth ahead of revenue growth.*

MEASURE



PERFORMANCE

Adjusted operating profit in FY 2018/19 was flat year on year with gross margin and operating margin stable at CER. Incremental cost savings of £41 million, offset inflationary cost pressures and strategic investments.

* At CER
Details of alternative performance measures are shown on page 71

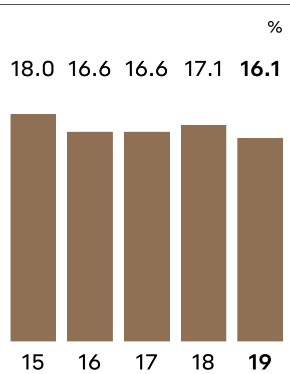
FINANCIAL MEASURES

We believe it is vital to ensure alignment between our Executive Committee's strategic focus and the long-term interests of shareholders. As a result, elements of Executive remuneration are based on performance against the following measures: revenue growth, adjusted profit before tax growth, and adjusted retail/wholesale return on invested capital. You can read more about our Remuneration Policy on pages 123 to 144.

ADJUSTED OPERATING PROFIT MARGIN

This measures how we drive operational leverage and disciplined cost control, with thoughtful investment for future growth, building the long-term value of the brand.

Financial ambition
Meaningful operating margin expansion.*

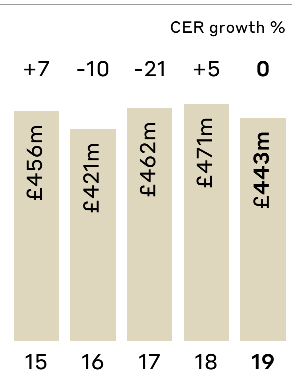


Adjusted operating profit margin +10bps, at CER, -100bps rates at reported rates in FY 2018/19 due to the impact of exchange rates.

ADJUSTED PROFIT BEFORE TAX (PBT) GROWTH*

Adjusted PBT growth is a key profitability measure to assess the ongoing performance of the Company.

Financial ambition
Adjusted PBT growth ahead of revenue growth.*

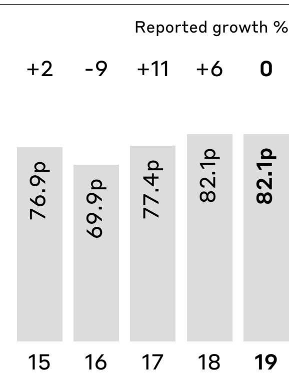


Adjusted PBT in FY 2018/19 was flat year on year with gross margin and operating margin stable at CER. Incremental cost savings of £41 million, offset inflationary cost pressures and strategic investments.

ADJUSTED DILUTED EPS GROWTH

Growth in EPS reflects the increase in profitability of the business, improvement in the tax rate and share repurchase accretion.

Financial ambition
Adjusted EPS growth ahead of revenue growth.*

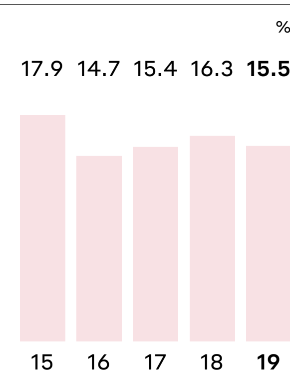


Adjusted diluted EPS (EPSA) was flat year on year at 82.1p in FY 2018/19. Before the impact of foreign exchange, EPSA rose 7% due to an effective tax rate reduction of 200bps and the impact of share repurchases.

ADJUSTED RETAIL WHOLESALE ROIC

Adjusted retail/wholesale ROIC measures the efficient use of capital on investments. It is calculated as the post-tax adjusted retail/wholesale operating profit divided by average operating assets over the period.

Financial ambition
ROIC significantly ahead of WACC.



Adjusted retail/wholesale ROIC 15.5%, -80 bps due to the reduction in reported profits as a result of exchange rates.

KEY PERFORMANCE INDICATORS

NON-FINANCIAL MEASURES

We have developed non-financial measures to assess our performance against our ongoing people objectives and 2022 responsibility targets. Progress is regularly monitored by our Board through the Inspired People pillar of our strategy. For further details on our responsibility activities and progress against 2022 targets, see pages 42 to 55. The Group has considered the new non-financial reporting requirements under sections 414CA and 414CB of the Companies Act 2006 and has included relevant details in the Annual Report.

OBJECTIVE	MEASURE	PERFORMANCE
EMPLOYEES		
Create an environment where all our employees are actively engaged in delivering outstanding results for the business	Employee engagement score as measured by Mercer Sirota	FY 2018/19 Performance: 74% of employees are engaged[1]
Ensure our policies, processes, practices and resources promote equal gender representation in our Leadership population	Number of women globally in Director and above roles, divided by total number of Director and above roles	FY 2018/19 Performance: women account for 51% of the Leadership population
RESPONSIBILITY		
PRODUCT		
Drive positive change through 100% of our products, by increasing demand for more sustainable raw materials and supporting our supply chain partners in going beyond social and environmental compliance, to improve resource efficiency and worker well-being	% of products with more than one positive attribute	FY 2018/19 Performance: 30% of product with one positive attribute and a further 36% of product with more than one positive attribute[3]
COMPANY		
Become carbon neutral in our own operational energy use by 2022 and meet our newly approved science based targets: • Reduce absolute Scope 1 and 2 GHG emissions 95% by 2022 from a FY 2016/17 base year • Reduce absolute Scope 3 GHG emissions 30% by 2030 from a FY 2016/17 base year	Absolute CO_2e emissions	FY 2018/19 Performance against our carbon neutral goal: 14,825,942 kg CO2e market-based emissions (43% reduction from a FY 2016/17 base year)
COMMUNITIES		
Positively impact 1 million people[2] by supporting programmes led by The Burberry Foundation. These initiatives are focused on youth inspiration and employability, community cohesion, and social and economic empowerment in communities sustaining the luxury industry	Number of individuals positively impacted	FY 2018/19 Performance: 103,000 people positively impacted (a total of 125,000 people from a FY 2016/17 base year)

1. Employee engagement score as measured by Mercer Sirota employee engagement index. Engagement index based on completed survey responses only.
2. Positively impact people: we are supporting The Burberry Foundation and its partners in addressing key community needs within our industry's footprint. This is giving rise to different impacts, depending on geographies and community needs. Impacts are being assessed and reported at regular intervals over the course of five years.
3. Positive product attributes: sourcing of raw materials and making of products impact both people and the environment. At point of purchase, we are committed to ensuring that these activities not only minimise any potential negative impacts, but actually drive positive change.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STAKEHOLDER ENGAGEMENT

Understanding the views and values of all our stakeholders is critical to Burberry's success and we use a range of tools to foster an open dialogue with all of them.

CUSTOMERS

Consumer insights: we develop our understanding of the luxury fashion consumer, what excites them, and how we can best meet their needs through analysis, research and external support. We use these insights to enhance our customer proposition.

Customer service: we are constantly increasing and improving the assistance we offer to customers to ensure they are able to contact us at any time of the day or night through their preferred medium, including phone, email, social and Burberry.com chat. At present, we offer customer service assistance in 14 languages.

Personalised luxury: we enhance the depth and meaningfulness of customer interaction with our brand by offering frequent opportunities for personalisation across all channels, including via social, email, Burberry.com and in store.

Customer analytics: we use extensive data from our customer feedback and intelligent analytics to understand our customers, ensuring decisions are data driven and client focused.

Social: we engage with consumers through our digital platforms, highlighting our products and important brand moments such as the fashion shows and the unveiling of our refreshed Thomas Burberry monogram. In September 2018, we launched B Series, allowing customers to purchase limited-edition products on Instagram, WeChat, Kakao and LINE.

EMPLOYEES

Engagement survey: our second annual global survey took place in 2018 and we were pleased to see nearly 90% of our employees taking part. Findings showed our overall employee engagement score increased by 2%, and improvement across several other areas, including understanding of company direction up 6%. We use these results to identify and drive change across the Group. Last year it led us to focus on three specific areas: career development, well-being and operational efficiency.

Retail: we communicated extensively with our sales associates this year, providing regular operational updates and training around our creative transition and new products.

Innovation programmes: we support our employees in innovative thinking through programmes such as cross-functional problem-solving days to find creative solutions to opportunities and challenges.

Recognition: we celebrate exceptional employee contributions at our annual Global Icon Awards. Nominees are put forward and voted for by our employees.

Communication: we constantly cascade our strategy and updates from senior leadership throughout the business. Videos and podcasts from key figures are made available via Burberry World, our company-wide platform. There are quarterly in-person opportunities for our top leaders to engage with the Executive Committee and Board. We use Burberry World to share news, significant brand events, company announcements and support for day-to-day working. We are constantly evolving the platform to include more information around the areas that matter most to our teams and our Group.

Development: we have an ongoing commitment to ensure our employees are growing and developing, which we deliver through tools and services such as My Career, our online career development tool, and Burberry Voices, a podcast about the career journeys of our leaders, as well as our Leadership Development Programme.

SHAREHOLDERS

Annual General Meeting: our 2018 AGM was well attended, with all resolutions passed.

Multichannel engagement: we made available all our investor announcements, including our Interim and Preliminary results, through multiple channels such as audiocasts and webcasts. Investors were also invited to attend major announcements in person.

Ongoing engagement: our Investor Relations team and members of our senior management held over 300 meetings with investors during FY 2018/19, for those with smaller and larger shareholdings.

Board engagement: the Board receives monthly updates from Investor Relations as well as quarterly updates on trading and strategy, while our Chairman, Senior Independent Director and Chair of our Remuneration Committee maintain ongoing relationships with our investors and other stakeholders.

Perception gauge: we use an independent third party, commissioned by the Board, to interview all significant shareholders and evaluate investor sentiment.

COMMUNITIES

Sustainability partners: we pursue our goals through strategic partnerships with NGOs, industry peers, initiatives and business partners, including the Ethical Trading Initiative, the Ellen MacArthur Foundation, and the Fashion Industry Charter for Climate Action. For a full list of partners, see the Collaborations and Partnerships section of www.burberryplc.com.

Government: we work alongside the British government to collaborate on key initiatives concerning the luxury industry, including our role as a founding member of the Business Against Slavery Forum.

Wholesalers: we nurture close relationships with our wholesale partners, through monthly and weekly updates to understand their product needs and ongoing preferences.

Licensees: we maintain a frequent cycle of meetings and reviews with our licensing partners, covering all aspects of product, brand, marketing, merchandising and financial results.

Supply chain partners: we work with members of our supply chain on an ongoing basis to drive social and environmental improvements, focusing on every step in our sourcing and manufacturing processes. We involve our supply chain partners in initiatives that support our 2022 Responsibility goal of driving positive change through 100% of our products, and ensure that they comply with our Responsible Business Principles.

Responsibility Advisory Committee: since 2013, we have met quarterly with a group of external expert stakeholders from NGOs, social enterprise and academia so that they can challenge and comment upon Burberry's Responsibility Agenda.

Burberry Inspire: this four-year programme provides eight Yorkshire schools with an artist in residence, as well as unique opportunities for their students to experience theatre, film, dance and art at local and national organisations.

Career inspiration: we work with schools in Greater London and Yorkshire to enhance young people's awareness of and access to the creative industries, through in-school workshops, inspiration days and work experience weeks at Burberry.

Burberry apprentices: through our apprenticeship scheme, we offer young people training opportunities in areas such as craftsmanship and luxury business, encouraging them to develop the skills, confidence and experience required to pursue careers within the luxury industry and beyond.

Employee volunteering: employees are encouraged to donate up to three working days a year to support their local communities, with colleagues getting involved in activities as diverse as cooking for food banks, sports coaching and revaluing waste through upcycling.

Financial support: we donate 1% of Group adjusted profits before tax to charitable causes each year, including disaster relief support, scholarships and long-term community programmes led by The Burberry Foundation.

The Burberry Foundation: we support The Burberry Foundation (UK registered charity number 1154468) in creating long-term partnerships that drive positive change in our communities and help build a more sustainable future through innovation. Partnerships have ranged from tackling educational inequality and driving social and economic empowerment of vulnerable communities, to finding new solutions to the endemic waste challenge facing our industry.

In-kind donations: we donate raw materials and finished goods to support a variety of causes, such as assisting young people on creative courses or providing business clothing for employability programmes.

NON-FINANCIAL INFORMATION STATEMENT

This section of the strategic report constitutes Burberry's Non-Financial Information Statement, produced to comply with sections 414CA and 414CB of the Companies Act 2006. The information listed is incorporated by cross reference.

REPORTING REQUIREMENT	POLICIES AND STANDARDS WHICH GOVERN OUR APPROACH	INFORMATION NECESSARY TO UNDERSTAND OUR BUSINESS AND ITS IMPACT, POLICY DUE DILIGENCE AND OUTCOMES
ENVIRONMENTAL MATTERS	• Global Environmental Policy • Responsible Sourcing Policy • Chemical Management Standards • Science Based Targets • Make Fashion Circular Initiative • New Plastics Economy Global Commitment • UNFCCC Fashion Industry Charter for Climate Action	• Responsibility goals and commitments, in particular our Product and Company goals page 42 • Responsibility section on www.burberryplc.com
EMPLOYEES	• Our Culture and Values • Global Health and Safety Policy • Human Rights Policy • Ethical Trading Code of Conduct • Responsible Business Principles • Model Wellbeing Policy	• Inspired People page 40 • Stakeholder Engagement page 62 • Gender Pay Gap Report found in the People section on www.burberryplc.com • People and Responsibility sections on www.burberryplc.com
RESPECT FOR HUMAN RIGHTS	• Human Rights Policy • Ethical Trading Code of Conduct • Transparency in the Supply Chain and Modern Slavery Statement • Data Privacy Policy • Information and Cyber Security Policy	• Human Rights Statement page 54 • Responsibility section on www.burberryplc.com
SOCIAL MATTERS	• Responsible Business Principles • Ethical Trading Code of Conduct • Local Stakeholder Engagement Policy • Volunteering & Match Funding	• Responsibility section on www.burberryplc.com
ANTI-CORRUPTION AND ANTI-BRIBERY	• Anti-Bribery and Corruption Policy • Anti-Money Laundering and Counter-Terrorist Financing Policy • Fraud Risk Management Policy	• Reflecting the needs of our stakeholders: Customers, page 62 • Reflecting the needs of our stakeholders: Employees, page 62
ADDITIONAL DISCLOSURE		• Our business model page 17 • KPIs page 58 • Principal risks page 74 • People page 40

FINANCIAL REVIEW

- Revenue (excluding Beauty wholesale) +2% CER, +2% reported
  - Comparable store sales +2%, wholesale ex beauty +7% at CER
- Total Revenue £2,720 million, -1% CER and flat reported
- Adjusted operating profit £438 million, flat CER, -6% reported
  - Gross margin down 100bps negatively impacted by FX and growing investment in product, whilst operating expenses benefited from incremental cost savings of £41 million, ahead of plan
- Adjusted operating margin of 16.1% +10bps at CER, -100bps reported
- Reported operating profit £437 million, +7% after adjusting charges of £1 million (2018: £57 million)
- Adjusted diluted EPS 82.1p, +7% CER, flat reported supported by an effective tax rate reduction of 200bp and 7 million share repurchases. Reported diluted EPS 81.7p, +19% at reported
- Free cash flow of £301 million (2018: £484 million) with the prior year benefiting from very high cash conversion reflecting reduced inventory and a receivables inflow relating to the beauty business. Cash conversion in FY 2019 remained strong at 93%
- Net cash of £837 million at 30 March 2019 after returning £321 million cash to shareholders through a combination of dividends (£171 million) and share buybacks (£150 million)
- Full year dividend per share up 3% to 42.5p (2018: 41.3p), in line with progressive dividend policy

SUMMARY INCOME STATEMENT

Period ended	30 March	31 March	% change	
£ million	2019	2018	reported FX	CER
Revenue	2,720	2,733	0	(1)
Cost of sales	(859)	(836)	3	
Gross profit	1,861	1,897	(2)	
Gross margin%	68.4%	69.4%		
Operating expenses*	(1,423)	(1,430)	(1)	
Opex as a % of sales	52.3%	52.3%		
Adjusted operating profit*	**438**	**467**	**(6)**	**0**
Adjusted operating margin	16.1%	17.1%		
Adjusting operating items	(1)	(57)		
Operating profit	**437**	**410**	**7**	
Net finance credit**	4	3		
Profit before taxation	**441**	**413**	**7**	
Taxation~	(102)	(119)		
Non-controlling interest	–	–		
Attributable profit	**339**	**294**		
Adjusted profit before taxation	443	471	(6)	0
Adjusted EPS (pence)*^	**82.1**	**82.1**	**0**	**7**
EPS (pence)^	**81.7**	**68.4**	**19**	
Weighted average number of ordinary shares (millions)^	415.1	429.4		

* Excludes adjusting items
** Includes adjusting finance charge of £1 million (2018: £2 million)
~ Includes adjusting tax charge of £nil (2018: £12 million)
^ EPS is presented on a diluted basis

REVENUE ANALYSIS

Revenue by channel

Period ending £ million	30 March 2019	31 March 2018	% change reported FX	 CER
Retail	2,186	2,177	0	0*
Retail comparable store sales	2%	3%		
Wholesale ex Beauty	488	453	8	7**
Licensing	46	30	54	53
Revenue ex Beauty wholesale	**2,720**	**2,660**	**2**	**2**
Beauty wholesale	0	73		
Group revenue	**2,720**	**2,733**	**0**	**(1)**

* Includes impact of space -1.2%, retail calendar -0.2% and IFRS 15 -0.1%
** Includes impact of IFRS 15 -0.4%

RETAIL

- Retail sales flat at CER, flat reported
- Comparable store sales 2% (H1: 3%; H2: 1%)
- Net impact of space on revenue -1% as guided

Comparable store sales by region:

- **Asia Pacific:** Low single digit percentage growth
  - Mainland China delivered low single digit percentage growth, with a stronger second half due to the shift of Chinese spending away from other Asian tourist locations
  - Hong Kong was broadly stable with softer trends in the second half
  - Korea increased low single digits benefiting from growth in local consumption as well as exceptional spending from travelling Chinese consumers in the first half of the year
  - Japan declined by a low single digit percentage impacted by softer tourist flows towards the end of the year

- **EMEIA:** Low single digit percentage growth
  - The UK delivered mid-single digit percentage growth, benefiting from improved tourist spending in the second half
  - Continental Europe grew low single digit and the Middle East declined, impacted by the macro-environment
- **Americas:** Low single digit percentage growth
  - The US grew by a low single digit percentage with the second half negatively impacted by softer local footfall trends
  - Tourist flows in the US remained subdued throughout the year

By product, mainline and digital customers responded positively to seasonal product and innovation, however, previous collections were softer year on year:

- Strong initial response to Riccardo-designed product arriving in stores from end of February with strong double digit percentage growth, consistent with our ambitions
- Full look merchandising initiative drove improvements in cross-selling, benefiting the performance of tops, skirts and trousers
- Customers responded positively to new bags as we continued to build out a fuller leather goods architecture. However, the overall category performance was impacted by softness in older lines

Store footprint:

- Continued to upgrade our retail distribution network, closing a net 18 stores (seven mainline, nine concessions and two outlets)
- Store openings included the relocation and expansion of our Dubai flagship and openings in Shin Kong Place, Xian (China)
- 14 of our retail stores aligned to our new aesthetic by the end of the period

Digital:

- Growth in digital driven by Asia, mobile and new third party relationships
- Innovated in social commerce including the B-Series, a monthly drop of limited edition product, and by partnering with Instagram on the launch of check-out in the US

WHOLESALE

- Wholesale revenue +7% excluding Beauty at CER, +8% reported, slightly ahead of our expectations due to timing of shipments:
  - Asia Pacific delivered exceptional growth supported by strong Chinese spending in travel retail
  - EMEIA grew mid-single digits with growth from luxury doors more than offsetting the closures of non-luxury doors
  - The Americas declined by a mid-single digit percentage impacted by our strategic rationalisation of non-luxury doors in the second half
- In October 2017, Beauty transitioned from a wholesale business to a licensed partnership with Coty. Including the impact of this change on our H1 2019 results, full year total wholesale revenue decreased by 8% at CER (down 7% reported)

LICENSING

Licensing revenue of £46 million, 53% at CER and 54% at reported, benefiting from Beauty transitioning from a wholesale to licensed business model. Excluding the impact of Beauty, licensing declined £3 million due to the non-renewal of the watch licence with Fossil.

OPERATING PROFIT ANALYSIS

Adjusted operating profit

Period ended £ million	30 March 2019	31 March 2018	% change reported FX	CER
Gross profit	1,861	1,897	(2)	
Gross margin%	68.4%	69.4%		
Operating expenses*	(1,423)	(1,430)	(1)	
Opex as a % of sales	52.3%	52.3%		
Adjusted operating profit*	**438**	**467**	**(6)**	**0**
Adjusted operating margin	16.1%	17.1%		

Adjusted operating profit was flat and margin increased by 10bps at CER.

- Gross margin was stable at CER with investments in design, product development and quality offset by favourable movements in inventory provisions, duty credits and Beauty transitioning to a licence model.
- Opex as a percentage of sales was also stable with an incremental £41 million of cost savings (ahead of the planned £36 million) offsetting continued inflationary pressures and strategic investments.

Including a £29 million headwind from currency, adjusted operating profit declined 6% at reported rates and margin fell 100bps.

After a net finance credit of £5 million, adjusted profit before tax was £443 million stable at CER and down 6% at reported rates.

ADJUSTING ITEMS*

Period ending £ million	30 March 2019	31 March 2018
Restructuring costs	(12)	(54)
Disposal of beauty business	7	–
Goodwill impairment	–	(7)
BME deferred consideration income	4	4
Adjusting operating items	**(1)**	**(57)**
Adjusting financing items	(1)	(2)
Adjusting items	**(2)**	**(59)**

* For additional detail on adjusting items notes 6 to 7 of the Financial Statements

Restructuring costs: Restructuring costs of £12 million related to both our cost and efficiency programme and our non-strategic store rationalisation.

Disposal of Beauty business: The income of £7 million reflects the reassessment of the provisions relating to both beauty contract terminations and beauty trade receivables.

Goodwill impairment: The goodwill impairment charge in the prior year relates to our Saudi Arabian business due to challenging macroeconomic conditions. There was no charge in the current year.

Burberry Middle East (BME) deferred consideration: The £4 million income reflects the revaluation of the deferred consideration balance.

Adjusting finance charge: The £1 million charge relates to the discount unwind on the deferred consideration for the BME transaction.

TAXATION

The effective tax rate on adjusted profit in FY 2019 reduced 200bps to 23.1% (2018: 25.1%) reflecting a change in the geographic mix of profits and a lower US tax rate. This was largely in line with the effective tax rate on reported profit of 23.0%* (2018: 28.8%). The total tax charge was £102 million (2018: £119 million).

* For detail see note 10 of the Financial Statements

TOTAL TAX CONTRIBUTION

The Group makes a significant economic contribution to the countries where it operates through taxation, either borne by the Group or collected on behalf of and paid to the relevant tax authorities. In FY 2019, the total taxes borne and collected by the Group amounted to £436 million. In the UK, where the Group is headquartered and has significant operations, Burberry paid business taxes of £73 million and collected a further £32 million of taxes on behalf of the UK Exchequer. For further information see www.burberryplc.com

CASH FLOW

Free cash flow generated in FY 2019 was £301 million and cash conversion remained strong at 93% (2018: 128%). In the prior year, free cash flow was unusually high (£484 million), benefiting from an inventory reduction and a receivables inflow relating to the transfer of our beauty business to a licensed business model. These impacts did not repeat in the current year with the key flows reflecting the following:

- Inventory up 10% at CER resulting in a £59 million outflow predominantly reflecting our investment into product quality, our on-going product transition and higher raw materials due to the Burberry Manifattura acquisition
- Trade and other receivables resulting in a £55 million outflow predominantly reflecting non-trade related factors such as taxes and prepayments
- Trade and other payables resulting in a £55 million inflow relating to higher accruals and the timing of payments
- Capital expenditure of £110 million (2018: £106 million), below original guidance due to the timing of payments between FY 2019 and FY 2020
- Tax paid of £111 million (2018: £118 million)

Net cash at 30 March 2019 was £837 million (2018: £892 million) with £321 million returned to shareholders (dividends of £171 million and share buyback of £150 million). Lease adjusted net debt at 30 March 2019 was £409 million (2018: £327 million).

OUTLOOK

As we set out in November 2017, FY 2020 represents the final year of our foundational period. As planned, during the year, we will focus on managing through our creative transition and continuing to align our distribution network to our new vision. We started these activities in FY 2019, but they will step up in FY 2020.

We confirm our financial guidance for broadly stable revenue and adjusted operating margin at CER in FY 2020* including cumulative cost savings of £120 million. We are raising our cumulative cost saving guidance to £135 million by FY 2022.

As planned, we anticipate a more pronounced weighting of operating profit in H2 2020 relative to H1 than in the prior year. This results in a decline in H1 2020 at CER largely due to the strong comparator in the prior year. We expect growth to be re-established in H2 as Riccardo's collections build through the year.

DETAILED GUIDANCE FOR FY 2020*

Item	Financial impact
Revenue	We expect revenue to be broadly stable at CER
Retail revenues	No expected impact from net space on our retail revenue with the headwind from non-strategic store rationalisation programme offset by strategic store openings • H1 2020 -1% • H2 2020 +1%
Wholesale revenues	Reduce by a mid-single digit percentage reflecting the strength from luxury doors partly offsetting non-luxury door closures
Gross margin	FY down around 100bps reflecting investment into product with a more pronounced impact in H1 2020
Cost savings	Cost savings will reach a cumulative £120 million, an incremental £15 million from the prior year
Operating margin	We expect operating margin to be broadly stable at CER
Tax	We anticipate a further c100bps reduction to around 22% in FY 2020
Currency	At 30 April spot rates**, the expected impact of year-on-year exchange rate movements on reported adjusted operating profit is a £7 million headwind. The headwind to revenue is expected to be c.£20 million
Restructuring costs	£16 million (including the non-strategic store rationalisation)
Capital expenditure	£200 million with the incremental spend predominantly reflecting new store openings and our store refurbishment programme
Share buyback	£150 million

Currency sensitivity: In FY 2019, a +/-5% move in sterling would have resulted in a -/+£45-50 million impact on the adjusted operating profit of £438 million.

IFRS 16: We will adopt new lease standard IFRS 16 in FY 2020. This will materially impact the Group's balance sheet and income statement~:

- Income statement: we anticipate profit before tax will be £10 million-£30 million lower than under current accounting standards. This arises as lease interest expense is front end loaded under IFRS 16 compared with rent expense being recognised over a straight line under current standards
- Balance sheet: we anticipate the recognition of a lease liability of around £1.0 billion-£1.2 billion and right of use asset of around £1.0 billion-£1.2 billion
- Cash flow: There will be no impact on net cash flow
- Lease adjusted debt: For the purposes of the assessment of our net debt ratio, we intend to refine our current measure of lease adjusted net debt following adoption of the new standard. We will provide a further update at H1

* Guidance assumes constant exchange rates, a stable economic environment and current tax legislation. It excludes the impact of the adoption of IFRS 16 and the UK's possible withdrawal from the EU without an agreement. In the event of the UK withdrawing from the European Union without an agreement, there is likely to be a material but manageable operational and financial impact on Burberry's business. We continue to prepare mitigating actions to limit the operational and financial impact in the short term

** Exchange rates: Spot rates at 30 April 2019. Euro 1.16, US Dollar 1.30, Chinese Yuan Renminbi 8.78, Hong Kong Dollar 10.23, Korean Won 1,520

~ For more detail relating to IFRS 16 see note 1 of the Financial Statements

STORE PORTFOLIO*

	Directly-operated stores				
	Stores	Concessions	Outlets	Total	Franchise stores
At 31 March 2018	240	155	54	449	46
Additions	11	5	1	17	–
Closures	(18)	(14)	(3)	(35)	(2)
At 30 March 2019	**233**	**146**	**52**	**431**	**44**

* Excludes the impact of pop up stores

STORE PORTFOLIO BY REGION*

	Directly-operated stores				
At 30 March 2019	Stores	Concessions	Outlets	Total	Franchise stores
Asia Pacific	95	85	14	194	6
EMEIA	67	54	21	142	38
Americas	71	7	17	95	–
Total	**233**	**146**	**52**	**431**	**44**

* Excludes the impact of pop up stores

ALTERNATIVE PERFORMANCE MEASURES

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

<table>
<tr><th>APM</th><th>Description and purpose</th><th>GAAP measure reconciled to</th></tr>
<tr><td>Constant Exchange Rates (CER)</td><td>This measure removes the effect of changes in exchange rates compared to the prior period. It incorporates both the impact of the movement in exchange rates on the translation of overseas subsidiaries' results and also on foreign currency procurement and sales through the Group's UK supply chain.</td><td>Results at reported rates</td></tr>
<tr><td>Comparable sales</td><td>The year-on-year change in sales from stores trading over equivalent time periods and measured at constant foreign exchange rates. It also includes online sales. This measure is used to strip out the impact of store openings and closings, allowing a comparison of equivalent store performance against the prior period.</td><td>Retail Revenue:
<table>
<tr><th>Period ended
YoY%</th><th>30 March
2019</th><th>31 March
2018</th></tr>
<tr><td>Comparable sales</td><td>2%</td><td>3%</td></tr>
<tr><td>Change in space</td><td>(1%)</td><td>0%</td></tr>
<tr><td>IFRS 15/Retail Calendar</td><td>0%</td><td>0%</td></tr>
<tr><td>FX</td><td>(1%)</td><td>(1%)</td></tr>
<tr><td>Retail revenue</td><td>0%</td><td>2%</td></tr>
</table></td></tr>
<tr><td>Revenue excluding beauty wholesale</td><td>Revenue excluding beauty wholesale is presented to exclude beauty wholesale from total revenue. This provides an equivalent measure of revenue against the prior period, following the disposal of the beauty business in October 2017.</td><td>Total Revenue:
<table>
<tr><th>Period ended
£m</th><th>30 March
2019</th><th>31 March
2018</th></tr>
<tr><td>Revenue excluding beauty wholesale</td><td>2,720</td><td>2,660</td></tr>
<tr><td>Beauty wholesale</td><td>0</td><td>73</td></tr>
<tr><td>Total Revenue</td><td>2,720</td><td>2,733</td></tr>
</table></td></tr>
<tr><td>Adjusted Profit</td><td>Adjusted profit measures are presented to provide additional consideration of the underlying performance of the Group's ongoing business. These measures remove the impact of those items which should be excluded to provide a consistent and comparable view of performance.</td><td>Reported Profit:
A reconciliation of reported profit before tax to adjusted profit before tax is included in the income statement on page 160. The Group's accounting policy for adjusted profit before tax is set out in note 2 to the financial statements.</td></tr>
<tr><td>Free Cash Flow</td><td>Free cash flow is defined as net cash generated from operating activities less capital expenditure plus cash inflows from disposal of fixed assets and excluding the net one-off operating cash inflow for deferred income relating to the beauty licence.</td><td>Net cash generated from operating activities:
<table>
<tr><th>Period ended
£m</th><th>30 March
2019</th><th>31 March
2018</th></tr>
<tr><td>Net cash generated from operating activities</td><td>411</td><td>678</td></tr>
<tr><td>Capital expenditure</td><td>(110)</td><td>(106)</td></tr>
<tr><td>One-off cash inflow for beauty licence</td><td>–</td><td>(88)</td></tr>
<tr><td>Free cash flow</td><td>301</td><td>484</td></tr>
</table></td></tr>
<tr><td>Cash Conversion</td><td>Cash conversion is defined as free cash flow pre tax/ adjusted profit before tax. It provides a measure of the Group's effectiveness in converting its profit into cash.</td><td>
<table>
<tr><th>Period ended
£m</th><th>30 March
2019</th><th>31 March
2018</th></tr>
<tr><td>Cash conversion</td><td>93%</td><td>128%</td></tr>
</table></td></tr>
<tr><td>Lease Adjusted Net Debt</td><td>Defined as five times minimum lease payments, adjusted for charges and utilisation of onerous lease provisions, less net cash. This is considered to be a reasonable estimate of the Group's net debt, including operating lease debt which is currently off balance sheet.</td><td>Net cash:
<table>
<tr><th>Period ended
£m</th><th>30 March
2019</th><th>31 March
2018</th></tr>
<tr><td>Net cash</td><td>837</td><td>892</td></tr>
<tr><td>Operating lease debt</td><td>(1,246)</td><td>(1,219)</td></tr>
<tr><td>Lease adjusted net debt</td><td>(409)</td><td>(327)</td></tr>
</table></td></tr>
</table>

CAPITAL ALLOCATION FRAMEWORK

Burberry's Capital Allocation Framework is used to prioritise the use of cash generated by the Group. The framework addresses the investment needs of the business, regular dividend payments and additional returns to shareholders. The framework also seeks to maintain an appropriate capital structure for the business and a strong balance sheet with solid investment grade credit metrics. The diagram below summarises the key priorities.

REINVEST FOR ORGANIC GROWTH

1

- Capital spend across store portfolio, including new space, refreshes and refurbishments; IT infrastructure, including digital; and the supply chain.

PROGRESSIVE DIVIDEND POLICY

2

- Committed to maintaining or growing the dividend in pence terms year on year.
- Deliver regular cash returns to shareholders.

STRATEGIC INVESTMENTS

3

- Investment in structural changes to our business activities that typically tend to be infrequent.
- In September 2018, we completed the acquisition of a division of our long-standing Italian partner to create a new leather goods centre of excellence, covering activities from prototyping, product innovation, engineering and the coordination of production.

RETURN EXCESS CASH TO SHAREHOLDERS

4

- Review future cash generation to reflect Burberry's growth, productivity and investment plans, while taking into consideration the external environment.

Maintain a strong balance sheet with solid investment grade credit metrics.

- Review the principal risks of the Group and relevant financial parameters, both historical and projected, including liquidity, lease-adjusted net debt and measures covering balance sheet strength and fixed charge cover.
- These risks and financial parameters are considered by the Board when assessing the viability of the Group, as set out on page 74.

Capital structure metrics	FY 2018/19	FY 2017/18
Net cash	£837m	£892m
Lease-adjusted net debt	(£409m)	(£327m)

Burberry has applied its capital allocation framework during the year ended 30 March 2019 as follows:

- Reinvested £110 million into the business as capital expenditure.
- Increased its full-year dividend by 3% to 42.5p.
- Paid £14.5 million upon completion of the acquisition of a luxury leather goods business, to create a leather goods centre of excellence in Italy. Payments of £11.1 million were made in the year in respect of the acquisition of a non-controlling interest in Burberry Middle East LLC.
- Returned a further £150 million to shareholders via a share buyback programme.


BURBERRY
LONDON ENGLAND
West Broadway
THRU
W HOUSTON
SOHO
NYC

RISK AND VIABILITY REPORT

OUR APPROACH TO RISK

The Group's strategy takes into account risks, as well as opportunities, which need to be actively managed. Effective risk management is essential to executing our strategy, achieving sustainable shareholder value, protecting the brand and ensuring good governance.

The Board is ultimately responsible for determining the nature and extent of the principal risks it is willing to take to achieve our strategic objectives (the Board's risk appetite), and challenging management's implementation of effective systems of risk identification, assessment and mitigation.

The Audit Committee has been delegated the responsibility for reviewing the effectiveness of the Group's internal controls and risk management arrangements.

Ongoing review of these controls is provided through internal governance processes and the work of the Group functions is overseen by the Executive Committee, particularly the work of Group Risk and Internal Audit and the Risk and Ethics Committees.

An integral part of our business, our risk management process is co-ordinated by our Group Risk team, reporting to our Chief Operating and Financial Officer. Risk management activities include identifying risks, undertaking risk assessments and determining mitigating actions. These activities are reviewed by our Internal Audit and other control functions, which provide assurance to our Risk Committee, and ultimately to our Board and Board Committees, as shown in the diagram on page 102.

RISK APPETITE

The Board reviews and validates the Group's risk appetite on an annual basis. This is integrated into our wider risk management framework to support better decision-making and prioritisation.

We will pursue growth and are prepared to accept a certain level of risk to firmly establish our position in luxury fashion and inspire our customers with our unique British twist. We operate in a competitive, dynamic sector with long-term growth potential. Within categories of risk, our tolerance for risk may vary.

Complying with applicable laws and doing the right thing is part of our culture and underpins our strategic ambition. In exploring risks and opportunities, we prioritise the interests and safety of our customers and employees, we seek to protect the long-term value and reputation of the brand, maximising commercial benefits to support responsible and sustained growth, and in doing so minimise risk.

OUR PRINCIPAL RISKS

Our risk management process has identified a broad range of risks and uncertainties, which we believe could adversely impact the profitability or prospects of the Group. Our principal risks are defined as those that we regard as the most relevant to our business. These are the risks that we see as most material to our performance and could threaten our business model or the future long-term performance, solvency or liquidity of Burberry.

Our risk framework is structured around the following categories of risk: Strategic and Financial, Operational and Compliance. Each principal risk is linked to one of these categories and may impact one or more of our strategic priorities.

We have reviewed and updated the descriptions and mitigating actions of our principal risks to reflect new emerging external risks and any new strategic priorities that have been announced. We reviewed whether the level of risk associated with each of the principal risks is increasing or decreasing compared to the previous financial year and noted new risks, which do not have a basis for comparison.

RISK MANAGEMENT PROCESS

BOARD AND BOARD COMMITTEES

Responsible for regular oversight of risk management, annual strategic risk review, and setting the Group's risk appetite.

Monitors risks through Board processes including regular reviews of strategy, management reports and deep dives into selected risk areas.

Audit Committee reviews effectiveness of risk management process with support from Internal Audit.

↑

MANAGEMENT RISK COMMITTEE (CHAIRED BY CHIEF OPERATING AND FINANCIAL OFFICER)

Reviews external and internal environment for emerging risks. Performs deep-dive reviews of principal risks.

Reviews risk register updates from risk owners.

Meets at least three times per year and reports key findings to the Audit Committee.

Cross-functional attendees, encompassing senior management from IT, Finance, Legal, HR, Supply Chain and Retail.

Identifies changes to significant risks and the effectiveness and adequacy of mitigating actions to achieve agreed risk tolerance levels.

↑

GROUP RISK AND ASSURANCE TEAM

- Establishes risk management framework.
- Facilitates updates to risk registers.
- Provides resources and training to support risk management process.
- Prepares Board and Risk Committee updates.

ETHICS COMMITTEE

- Reviews and monitors ethical risks, as well as behavioural and responsibility practices across the Group. Approves policies relating to such ethical matters, including the Group's codes of conduct.
- Performs deep-dive reviews and assesses results of investigations and corrective actions.
- Supports the Group in managing ethical and associated reputational risks, including overseeing awareness and training across the Group to reinforce business ethics and good practice.

FUNCTIONS AND BUSINESS RISK OWNERS

- Carry out day-to-day risk management activities.
- Identify and assess risk and implement action to mitigate risk within their area.
- Assign owners to risks to update risk registers.

INTERNAL AUDIT AND COMPLIANCE FUNCTIONS

- Review risk management process periodically.
- Compliance functions provide independent assurance to management and the Board on risk status (Health and Safety, Legal, Brand Protection, Quality, Asset and Profit Protection, Responsibility).

STRATEGIC AND FINANCIAL RISKS

EXECUTION OF STRATEGIC PLAN

Focused execution of the strategy through our six strategic pillars (Product, Communication, Distribution, Digital, Operational Excellence and Inspired People) is key to sustainable shareholder value. Success depends on the value and relevance of our brand to luxury consumers around the world and our ability to innovate.

Failure to execute the projects that underpin these strategies successfully could result in under delivery on the expected growth, productivity and efficiency targets. This could have a significant impact on the value of the business and market confidence in our ability to deliver the strategy.

We operate in the global luxury market, where competition is intensifying. Today's luxury customers demand creativity, curation, excitement, innovation and personalisation. Our ability to make the right strategic investment decisions in response to these changes is vital to our success.

No Change

LINK TO STRATEGY

All strategic pillars.

RISK TOLERANCE

We will pursue growth and accept a certain level of risk to ignite brand heat and firmly establish our position in luxury fashion.

We approve capital investment in strategic projects and accept moderate to high earnings volatility in pursuit of innovation and profitable growth, balancing a reasonable return on capital for a reasonable level of commercial risk within the approved capital allocation framework.

EXAMPLES OF RISKS

- Firmly positioning the brand in luxury is dependent on creating new and innovative luxury products that excite our global customers. If we are unable to innovate effectively and get these new products into the market with speed, our sales or margins could be adversely affected.
- Our development and deployment of content through communication channels does not create sufficient brand heat globally.
- We do not achieve the required organisational alignment and enhance our capabilities and culture to compete and grow effectively and at the pace required to deliver the targets.
- Failure to sufficiently transform operational processes could undermine our ability to deliver the required cost savings and margin improvements.
- Failure to deliver the technology innovation required to empower changes in the Group's business model and to deliver the anticipated benefits from key investment strategies in Digital, Retail and Group Operations.

ACTIONS TAKEN BY MANAGEMENT

- Throughout FY 2018/19 we focused on building the capabilities to develop and deliver our strategy. Key executive-level appointments were made to drive the Communication and Distribution strategies.
- The Executive Committee is accountable for the conduct of these programmes and delivery of outcomes in accordance with our Board-approved plan.
- A Transformation Management Office co-ordinates delivery of the programme, monitors the risks associated with each of the major programmes, and tracks progress and benefits.
- We have increased our focus on measuring and demonstrating progress in our transformation. We have designed a set of lead indicators to assess progress in product, communications, store performance and service.
- FY 2018/19 was an important year in advancing our Product and Communication strategies with significant interest generated ahead of commercialising Riccardo Tisci's first collections. The product assortment and cadence of release has been altered with a stronger focus on leather goods and collaborations, and some ranges being sold exclusively through digital channels.
- We continued to increase our focus on digital and ensure that our social channels and their content are relevant for the different markets in which we operate.
- Our Inspired People initiatives include leading the Group-wide engagement survey. This has shown a marked increase in the understanding of our strategic goals and transformation plan within the Group.
- Our Operational Excellence programme continues apace and has now delivered cost savings of £105 million since its inception in FY 2016/17.
- Our IT strategy, prepared by the Chief Information Officer and the IT Leadership Team, comprises a portfolio of IT projects linked to the Group's strategic objectives. IT projects are managed by the IT Portfolio Forum.

IMAGE AND REPUTATION

The Group carefully safeguards its image and reputational assets. Unfavourable incidents, unethical behaviour or erroneous media coverage relating to the Group's senior executives, products, practices or supply chain operations could damage the Group's reputation.

As our customers continue to engage with the brand through social media, a misleading perception of the Group's values and performance could potentially lead to a slowdown in sales.

Burberry's increasing reliance on influencers in its marketing and on collaborations in product design exposes the Group to increased reputational risk.

New

LINK TO STRATEGY

All strategic pillars.

RISK TOLERANCE

Protecting the brand and its reputation globally is at the heart of everything we do. We take a risk-averse approach, adopting a strategy to avoid or mitigate any reputational/ brand risk.

EXAMPLES OF RISKS

- An unfavourable incident relating to a senior executive, erroneous media coverage or negative discussions on social networks could damage Burberry's reputation.
- A celebrity, influencer, collaborator or model associated with Burberry becoming involved in a reputational incident could potentially lead to pressure on Burberry to distance the brand from them and could reflect poorly on Burberry, negatively impacting Burberry's reputation.
- Unfavourable or erroneous media coverage or negative discussions on social networks about the Group's products, content or practices could impact brand reputation.
- Unethical behaviour on the part of individuals or entities connected with the Group could attract negative attention to the brand.
- If suppliers or partners do not respect the Group's Responsible Business Principles this could reflect negatively on Burberry.
- Failure of employees or those acting on Burberry's behalf to adhere to Burberry's Model Well-being Policy could result in reputational or legal risk.
- Failure to understand social issues and respect cultural sensitivities could negatively impact Burberry's reputation.

ACTIONS TAKEN BY MANAGEMENT

- Training and monitoring of adherence by personnel to the requirements in the Group's Responsible Business Principles.
- Codified incident management policy, monitoring of social networks and response procedures.
- Oversight of mitigation of reputational issues by the Ethics and Risk Committees.
- The Group has established Corporate Responsibility (CR) standards, which aim to ensure compliance with labour, human rights, health and safety and environmental standards across our operations and extended supply chain.
- Supplier audits and supplier training programmes are examples of the actions and programmes that have been put in place in day-to-day operations.
- Strengthening our approval processes and editorial controls to ensure all product and content is reviewed and signed off prior to external release.
- Introducing additional training to strengthen our understanding of and sensitivity to a range of perspectives to help us live our values and fully embrace diversity and inclusion.
- Establishing employee councils focused on diversity and inclusion.
- Assembling an advisory board of external experts to provide insight and help raise Burberry's consciousness and understanding of social issues.
- Increasing awareness of and training with respect to Burberry's Model Well-being Policy to all people who engage with model on Burberry's behalf, including employees, freelancers, casting agents, contractors and external third parties to ensure they adhere to the policy.

GLOBAL CHINESE CONSUMER SPENDING

Global Chinese consumer spending patterns significantly change having an immediate adverse impact on Group sales. Any significant change to Chinese consumer spending habits or the economic, regulatory, social and/or political environment in China could adversely impact the domestic consumer group's disposable income or confidence. Such changes could also lead to Chinese consumers scaling back on international travel, which could impact the Group's revenue and profits outside China.

New

LINK TO STRATEGY

All strategic pillars.

RISK TOLERANCE

We will pursue growth and accept a certain level of risk to ignite brand heat with Chinese consumers and firmly establish our position in luxury fashion.

EXAMPLES OF RISKS

- Burberry's growth from Asia does not reach expectations either in magnitude or timing, especially in China (where growth rates are highest).
- Significant short-term slowdown in luxury goods consumption by Chinese consumers.

ACTIONS TAKEN BY MANAGEMENT

- The Group has strengthened the leadership team across Asia and has made continued investment in new stores, including new openings in China, and the refurbishment of stores such as Kerry Centre in China.
- Development and execution of China strategy, including targeted marketing around lunar new year.
- Investment in inventory and technology to support China digital across our own platforms and those of our third-party partner platforms.
- Supporting investment and growth strategies in other global markets to reduce Burberry's exposure to an individual country or group of customers.

FOREIGN EXCHANGE

Volatility in foreign exchange rates could have a significant impact on the Group's reported results. Burberry is exposed to uncertainty through foreign exchange movements. The outcome of the UK's withdrawal from the EU may have a major impact on foreign exchange rates, which in turn could cause significant change in our Group reported results.

Increased

LINK TO STRATEGY

Volatility in foreign exchange rates could impact our overall financial performance.

RISK TOLERANCE

Burberry does not seek to manage structural foreign exchange risk relating to its overseas retail operations.

EXAMPLES OF RISKS

- Burberry operates on a global basis and earns revenues, incurs costs and makes investments in a number of currencies. Burberry's financial results are reported in pound sterling. Most reported revenues are earned in non-pound sterling currencies, with a significant proportion of costs in pound sterling. Therefore, changes in exchange rates, which are driven by several factors, such as global economic trends, the form of the UK's withdrawal from the EU or other developments, could impact Burberry's revenues, margins, profits and cash flows.

ACTIONS TAKEN BY MANAGEMENT

- Burberry seeks to hedge anticipated foreign currency transactional cash flows using financial instruments. These are mainly in Burberry's centralised supply chain and wholesale business. Burberry does not hedge intra-group foreign currency transactions at present.
- Burberry monitors the desirability of hedging the net assets of non-pound sterling subsidiaries when translated into pound sterling for reporting purposes. We have only entered into modest transactions for this purpose in the current and previous year.
- Burberry monitors the overall impact of unhedged exchange movements and provides guidance to shareholders if exchange rates move on a quarterly basis.

OPERATIONAL RISKS

LOSS OF DATA OR CYBERATTACK

A cyberattack results in a system outage, impacting core operations and/or results in a major data loss leading to reputational damage and financial loss.

The Group's technology environment is critical to success. A robust control environment helps decrease the risks to core business operations and/or major data loss.

No change

LINK TO STRATEGY

Having a resilient technology landscape is integral to delivering our Operational Excellence and Digital strategic pillars.

RISK TOLERANCE

Protecting the brand and its reputation globally is at the heart of everything we do. We take a risk-averse approach, adopting a strategy to avoid or mitigate any reputational/brand risk.

EXAMPLES OF RISKS

- Malware results in a loss of system control causing business disruption and/or major data loss.
- Credential compromise of customer or employee accounts leading to business disruption and/or major data loss.
- Accidental personal data loss or disclosure leading to regulatory fines.
- Attack on www.burberry.com causing business disruption and/or major data loss.
- Compromise or misconfiguration of externally facing assets causing business disruption and/or major data loss.
- Fines due to failure to comply with EU General Data Protection Regulation (GDPR) and/or equivalent applicable data protection legislation globally.

ACTIONS TAKEN BY MANAGEMENT

- Governance provided through the cross-functional Cyber Security Steering Group with Executive membership and sponsorship.
- Continued investment in the cybersecurity programme and completion of independent risk assessments to validate the strategy and identify capabilities required to achieve the appropriate levels of security.
- Expanded cybersecurity scorecard monitoring to Executive and IT management through monthly reporting.
- Security monitoring, which provides monitoring of the network and computers 24/7, 365 days a year, supported by robust security incident response processes.
- Creation of an Information Security Advisory function to embed security in new projects and initiatives.
- Security Training and Awareness rolled out to employees globally with completion monitoring. This included completion of multiple phishing awareness campaigns.
- Implementation of solutions to detect personal and sensitive data loss with improved control over user access management.
- Established process for third-party security assessments.
- Data Privacy Steering Committee, a cross-functional group to review data controls around existing systems as well as assess the potential data risks (from both a legal and reputational perspective) associated with new IT, Marketing, Retail and Digital initiatives across Burberry.
- Ongoing collaboration between the Data Protection office, Legal, IT and Information Security to ensure policies are adhered to in respect to the appropriate collection, security, storage, retention and deletion of personal data.

PEOPLE

Inability to attract, motivate, develop and retain our people to perform to the best of their ability in order to meet our strategic objectives.

No change

LINK TO STRATEGY

Delivery of our strategy relies on our ability to ensure our people continue to be driven and inspired to deliver outstanding results for the Group. This is done through fostering a dynamic and inclusive culture where all employees feel engaged, empowering and equipping our leaders, strengthening capabilities and expanding our talent plans, simplifying how we work, and driving positive change and a more sustainable future across every part of our footprint.

RISK TOLERANCE

We recognise the value and importance of successfully delivering our Inspired People strategy and therefore have a low tolerance for risk in this area.

EXAMPLES OF RISKS

- Failure to engage or equip our teams to deliver our strategy, or address key capability gaps.
- Failure to build the right capabilities and behaviours in our leadership population.
- Loss of critical talent/knowledge/ unmanageable levels of attrition due to ongoing transition period/change fatigue.
- The long-term impact of the UK's withdrawal from the EU on the Group's EU workforce.

ACTIONS TAKEN BY MANAGEMENT

Leadership and Culture

- A new Leadership Development Programme, built around Burberry Behaviours, is being rolled out to engage and equip leaders. The programme is run over nine months and comprises 360 feedback, coaching and a three-day event. To date, the Executive Committee, senior leadership team and 62 leaders have attended the three-day event, with all other leaders to be enrolled by the end of FY 2019/20.
- A second global employee engagement survey was carried out in July 2018, with results published in September, with 87% of employees confirming that they were proud to work at Burberry. Leaders are held accountable for delivering against agreed action plans. A third global engagement survey will take place in July 2019.
- Leaders were equipped with regular strategy updates, including talking points and exercises, to engage their teams on the strategic direction and build a sense of belonging to the inclusive culture at Burberry. The engagement survey illustrated a significant shift in employees' understanding of the Group's direction (from 68% in 2017 to 74% in 2018).

Talent and Careers

- A new careers site has been created and launched, including experience maps, to engage the workforce on the Burberry careers proposition, in line with feedback received through the employee engagement survey.
- An approach for identifying high potentials across the organisation has been rolled out.
- All line managers have been invited to attend "Career Conversations" training, rolled out for all employees in career development. We have also held Global and Regional Careers Awareness weeks.

Performance, Reward and Recognition

- Simplified, more effective performance management process across the business rolled out with a four-point performance rating scale.
- Continuation of embedding Burberry Behaviours into performance management.
- Our Executive Committee ensures there is a competitive total reward offering, both financial and non-financial, to retain our people and to attract new hires.

Diversity, Inclusion and Employee Relations

- We have developed a plan focused on increasing understanding, diversifying the pipeline of talent and championing those who help others to ensure we create and promote a more diverse and inclusive workforce.
- We are in the process of hiring a Director of Diversity and Inclusion and a VP, Employee Relations.

Well-being

- 51 UK employees have now been trained as qualified mental health first aiders, with further courses scheduled.
- Further plans to define Burberry's Well-being strategy in place.

IT OPERATIONS

IT operations fail to support critical processes across the Group including Retail, Digital and Group functions such as Supply Chain and Finance.

No change

LINK TO STRATEGY

All strategic pillars.

RISK TOLERANCE

In operating our business and managing the possible disruption to our IT operations, we have a low tolerance for risk.

EXAMPLES OF RISKS

- Failure to provide technology platforms that meet customer demands and support innovation could result in failure to deliver the strategy and loss of revenue.
- Failure to provide stable and resilient technology platforms that meet business demands could result in failure to deliver the strategy and negatively impact operations due to poor system performance and/or system outages.

ACTIONS TAKEN BY MANAGEMENT

- IT function has been further strengthened with clear alignment between the IT teams, the strategic pillars, business functions and operations.
- Controls to maintain the continuity of the Group's IT systems are in place, including business continuity and IT recovery plans, which would be implemented in the event of a major failure.
- A tested Group incident management framework is in place to report, escalate and close high-impact events.
- Programmes that will improve IT's ability to support operations are in place with a clear portfolio of IT projects linked to the Group's strategic objectives. Delivery of these projects is overseen by our IT Portfolio Forum, which regularly monitors progress.

SUSTAINABILITY AND CLIMATE CHANGE

The success of our business over the long term will depend on the social and environmental sustainability of our operations, the resilience of our supply chain and our ability to manage the impact of any potential climate change on our business model and performance.

To address long-term sustainability challenges and understand potential impacts of climate change on our business, in both operational and financial terms, we have been working with Forum for the Future to explore global environmental, social and technological trends and how they could affect our business model. This exercise has involved senior leadership from across the business and results are now informing the development of cross-functional action plans to help us mitigate long-term risks and future-proof our business.

Increased

LINK TO STRATEGY

Our commitment to being an industry leader in responsible and sustainable luxury underpins our vision to establish ourselves firmly in luxury fashion and deliver sustainable, long-term value.

RISK TOLERANCE

We have a low tolerance for risk, when it comes to protecting the human and environmental resources we all depend on. However, given the long-term nature of some sustainability risks and the level of uncertainty associated with their occurrence and impact, we accept that some risks are inevitable. We therefore focus on helping to minimise global risks while building resilience in our operations and supply chain.

EXAMPLES OR RISKS

- Resource scarcity, coupled with increasing demand, could affect the production, availability, quality and cost of raw materials.
- Increased frequency of extreme weather events, from floods to droughts, could cause disruption in our supply chain and impact our business model by changing the sourcing of raw materials, as well as the production and distribution of finished goods.
- Increased regulation and more stringent environmental standards could impact our business by affecting production costs and flexibility of operations.
- Our industry is sustained by many agricultural and manufacturing communities around the world. Failure to support them in preserving key skills and building more sustainable livelihoods could cause social, economic and operational challenges, from community tensions and disruption to production to a reduced talent pool.

ACTIONS TAKEN BY MANAGEMENT

- Our Chief Supply Chain Officer is responsible for ethical trading, environmental sustainability and community investment matters and reports on these topics to the Ethics Committee, Risk Committee and the Board.
- Long-standing responsibility programmes, coupled with our 2022 Responsibility goals, are driving continuous improvements while supporting our supply chain partners in moving beyond social and environmental compliance. See more on pages 42 to 55.
- We continuously explore more sustainable materials and manufacturing processes. Recent examples are included on page 47.
- During FY 2018/19, we completed three scenario analysis workshops to assess long-term environmental, social and technological trends that could significantly impact our business model and operations over the next 20 years. We explored the uncertainties, risks and opportunities that lie ahead, in light of forecasted climate change impacts to 2040, which will inform our strategic response to climate change.
- We have set science based targets to address our GHG emissions along our entire value chain. Our targets have been approved by the Science Based Target Initiative (SBTi) and are in line with the Paris Agreement to limit global warming to 1.5 degrees from pre-industrial levels.
- We are signatories of the UNFCCC Fashion Industry Charter for Climate Action, which aims to reduce aggregate GHG emissions across the fashion industry by 30% by 2030. Representatives of our Responsibility team participate in the working groups and chair one of them.
- In September 2018, we were the first luxury company to announce that we were stopping the practice of destroying any unsaleable finished products. We are implementing a zero-waste mindset across our global operations, with a focus on improving inventory management, extending the life cycle of our products and maximising donation, repurposing and recycling routes, while developing new partnerships and solutions for revaluing waste.
- We are core partners of the Ellen MacArthur Foundation's 'Make Fashion Circular' initiative, which aims to create a new, circular textiles economy, and signatories of the New Plastics Economy Global Commitment, which aims to eradicate plastic waste and pollution by 2025.
- We continue to support programmes led by The Burberry Foundation that tackle educational inequality in Yorkshire, foster community cohesion in Italy, and enhance social and economic empowerment in Afghanistan.
- We use the WWF water risk assessment tool and the Aqueduct Water Risk Atlas to understand potential future strains on water resources and long-term risks in our supply chain. This informs the roll-out of our energy and water reduction programme to key supply chain partners.
- We are a founding partner of the Sustainable Fibre Alliance (SFA), a UK-based NGO working with key stakeholders in Mongolia to improve the impacts of cashmere production by restoring grasslands, promoting animal welfare and supporting a decent living for cashmere goat herders.

BUSINESS INTERRUPTION

A major incident at one of the Group's main locations, at its suppliers or affecting key products, which significantly interrupts the business.

This could be caused by a wide range of events, including natural catastrophe, fire, terrorism or quality-control failures.

No change

LINK TO STRATEGY

Our Product and Distribution strategic pillars enable us to operate effectively and efficiently, delivering Operational Excellence through continuity of supply of compliant products and services of the highest quality to our customers. Ensuring our ability to continually execute and operate key sites and factories to develop, manufacture, distribute and sell our products is a key strategic priority.

RISK TOLERANCE

We have a low tolerance for risk in this area, particularly in respect of product safety and quality.

EXAMPLES OF RISKS

- Burberry operates three owned factories and a global network of storage and distribution hubs. These face typical property risks, such as fires, floods and terrorism.
- Burberry works with several suppliers of luxury goods, which would be difficult to replace quickly. Their loss could interrupt the delivery of core products or a seasonal range.
- A serious product quality issue could result in a product recall.

ACTIONS TAKEN BY MANAGEMENT

- We have policies and procedures designed to ensure the health and safety of our employees and to deal with major incidents, including business continuity and disaster recovery.
- The Group continues to evolve its supply chain organisational design to develop its manufacturing base, reducing dependence on key sites and vendors.
- A Group incident management framework is in place to ensure that incidents are reported and managed effectively. Across the Group, our Incident Management Teams managed 21 incidents in the year. Twelve of these related to severe weather warnings, wild fires and natural disasters. Two related to terrorist incidents in cities where we have stores or employees and we moved quickly to ensure our customers, employees and assets remained safe and secure. The remainder were localised issues linked to office, store or system interruptions.
- Our Group Incident Management Team took part in training and incident management exercises involving large parts of the Group, our customers and media relations function. Our plans as tested during the year were found to be effective.
- Our product suppliers and vendors are subject to a quality control programme, which includes regular site inspections and independent product testing.
- Robust security arrangements are in place across our store network to protect people and products in case of security incidents.
- Business continuity plans are in place for our 10 main sites including the three major distribution centres and our two UK factories. Business continuity plans are being developed for our third factory Burberry Manifattura in Italy.
- The Group's key IT systems are protected to prevent and minimise any potential interruption. This includes resilient design and the provision of disaster recovery services to continue operating within pre-agreed times in case of a major incident. Our plans as tested during the year were found to be effective.
- Management regularly reviews and manages business continuity and disaster recovery risks, recognising that these plans cannot always ensure the uninterrupted operation of the business, particularly in the short term.
- A comprehensive insurance programme is in place to offset the financial consequences of insured events, including fires, flood, natural catastrophes and product liabilities.

COMPLIANCE RISKS

REGULATORY RISK AND ETHICAL/ENVIRONMENTAL STANDARDS

The Group's operations are subject to a broad spectrum of national and regional laws and regulations in the various jurisdictions in which we operate.

These include product safety, trademarks, competition, data, corporate governance, employment, tax and employee and customer health and safety. Changes to laws and regulations, or a major compliance breach, could have a material impact on the business.

No change

LINK TO STRATEGY

Compliance with applicable laws and regulations and behaving in accordance with our values as a business underlie all our strategic pillars.

RISK TOLERANCE

In complying with laws and regulations, including customer and employee safety, and bribery and corruption, we have a low tolerance for risk.

EXAMPLES OF RISKS

- Regulatory non-compliance.
- Failure by the Group or associated third parties to act in an ethical manner consistent with our code of conduct and our Responsibility Agenda, for example with regard to model well-being.
- Non-compliance with labour, human rights and environmental standards across our own operations and extended supply chain would go against our Responsible Business Principles and could result in financial penalties, disruption in production and reputational damage to our business.
- Failure to comply with GDPR and/or equivalent applicable data protection legislation globally.
- Tax is a complex area where laws and their interpretations are changing regularly. Non-compliance by Burberry and its associated third parties in this area could result in unexpected tax and financial loss.

ACTIONS TAKEN BY MANAGEMENT

- The Group monitors and seeks to continuously improve processes to gain assurance that its licensees, suppliers, franchisees, distributors and agents comply with the Group's contractual terms and conditions, its ethical and business policies, and relevant legislation.
- Specialist teams at corporate and regional level, supported by third-party specialists where required, are responsible for ensuring the Group's compliance with applicable laws and regulations and that employees are aware of the laws and regulations relevant to their roles.
- Assurance processes are in place to monitor compliance in a number of key risk areas, with results being reported to our Risk Committee and Audit Committee.
- We have an established framework of policies that aim to drive best practice across our direct and indirect operations, including our Responsible Business Principles and Global Environmental Policy. Policies available at www.burberryplc.com, are owned by senior leadership and are issued to all supply chain partners. Their implementation is monitored on a regular basis.
- We have established a Data Privacy Steering Committee to oversee compliance with applicable data legislation.
- International tax reform is a key focus of attention with significant developments reported to the Audit Committee.
- Roll out of annual mandatory training to all employees and to targeted functions to ensure awareness and compliance with our policies governing anti-bribery and anti-corruption (ABAC), Market Abuse Regulations, annual conflict declarations, criminal finances, anti-money laundering and privacy.
- Our culture and policies encourage employees to speak up and report any issues without fear of retribution. A global confidential employee helpline is in place in almost all countries where we have retail and corporate locations, and where it is legally permitted. All calls and emails are logged and independently reviewed and followed up. During the year 136 cases were received and the results and themes are reviewed by the Ethics Committee. No significant issues were identified from these cases during the year.
- In accordance with our ABAC policy, annual training is required to be performed. This year the annual e-learning module was rolled out to all corporate staff and manufacturing and retail employees of manager level and above, a total of 3,345 employees. The training reached a 96% completion rate. Any incidents or potential areas of concern are investigated by highly experienced investigators in our Asset Profit and Protection team and ABAC risks are covered as part of the scope of Internal Audit reviews. During the year there were no ABAC-related issues.

INTELLECTUAL PROPERTY AND BRAND PROTECTION

Sustained breaches of Burberry's intellectual property (IP) rights or allegations of infringement by Burberry.
Counterfeiting, copyright, trademark and design infringement in the marketplace could reduce the demand for genuine Burberry merchandise.

Failure to implement appropriate brand protection controls in connection with our commitment to stop destroying unsaleable finished products could negatively impact the integrity and the luxury positioning of the brand.

No change

LINK TO STRATEGY

Protecting the integrity of the brand, safeguarding and elevating its luxury position, complying with applicable laws and regulations and doing the right thing underlie all our strategic pillars.

RISK TOLERANCE

We have a low tolerance for risk in protecting the integrity of the brand, asserting our IP rights while ensuring due respect is given to the IP rights of others.

EXAMPLES OF RISKS

- Counterfeiting, parallel trade, copyright, trademark and design infringement in the marketplace can reduce the demand for genuine Burberry merchandise and impact revenues.
- Unauthorised use of trademarks and other IP, as well as the unauthorised sale of Burberry products and distribution of counterfeit products, damages Burberry's brand image and profits.
- Increased newness and shorter lead times make it more challenging to prevent infringements and counterfeiting of our brand.
- Allegations from third parties of IP infringement by Burberry could negatively impact Burberry's reputation, result in claims and financial loss through withdrawing infringing products.
- Distribution outside of our authorised network could negatively impact the demand for Burberry products and negatively impact our luxury reputation.

ACTIONS TAKEN BY MANAGEMENT

- The Group's global Brand Protection team is responsible for brand protection efforts globally, including in the digital environment. Where infringements are identified these are addressed through a mixture of criminal and civil legal action and negotiated settlements.
- IP rights are driven largely by national laws, which afford varying degrees of protection and enforcement priorities depending on the country.
- Trademark, copyright and design registrations globally across all appropriate categories.
- The Brand Protection team partners closely with the design and merchandising teams to ensure that our products do not infringe the rights of third parties and to ensure that we have adequate protections in place prior to market entry.
- Exploring new and emerging threats and ways to combat threats.
- Inspiring Burberry associates and partners to engage with us in protecting our brand.
- Partnering with enforcement agencies and our digital partners to minimise the visibility of counterfeit and parallel trade products both online and offline.
- Disrupting the flow of counterfeit products by enforcing at source level.
- Implementation of brand protection controls to safeguard the brand in connection with our commitment to stop destroying unsaleable finished products.

EXTERNAL RISKS

MACRO-ECONOMIC AND POLITICAL INSTABILITY

The Group operates in a wide range of markets and is exposed to changing economic, regulatory, social and political developments that may impact consumer demand, disrupt operations and impact profitability. Adverse macro-economic conditions or country-specific changes to the operating or regulatory environment or civil unrest may impact the spending habits of key consumer groups and cause increased operational costs.

No change

LINK TO STRATEGY

Volatility in the external environment could impact our overall financial performance and operations.

RISK TOLERANCE

We have a low tolerance for risk in this area but recognise external factors are more difficult to mitigate as they are often outside of our control.

EXAMPLES OF RISKS

- The strategy does not address how the changes created by macro-economic trends and uncertainty in the outlook for the luxury sector globally or within significant consumer groups could impact our performance.

ACTIONS TAKEN BY MANAGEMENT

- Our global reach helps to mitigate reliance on particular consumer groups. In addition, our brand has wide appeal across multiple consumer segments, including a broad set of ages and preferences.

UK'S WITHDRAWAL FROM THE EU

Various scenarios could impact the Group's financial position, supply chain and people.

Increased

LINK TO STRATEGY

Volatility caused by the UK's withdrawal from the EU may impact our overall financial performance and our ambitions under supply chain operational excellence.

RISK TOLERANCE

We have a low tolerance for risk caused by the UK's withdrawal from the EU, however, there remains uncertainty about the long-term impact.

EXAMPLES OF RISKS

- Additional customs duty from exiting the EU single market and the cessation of the UK's access to the EU's free trade agreements.
- Disruption to business operations.
- Impact on some current business road maps.
- Extended supply chain lead times could increase inventory levels.
- Uncertainty over the rights of EU nationals has increased the risk of being unable to recruit and retain talent.
- Exchange rate volatility impacts Group revenues, margins, profits and cash flow.

ACTIONS TAKEN BY MANAGEMENT

- Our steering committee continually monitors the evolving impact of the UK's withdrawal from the EU and oversees our response.
- We have prepared for a no-deal scenario across all business activities including supply chain, trade compliance, intellectual property and people.
- Any transitional arrangement potentially offers some temporary relief for longer-term mitigation planning and implementation.
- We engage with UK government departments and other external stakeholders to ensure they are fully informed of our circumstances.

RISK MANAGEMENT ACTIVITIES IN FY 2018/19

THE BOARD AND ITS COMMITTEES UNDERTOOK A NUMBER OF RISK MANAGEMENT ACTIVITIES THROUGHOUT THE YEAR.

IDENTIFICATION OF RISKS

We identify and review risk through two processes:

- A “bottom-up" process undertaken across the Group’s business areas and functions to identify and manage risks in their areas.
- A “top-down" process overseen by the Risk Committee to identify key risks to our strategic priorities.

During the year, the key risks identified through these two processes were mapped against each other and were reviewed and revised to reflect changes in the business and the external environment. These were then regrouped to produce a revised schedule of principal risks, which were discussed at our Risk Committee and presented to the Audit Committee in May 2018.

STRATEGIC RISK

An exercise was performed with the Executive Committee to identify the risks to delivering the new strategic objectives. This was reviewed and presented to the Board.

RISK APPETITE

The Group’s risk appetite and tolerance levels were presented to the Board and approved in March 2019. These will be used to set tolerance limits and target risks for each of the principal risks and refine mitigation plans.

MANAGEMENT ACTIONS AND DEEP DIVES

Compliance functions provide independent assurance to management, the Audit Committee and the Board on the effectiveness of management actions.

Our Internal Audit function periodically reviews the risk management process. Third-party reviews have been performed on cybersecurity and health and safety.

Our Transformation Management Office (TMO) undertakes regular reviews of progress towards our strategy with the Executive Committee and the Board. Additionally, we have undertaken a number of “deep dives” at Board and Audit Committee level into the management of the risks being examined:

- **Reputation:** a third-party review of reputation risk was performed and presented to the Board.
- **Climate change:** a climate change 2040 scenario analysis exercise was performed to explore future trends and risks that might require a strategic response. The exercise was facilitated by an external party and the results were reviewed and presented to the Board.
- **IT/Cyber:** report to each Audit Committee on IT and cybersecurity.
- **Compliance and Legal:** regular reports on compliance matters and risks to the Ethics and Risk Committees, including updates on intellectual property, legal matters, health and safety and compliance with GDPR.
- **Talent Management:** annual discussion on succession planning at the Nomination Committee.
- **Operational:** presentations to the Board on inventory and the supply chain, regular reports on quality risks.
- **Financial:** presentation to the Audit Committee on the Group’s tax policy.
- **Change Programmes:** presentation to the Board on the Group’s major transformation programmes across IT and supply chain.
- **UK withdrawal from the EU:** the Group has engaged proactively with key external stakeholders and established a cross-functional internal steering committee to understand, assess, plan and implement operational actions that may be required. The Group has assessed a no-deal withdrawal scenario and has taken appropriate actions including: engagement with government and regulators; relocation of inventory and materials; appointment of additional carriers and changes to logistics plans and shipping routes; arrangements for a UK tariff, and banking arrangements.

OUR VIABILITY STATEMENT

ASSESSMENT OF PROSPECTS

Burberry's annual corporate planning process consists of preparing a strategic plan, reforecasting the current year business performance during the year, and preparing a more detailed budget for the following year.

The strategic plan is the main basis for assessing the longer-term prospects of the Group. Our strategic planning process involves a detailed review of the plan by our Chief Executive Officer and Chief Operating and Financial Officer. This is done in conjunction with our regional and functional management teams, followed by a presentation and discussion of the strategic plan at the Board. Delivery against the plan is monitored through our annual budget process and subsequent forecast updates (see page 112).

The key assumptions considered in our strategic plan are future sales performance by product, channel and geography, expenditure plans and cash generation. We also consider the Group's projected liquidity, balance sheet strength and the potential impact of the plan on shareholder returns.

The Group's strategy is set out on pages 22 to 41. Key factors affecting the Group's prospects are:

- Our iconic brand, Burberry, with its unique positioning as a major global British luxury brand. The strength of our brand supports the Group's performance and provides a platform for future growth.
- The performance of our products. We are reshaping our offer, increasing and invigorating the fashion content. We will create compelling luxury leather goods and accessories to attract new customers. We will build on the strength of our apparel and re-energise it. We will build our offer to provide a complete look for our customers, while continuing to simplify our ranges.
- The success of our communications. We will put product at the centre of our communications. We will leverage our extensive digital reach to convey new energy. We will be bold in the way we engage luxury consumers, reinventing our editorial content and experiences.
- The customer experience when interacting with the brand. We will transform our in-store experience by refurbishing our stores and enhancing our luxury service. We will continue to lead innovation in digital, delivering personalised experiences and true omnichannel services.
- Our financial discipline. We will continue to focus on productivity, simplification and financial discipline, and maintain our commitment to the capital allocation framework.

VIABILITY ASSESSMENT

During the year, our Directors have carried out a robust assessment of the principal risks of the Group, which is set out on pages 74 to 87. The Directors have also identified the nature and potential impact of those risks on the viability of the Group, together with the likelihood of them materialising.

This analysis has been used to carry out an assessment of the ability of the Group to continue in operation and meet its obligations. The assessment covers the three-year period from April 2019 to March 2022. This was considered appropriate by the Directors because:

- It is sufficient to almost complete all currently approved capital expenditure projects.
- As the Group has little contracted income, and as most current business development projects will be completed in the three-year period, any projections beyond March 2022 will only contain long-term growth assumptions.

For the purposes of the viability assessment, the principal risks have been separated into:

- Risks potentially impacting the trading performance of the Group.
- Risks arising from one-off events which may interrupt the Group's trading activities.

The risks potentially impacting trading performance have been assessed through stress testing involving estimating the impact of revenue sensitivities on profitability and cash generation in the Group's strategic plan, together with reverse stress testing to identify the theoretical revenue sensitivity that the Group could absorb, without impacting its viability. The tests applied included the following scenarios:

- Nil comparative sales growth across the three-year period.
- The maximum decrease in revenue, across the three-year period, which could reasonably be absorbed, with and without additional annual reductions in profit of up to £100m to allow for the potential impact of adverse foreign exchange rate movements and for additional duty costs following the UK's withdrawal from the EU.

The sensitivities took account of the likely mitigating actions available to the Directors through adjustments to the operating plan in the normal course of business. They also took account of the impact of changes in performance on returns to shareholders.

The impact of the risks arising from one-off events have been assessed by considering the potential losses arising from these events. Potential one-off impacts modelled were the loss of data or cyberattack, IT operations, people, regulatory risk and ethical/environmental standards. A loss of £100 million was included in the assessment to allow for the combined risk of one-off events.

In assessing the viability of the Group, the Directors have also considered the Group's current liquidity and available facilities (set out in note 22 of the Financial Statements) and financial risk management objectives and hedging activities (set out in note 26).

Based on this assessment, our Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities over the period to March 2022.

In making this statement, the Directors have made the key assumption that there is no material long-term impairment to the Burberry brand.

The Strategic Report up to and including page 89 was approved for issue by the Board on 15 May 2019 and signed on its behalf by:

MARCO GOBBETTI
Chief Executive Officer

GOVERNANCE REPORT

CHAIRMAN'S INTRODUCTION

DEAR SHAREHOLDER,
On behalf of the Board, I am pleased to present the Corporate Governance Report for the year ended 30 March 2019.

This report describes Burberry's Corporate Governance structures and procedures as well as the work of the Board and its Committees to provide an overview of how we have discharged our responsibilities this year. The Board is collectively responsible for how Burberry is directed and controlled and its responsibilities include: promoting Burberry's long-term success; setting its strategic aims and values; providing the leadership to put them into effect; supervising and constructively challenging the leadership on the operational running of the business; ensuring a framework of prudent and effective controls; and reporting to shareholders on the Board's stewardship.

As Chairman, I am responsible for leading and ensuring an effective Board. It has been an important year of change for Burberry, as highlighted in my letter on page 4. In particular, the Board has contributed significantly to the ongoing evolution of the Group's strategy through intense engagement with the Executive Committee in the development of implementation plans for the years ahead and in monitoring progress to date.

Also highlighted is the outcome from our annual Board effectiveness review. I'm pleased to report that the Board operated effectively during the period. This internal review confirmed that the Board has a relevant mix of skills and experience, and that its agenda is appropriately focused. It also highlighted some areas for development and we are adapting our work accordingly. I would like to thank all our Board members for their dedication and hard work during the year.

The principal corporate governance rules applying to Burberry, as a UK company listed on the London Stock Exchange, for the year ended 30 March 2019 are contained in the UK Corporate Governance Code (the Code), which was published by the Financial Reporting Council (FRC) in April 2016, and the UK Financial Conduct Authority (FCA) Listing Rules. These require companies to describe in the Annual Report their corporate governance from two points of view: the first dealing generally with our application of the Code's main principles, and the second dealing specifically with non-compliance with any of the Code's provisions.

Burberry must also comply with corporate governance rules contained in the FCA Disclosure Guidance and Transparency Rules, as well as certain related provisions in the Companies Act 2006.

The Board received a series of briefings on the 2018 Code from the Company Secretary and the Company's external legal advisers and discussed how best to align our corporate governance with the new requirements. Further detail is on page 100.

It is important to have an open and ongoing dialogue with our shareholders and other stakeholders, particularly during times of change. Throughout the year, members of the Board and senior management participated in over 100 meetings with investors, including with the Company's largest investors.

With the expectation that the year ahead will continue to be impacted by a challenging external environment, the Board will continue to work with management to deliver on our strategic goals.

GERRY MURPHY
Chairman

BOARD OF DIRECTORS

The Board consists of a balance of Executive and Non-Executive Directors who together have collective accountability to Burberry's stakeholders.

KEY
◯ Chair
R Remuneration Committee
N Nomination Committee
A Audit Committee

DR GERRY MURPHY (63)
Chairman

Appointed:
17 May 2018
Nationality: Irish
Committees: N

Experience
Gerry joined the Board as Chairman Designate on 17 May 2018 and was appointed Chairman following the AGM on 12 July 2018. Gerry is also Chairman of Tate & Lyle plc and of the principal European entity of The Blackstone Group where he served as a partner in the firm's private equity investment unit from 2008 to 2017. From 2003 to 2008, Gerry was CEO of Kingfisher plc, a leading home improvement retailer in Europe and Asia. He was also previously CEO of Carlton Communications plc (now ITV) from 2000 to 2003, Exel plc from 1995 to 2000, Greencore Group plc from 1991 to 1995 and spent his earlier career with Grand Metropolitan plc (now Diageo plc). He has also served on the Boards of British American Tobacco plc from 2009 to 2017, Merlin Entertainments plc from 2009 to 2015, Reckitt Benckiser plc from 2005 to 2008, Abbey National plc in 2004 and Novar plc from 1997 to 2003.

Key Skills
Gerry brings to the Board experience of managing business transformations and has substantial international business and senior management experience. His in-depth understanding of UK corporate governance requirements and his extensive experience in the retail sector provide the Board with highly relevant and valuable leadership as Burberry continues to focus on delivering long-term sustainable value for all our stakeholders.

MARCO GOBBETTI (60)
Chief Executive Officer

Appointed:
5 July 2017
Nationality: Italian

Experience
Marco joined Burberry from the French luxury leather group Céline, where he was Chairman and CEO from 2008 to 2016. Prior to this, he served as Chairman and CEO of Givenchy and was CEO of Moschino from 1993 to 2004. In his early career Marco worked as marketing and sales director at Bottega Veneta, before joining luxury leather specialist Valextra as managing director.

Key Skills
Marco has spent more than two decades working in a variety of executive positions for prestigious international fashion brands, with a focus on leather goods. He has an outstanding track record of delivering growth in the luxury industry and has a clear vision for the luxury sector and how it will evolve. Whilst working at Céline, he revamped the entire product offering and significantly increased profits. His extensive understanding of international brand transformation and retail execution is highly relevant to Burberry as we continue to re-energise the brand, drive forward with our strategy and strive for long-term growth in the rapidly changing environment in which we operate.

JULIE BROWN (57)
Chief Operating and Financial Officer

Appointed:
18 January 2017
Nationality: British

Experience
Julie is a Chartered Accountant and Fellow of the Institute of Taxation. She is currently a Non-Executive Director and Chair of the Audit Committee at Roche Holding Limited. From 2013 to 2017, Julie was CFO of Smith & Nephew plc. Julie qualified with KPMG before working at ICI and AstraZeneca plc from 1987, where she served as Vice President Group Finance and ultimately Interim Group CFO. Prior to that, she was Vice President Corporate Strategy and Regional Vice President Latin America. Julie has also previously held two Non-Executive Directorships with the NHS in the UK and the British Embassy.

Key Skills
Julie has a strong track record of delivering operational excellence and has significant experience in financial, commercial and strategic roles. Her extensive experience of leading businesses through major transformational programmes will continue to be valuable to Burberry as we progress with our operational excellence programme and move into the next phase of our strategy.

FABIOLA ARREDONDO (52)
Independent Non-Executive Director

Appointed:
10 March 2015
Nationality: American
Committees: R N

Experience
Fabiola is currently the Managing Partner of Siempre Holdings, a private investment firm based in the US. She is also a Non-Executive Director at Campbell Soup Company and National Public Radio (NPR), and a National Council Member of the World Wildlife Fund and Member of the Council on Foreign Relations. Fabiola has previously served as a Non-Executive Director at Experian plc, Rodale Inc., Saks Incorporated, Intelsat Inc., BOC Group plc, Bankinter S.A, Sesame Workshop and the World Wildlife Fund UK and US. She previously held senior operating roles at Yahoo! Inc, the BBC and Bertelsmann AG.

Key Skills
Fabiola brings directly relevant international strategic and operational experience in the internet and media sectors, including a senior role at a pre-eminent global internet company. Her extensive international non-executive directorship experience, and digital and consumer background make her an important member of the Board.

JEREMY DARROCH (56)
Senior Independent Director

Appointed:
5 February 2014
Nationality: British
Committees: A N

Experience
Jeremy is Group CEO of Sky, having joined the company as CFO in 2004. Prior to this, Jeremy was Group Finance Director of DSG International plc (formerly Dixons Group plc) and spent 12 years at Procter & Gamble in a variety of roles in the UK and Europe. From 2006 to 2013, Jeremy served as a Non-Executive Director and Chairman of the Audit Committee of Marks and Spencer Group plc.

Key Skills
Jeremy has considerable expertise in the consumer retail environment built up over a successful career at some of the UK's most high-profile companies. As Group CEO of Sky, he has transformed the business into Europe's leading entertainment company, which now operates in seven different markets. His proven track record of driving business performance and delivering shareholder value makes him a valuable member of the Board.

RON FRASCH (70)
Independent Non-Executive Director

Appointed:
1 September 2017
Nationality: American
Committees: A R N

Experience
Ron is currently CEO of Ron Frasch Associates LLC, an Operating Partner of Castanea Partners Inc.. He is also a Non-Executive Director of Crocs Inc and Aztech Mountain. Between 2004 to 2013, Ron served as Vice Chairman of Saks Fifth Avenue Inc. and later became President and Chief Merchandising Officer, with responsibility for fashion buying, merchandise planning, store planning, stores, and visual. Prior to Saks, Ron spent 4 years as President and CEO for Bergdorf Goodman. He has also served as President of the Americas for an Italian licensing company of luxury fashion brands.

Key Skills
Ron has spent over 30 years working in the retail industry. He has clear strategic acumen, strong leadership skills and wide-ranging experience of working with luxury fashion brands. Whilst working at Saks he was the instrumental driving force behind developing the company’s private label collections. Ron’s wealth of fashion experience and his well-established merchandising skills will continue to play a pivotal role as Burberry continues to grow and we strengthen our performance in the luxury fashion market.

MATTHEW KEY (56)
Independent Non-Executive Director

Appointed:
1 September 2013
Nationality: British
Committees: A R N

Experience
Matthew is currently a Non-Executive Director of BT Group plc and a Member of BT’s Audit & Risk Committee and Nominating & Governance Committee. Matthew served as a Non-Executive Director of OSN (a leading pay TV operator across the Middle East) between 2015 to 2018 and was a member of the advisory Board of Samsung Europe between 2015 and 2017. From 2007 to 2014, Matthew held various positions at Telefonica, including Chairman and CEO of Telefonica Europe plc, and Chairman and CEO of Telefonica Digital, the global innovation arm of Telefonica. In his early career he held various financial positions at Grand Metropolitan plc, Kingfisher plc, Coca-Cola and Schweppes.

Key Skills
Matthew has significant strategic, regulatory and operational experience in the e-commerce and technology sectors. He brings to the Board significant experience of managing dynamic and fast-moving international companies and has an extensive understanding of the consumer market. Matthew’s significant financial experience remains important to the Board, as reflected in his recent appointment as Chair of the Audit Committee.

DAME CAROLYN McCALL (57)
Independent Non-Executive Director

Appointed:
1 September 2014
Nationality: British
Committees: A N

Experience
Carolyn joined ITV plc in 2018 as CEO. From 2010 to 2017 she was CEO of easyJet plc and held a number of roles at the Guardian Media Group plc, including CEO from 2006 to 2010. She has also previously served as a Non-Executive Director of Lloyds TSB, Tesco plc and New Look Group plc. In 2008, Carolyn was awarded an OBE for her services to women in business and in 2016 a damehood for her services to the aviation industry.

Key Skills
Carolyn has an impressive track record in media and is known for her experience of running international businesses. While at easyJet plc Carolyn transformed the company into one of the biggest airlines in Europe. Carolyn's clear strategic acumen and strong track record of driving operational excellence and managing change makes her an important member of the Board as Burberry strives to deliver long-term sustainable value for all our stakeholders.

Directors who served during FY 2018/19 retiring at the 2019 AGM.

ORNA NíCHIONNA (63)
Independent Non-Executive Director

Appointed:
3 January 2018
Nationality: Irish
Committees: R N

Experience
Orna is currently Senior Independent Director at Saga plc and Royal Mail plc, where she also chairs the Remuneration Committee. Orna has served as Deputy Chairman at the National Trust since 2014 and is also Chair of Client Services at Eden McCallum. Orna has previously served on the Boards of Bupa, HMV, Northern Foods and Bank of Ireland UK, and has been an advisor to Apax Partners LLP. She spent 18 years at McKinsey & Company, where she co-led their European Retail Practice.

Key Skills
Orna has strong UK plc and international business experience, especially in the consumer and retail markets. She also brings to the Board significant financial, strategic and governance experience. Orna is a passionate environmentalist and was Chair of the Soil Association (which campaigns for organic food and farming) for 6 years. Her passion for the environment will be an asset to Burberry as we continue to drive positive change and build a more sustainable future through our ongoing Responsibility Agenda.

IAN CARTER (57)
Independent Non-Executive Director

Appointed:
1 April 2007
Nationality: British
Committees: R N

Experience
Ian is President of Hilton Global Development and Chairman of Del Frisco's Restaurant Group, Inc. Previously, he served as CEO of Hilton International Company and Executive Vice President of Hilton Hotels Corporation. Ian was CEO of Hilton International prior to its re-acquisition by the company in 2006. Prior to joining Hilton, Ian served as an Officer and President of Black & Decker Corporation. In this role, he was responsible for all operations outside the Americas. He has also served on the Boards of two large consumer product companies, Unilever and British Steel.

Key Skills
Ian has significant experience working with international branded products and is an expert in marketing, operations and managing change. Ian also has a strong background in driving the strategic direction of industry-leading hospitality and luxury brands and is well known for his strong track record of driving company growth.

STEPHANIE GEORGE (62)
Independent Non-Executive Director

Appointed:
31 March 2006
Nationality: American
Committees: R N

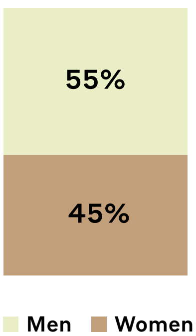
Experience
Stephanie is a Director of the Lincoln Center for the Performing Arts and a Director of the Fashion Institute of Technology Foundation. Since 2015, she has been an adviser to Penske Media Corporation, which is the parent company for twenty-two media brands. Previously she served as Vice Chairman of Fairchild Fashion Media Inc. (parent of Women's Wear Daily) and she held various positions at Time Inc. including Executive Vice President and Chief Marketing Officer and President of Advertising Sales and Marketing. In her early career Stephanie spent 12 years at Fairchild Publications.

Key Skills
Stephanie is a leading publishing and media expert with significant business and luxury retail management experience. She has been instrumental in diversifying brand portfolios, driving business growth and building new revenue streams for the Boards she has served on. Whilst working at Time Inc. the company gained record market share and was transformed from a magazine to a global brand.

A HIGHLY SKILLED AND DIVERSE BOARD

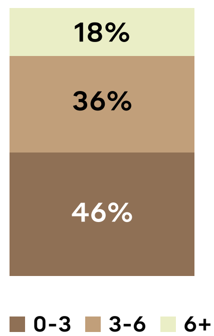
The Board brings a wide range of experience, skills and backgrounds which complement the Group's Strategy.

GENDER



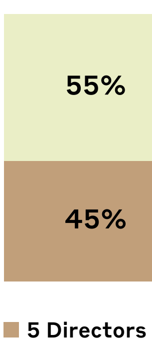
Five of our 11 Board members are women (including our Chief Operating and Financial Officer), comprising 45% of our Board membership.

TENURE

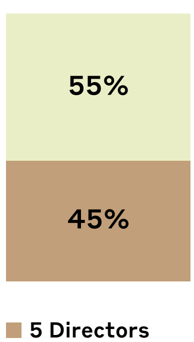


The diversity in our Board tenure enables us to have sufficient balance to ensure the Board composition principles are maintained.

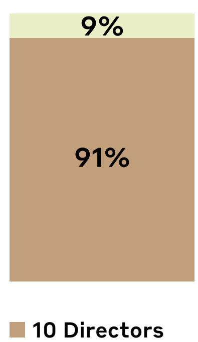
LUXURY GOODS



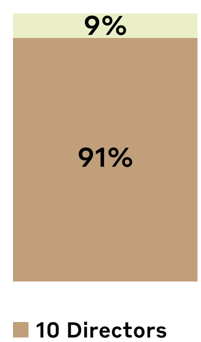
DIGITAL AND MEDIA



RETAIL, SALES AND MARKETING



OPERATIONAL EXCELLENCE



The Board brings a wide range of experience, skills and backgrounds which complement the Group's strategy. All Board members have strong leadership experience at global businesses.


BURBERRY
LONDON
ENGLAND

CORPORATE GOVERNANCE REPORT

Corporate governance is crucial to our success and the Board is committed to upholding the highest standards of governance, in conjunction with our Executive Committee.

GOVERNANCE

The UK Corporate Governance Code (the Code) sets out the framework of governance for premium listed companies within the UK. The Code is published by the Financial Reporting Council (FRC) and can be found on their website www.frc.org.uk. It sets out governance practices in relation to board leadership, effectiveness, accountability, remuneration and shareholder relations. We are pleased to report that we have complied with the provisions of the UK Corporate Governance Code 2016 (the Code), which is the standard against which we measure ourselves. This report sets out the Board's approach and the work undertaken during FY 2018/19. Together with the Directors' Remuneration Report on pages 123 to 144, it includes details of how the Company has applied and complied with the principles and provisions of the Code.

In July 2018 the FRC published an updated UK Corporate Governance Code (the 2018 Code). The 2018 Code is applicable for financial years beginning on or after 1 January 2019 and for Burberry will apply for FY 2019/20. The Board received a series of briefings on the 2018 Code from the Company Secretary and the Company's external legal advisers and discussed how best to align our corporate governance with the new requirements. This included reviewing the roles and responsibilities of the Board and its Committees and reviewing policies and procedures in connection to remuneration and succession planning. Our stakeholder engagement activities are set out on pages 62 to 63.

In relation to workforce engagement, during FY 2019/20 we are building on the wide range of engagement activities already undertaken to ensure there is meaningful two-way conversation with the Board. This will be achieved through enhancing the current methods of engagement and, in particular, Non-Executive Directors will attend at least two employee meetings per financial year. These employee meetings have a cross functional and global remit with membership from across the business.

OUR BOARD AND BOARD COMMITTEES

It is the responsibility of the Board to support management in its strategic aims, which are to enable the Company to continue to perform successfully and sustainably for our shareholders and wider stakeholders. The Board is supported in its activities by the Audit Committee, the Nomination Committee and the Remuneration Committee. The terms of reference for each of these Committees can be viewed in the corporate governance section of the website www.burberryplc.com. The table on page 102 demonstrates our governance structure.

The Committees may engage third-party consultants and independent professional advisers. They may also call upon other Group resources to assist them in discharging their respective responsibilities. In addition to the Committee members and the Company Secretary, external advisers and, on occasion, other Directors and members of our senior management team attend Committee meetings at the invitation of the Chair of the relevant Committee.

EXECUTIVE COMMITTEE

MARCO GOBBETTI
Chief Executive Officer

JULIE BROWN
Chief Operating and Financial Officer

ERICA BOURNE
Chief Human Resources Officer

ROBERTO CANEVARI
Chief Supply Chain Officer

JUDY COLLINSON
Chief Merchandising Officer

GIANLUCA FLORE
President of Americas and Global Retail Excellence

MARCO GENTILE
President of Europe, Middle East, India and Africa

GAVIN HAIG
Chief Commercial Officer

ROD MANLEY
Chief Marketing Officer

* Leanne Wood, Chief People, Strategy and Corporate Affairs Officer was a member of the Executive Committee until end of March 2019.

BOARD

The Board is responsible for promoting Burberry's long-term success. This is achieved through effective governance, keeping the interests of stakeholders at the fore when making decisions, and ensuring this is regularly reviewed and refreshed. The Board provides leadership by setting the Group's strategy and values, ensuring alignment with our culture and overseeing implementation by management.

The Board is also responsible for oversight of the Group's governance, internal control and risk management, including the Group's risk appetite. A full schedule of matters reserved for the Board's decision is available in the Corporate Governance section of our website www.burberryplc.com.

AUDIT COMMITTEE

Chaired by Matthew Key

Responsible for monitoring the integrity of Financial Statements and reviewing the Group's internal financial controls and risk management systems, the Internal Audit function, and the Group's relationship with the external auditor. The Audit Committee is supported by the Ethics Committee and the Risk Committee.

The Audit Committee Report can be read on pages 114 to 119.

REMUNERATION COMMITTEE

Chaired by Orna NíChionna

Determines the Remuneration Policy for Executive Director remuneration and sets the remuneration for the Chairman, Executive Directors and senior management.

The Directors' Remuneration Report can be found on pages 123 to 144.

NOMINATION COMMITTEE

Chaired by Gerry Murphy

Reviews the composition of our Board, ensuring plans are in place for orderly succession for both Board and senior leadership positions, keeping in mind the importance of diversity and balancing skills and experience when making appointments.

The Nomination Committee Report can be read on pages 120 to 122.

CHIEF EXECUTIVE OFFICER AND EXECUTIVE COMMITTEE

The Board delegates the day-to-day responsibility for running the Group to the Chief Executive Officer, who is responsible for all commercial, operational, risk and financial elements. He is also responsible for management and developing the strategic direction for consideration and approval by the Board. The Executive Committee assists the Chief Executive Officer to implement the strategy as approved by the Board.

BOARD ROLES

Our Board currently consists of 11 members, the Chairman, Chief Executive Officer, Chief Operating and Financial Officer, and eight independent Non-Executive Directors. Directors' biographies, tenures, key skills and external appointments are set out on pages 94 to 97. Our Board has determined that all Non-Executive Directors are independent and the Chairman was also considered to be independent on appointment. The Board considers them to be experienced and influential individuals, drawn from a wide range of industries and backgrounds with the right skills to promote the long-term sustainable success of the Group.

All Directors are appointed to the Board for a fixed three-year term, subject to annual re-election by shareholders at the Company's AGM. In accordance with the Code, at the 2019 AGM the Chairman and all the Directors will retire and offer themselves for re-election, except Ian Carter and Stephanie George who are retiring immediately after the AGM.

The Board conducts an annual evaluation of its performance and the performance of individual Directors. To ensure the Board performs effectively, there is a clear division of responsibilities between the leadership of the Board and the executive leadership of the business as set out below.

Our Chairman
- Chairing Board meetings, Nomination Committee meetings and the AGM and setting the Board agenda.
- Ensuring there is effective communication between the Board, management, shareholders and the Group's wider stakeholders, while promoting a culture of openness and constructive debate.
- Ensuring Directors receive accurate, timely and clear information.
- Overseeing the annual Board evaluation and responsible for addressing any subsequent actions.
- Promoting the highest standards of corporate governance.
- Ensuring the views of stakeholders are taken into account when making decisions.
- A full description of the Chairman's role and responsibilities can be found in the Corporate Governance section of the Group's website www.burberryplc.com.

Our Senior Independent Director
- Acting as a sounding board for the Chairman.
- Acting as an intermediary for the other Directors where necessary.
- Chairing meetings in the absence of the Chairman.
- Being available to shareholders and stakeholders if they have any concerns, which they have been unable to resolve through normal channels.
- Together with the Non-Executive Directors, assessing the performance of the Chairman on an annual basis.
- Leading the search and appointment process and recommendation to the Board of a new Chairman if necessary.
- A full description of the Senior Independent Director's role and responsibilities can be found in the Corporate Governance section of the Group's website www.burberryplc.com.

Our Non-Executive Directors
- Providing effective and constructive challenge to the Board and scrutinising the performance of management.
- Assisting in the development and approval of the Group's strategy.
- Reviewing Group financial information and ensuring there are effective systems of governance, risk management and internal controls in place.
- Ensuring there is regular, open and constructive dialogue with shareholders.

Our Chief Executive Officer
- Day-to-day management of the Group.
- Responsible for all commercial, operational, risk and financial elements of the Group.
- Developing the Group's strategic direction and implementing the agreed strategy.
- Ensuring effective communication and information flows to the Board and the Chairman.
- Representing the Group to external stakeholders.
- Responsible for the oversight of the following key functions: Design, Marketing, Digital, Merchandising, Supply Chain, Corporate Affairs, Human Resources, Strategy and Global Commercial.
- A full description of the Chief Executive Officer's role and responsibilities can be found in the Corporate Governance section of the Group's website www.burberryplc.com.

Our Chief Operating and Financial Officer
- Supporting the Chief Executive Officer in developing the Group's strategy and its implementation.
- Overseeing the global finance function and developing the Group's capital allocation framework.
- Responsible for establishing and maintaining adequate internal controls over financial reporting.
- Representing the Group to external stakeholders.
- Responsible for oversight of the following key functions: Investor Relations, Risk Management, Burberry Business Services (BBS), Finance, IT, Tax, Treasury, Trade Compliance and Business Transformation.

Our Company Secretary
- Providing advice and support to the Chairman and all Directors.
- Ensuring the Board receives high-quality information and resources in a timely manner so that the Board can operate effectively at meetings.
- Assisting in setting the agenda for Board and Committee meetings.
- Advising and keeping the Board up to date with all matters of Corporate Governance.
- Facilitating the induction programme for new Directors and assessing the ongoing training needs for all Directors.

During the financial year, the Board met for six scheduled meetings, including an in-depth two-day session on strategy. Directors also devoted time outside scheduled meetings for site visits, training and meetings with members of senior management.

The Board and Committee agendas were shaped to ensure that discussion was focused on our key strategies and monitoring activities, as well as reviews of significant issues arising during the year. Our ongoing performance against the strategic priorities is reviewed at each scheduled meeting.

Set out on the next page is a more detailed breakdown of the principal areas of focus for the Board during FY 2018/19.

PRINCIPAL AREAS OF FOCUS FOR THE BOARD DURING FY 2018/19

	TOPIC	ACTIVITY	OUTCOME	KEY STAKEHOLDERS AFFECTED BY DECISION MAKING
STRATEGY	Strategic review	• Receiving updates on the first phase of strategy implementation including Riccardo Tisci's first collections and the refreshed Thomas Burberry monogram. • Assessing market context and implications on strategy for Product, Communication, Digital, Operational Excellence, Inspired People and Distribution.	• Providing feedback, questions and challenge throughout the process.	Customer Shareholders Employees
		• Reviewing the store footprint. • Discussing the road map, key milestones, priorities, risks and mitigating actions for each region and function underpinning the long-term strategic plan. • Receiving updates on the future of luxury and implications for the Group's strategy.	• Decision to approve rationalisation of non-strategic stores.	
MAJOR PROJECTS	BBS	• Reviewing the ongoing transition of BBS.	• Continued support for BBS and future plans.	Employees Shareholders Communities Customers
	Withdrawal from the EU	• Considering the implications of various scenarios relating to the UK's withdrawal from the EU as well as the risk of volatility in foreign exchange rates and their potential impact on the Company.	• Preparing for a no-deal scenario across all business activities.	
	Inventory disposal	• Discussing the course of action regarding the destruction of unsaleable finished products and lessons learned.	• Ended the practice of destroying unsaleable finished products.	
FINANCE	Budget and capital allocation	• Reviewing the sector context and considering the FY 2019/20 indicative budget and financial plan. • Considering the indicative capital allocation proposals.	• Support in principle with final approval of the FY 2019/20 budget, the financial plan and the capital allocation proposals at the May 2019 meeting. • Prior year (March and May 2018) budget and capital allocation approved and delivered to plan.	Shareholders Customers
GOVERNANCE	Proposals for new UK Corporate Governance Code	• Discussing implications of the 2018 UK Corporate Governance Code for Burberry.	• Reviewed and approved updated roles and responsibilities of the Board and the Board committees. • Established plans to enhance workforce engagement processes in FY 2019/20 as set out on page 100.	Shareholder Employees Customers Communities

	TOPIC	ACTIVITY	OUTCOME	KEY STAKEHOLDERS AFFECTED BY DECISION MAKING
RISK	Risk appetite	• Considering the Board's appetite for risk.	• Approval of the Group risk appetite. • Refer to pages 74 to 89 covering the Risk and Viability Report for further detail.	Shareholders Employees
	Risk deep dives	• Considering the outcome of the reputation audit. • Discussing the implications of climate change for Burberry. • Receiving updates on cybersecurity.	• Support for the programmes of work being undertaken.	
PEOPLE, CULTURE AND VALUES	Culture and engagement	• Reviewing Company-wide engagement plans, behaviours and other core initiatives in the context of the annual employee engagement survey results.	• Support for immediate strategic priorities and long-term road map.	Employees Communities
	Talent, capabilities and leadership	• Discussing core initiatives, such as career development, the leadership programme and enhancing capabilities.	• Ongoing support for programmes in place, and for the need to maintain momentum in this area.	
	Responsibility	• Discussing our charitable activities, including donations to The Burberry Foundation and the Burberry brand values within community and charitable giving goals. • Reviewing and approving the Company's Modern Slavery Statement.	• Approval in May 2019 to donate approximately 1% of FY 2018/19 adjusted profit before tax to social and community causes worldwide.	
SHAREHOLDER ENGAGEMENT	Shareholder feedback, including activist themes	• Reviewing updates from the Investor Relations team on share price, performance matters, register activity and analyst sentiment. • Discussing specific issues raised by shareholders. • Discussing the outcome of the investor perception study.	• Inclusion of activist themes within the Board's strategic and/or other considerations.	Shareholders
BOARD EFFECTIVENESS	Board evaluation	• Discussing the results of the Board evaluation and reflecting on the effectiveness of the Board and its Committees.	• Refer to page 107 covering the Board evaluation for further detail.	Shareholders Employees Communities Customers

EVALUATING OUR PERFORMANCE IN FY 2018/19

Our Board undertakes a formal review of its performance and that of its Committees each financial year. We are also required to conduct an external evaluation once every three years.

The Board and Committee effectiveness reviews in FY 2018/19 were internally facilitated surveys of the views of all respective members and participating senior management. The reviews comprised on-line questionnaires using Thinking Board, Independent Audit's online questionnaire tool, adapted for Burberry which were completed confidentially by each respondent and results collated and reported without attribution.

Detailed reports were received by the Chairman, and the chairs of each of the Audit, Nomination and Remuneration committees as appropriate. The output was discussed by the Board in May 2019. In discussion, the Board concluded that the Board and its committees continue to operate effectively. The Board was considered to have a good breadth of skills and experience with areas for development being actively addressed.

Non-Executive Directors also reviewed the Chairman's performance. The results were analysed by the Senior Independent Director and discussed with the Chairman. It was determined that the Chairman had performed effectively since his appointment.

The following areas for development and action were agreed by the Board and progress will be monitored during the year:

AREAS OF FOCUS FOR FY 2019/20

Purpose, culture, values and behaviour	• Focus on refining and articulating the Company's purpose. • Ensuring the alignment of purpose with the culture, values and behaviours of the Company.
People	• Continued focus on executive succession planning and leadership development. • Reviewing remuneration to ensure it encourages the right behaviour consistent with purpose, values and strategy.
Reputation	• Further understanding development of potential areas of exposure and appropriate mitigation.

PROGRESS ON FOCUS AREAS IDENTIFIED IN FY 2017/18

Action	Progress
An evolving internal and external landscape	
Enhanced horizon scanning, to ensure understanding of the implications for Burberry.	The Board strategy meetings held in October 2018 provided an overview of the current external environment and highlighted the most significant consumer and luxury trends to enable the Board to consider their medium- and longer-term implications for Burberry and the industry as a whole.
Optimising the value of site visits, and effective interaction with employees and stakeholders.	Workforce engagement proposals were developed to enhance the Board's current methods of employee engagement. Implementation of these proposals and continued engagement with all stakeholders is an area of focus for FY 2019/20.
Risk management	
Further development of the Company's appetite for risk, with risk management on the agenda at each meeting.	Key risks were identified and managed through the existing risk management processes.
Developing culture and talent	
Ensuring corporate culture and employee engagement remains on the Board's agenda.	The Board received an update on the outcome of the employee engagement survey.
Executive succession planning, with more senior leadership engagement and a focus on longer term talent development.	The Nomination Committee received an overview of Executive succession planning. In addition, Board members have met with members of the senior leadership team on a number of occasions during the year.
Optimisation of the Board composition and contribution	
Planning for the future composition of the Board, recognising its expected further evolution.	The continued evolution of the Board and its committees was a key focus of the Nomination Committee during FY 2018/19. More information on the Board's work on succession planning and talent development can be found in the Nomination Committee report on pages 120 to 122.
Shareholder engagement	
Ensuring effective communication and consultation with shareholders.	The Board received updates from the VP, Investor Relations in July and October 2018 to provide an overview of the shareholder base and investor sentiment. In addition, an independent investor audit took place in January/February 2019 with feedback reported to the Board in March 2019. Since his appointment as Chairman, Gerry Murphy has met shareholders representing 38% of the share register. Orna NíChionna has engaged with several shareholders in her capacity as Chair of the Remuneration Committee.

DIRECTORS' PERFORMANCE

Separately to the Board's evaluation, the Chairman held discussions with each of the Directors to discuss their individual performance. This allowed them the opportunity to raise any issues they may have had, including in relation to any matters of Board/Committee effectiveness. These discussions are used as the basis for recommending the re-election of Directors by shareholders.

The Board is satisfied that all its Non-Executive Directors bring robust, independent oversight and continue to remain independent.

CHAIRMAN'S PERFORMANCE

Our Non-Executive Directors consider that the Chairman has performed effectively since his appointment in leading the Board during a year of significant change for the Company.

EXTERNAL DIRECTORSHIPS

Our Board's Executive Directors are permitted to hold only one external non-executive directorship. Details of the Directors' other directorships can be found in their biographies on pages 94 to 97.

TIME ALLOCATION

Each of our Non-Executive Directors has a letter of appointment, which sets out the terms and conditions of his or her directorship. The Non-Executive Directors are expected to devote the time necessary to perform their duties properly. This is expected to be approximately 20 days each year for basic duties.

The Chairman and Senior Independent Director are expected to spend additional time over and above this to carry out their extra responsibilities. The Chairman, Senior Independent Director and Chief Executive Officer also have defined roles and responsibilities, which set out the scope of their roles. A copy of these roles can be found in the Corporate Governance section of the Group's website www.burberryplc.com. The Board considers that the Chairman and all Non-Executive Directors have fulfilled their required time commitments.

The table below gives details of Directors' attendance at Board and Committee meetings during the year ended 30 March 2019. This is expressed as the number of meetings attended out of the number that each Director was eligible to attend.

	Board[1]	Audit	Nomination	Remuneration
Gerry Murphy	5/5	–	3/3	–
Marco Gobbetti	6/6	–	–	–
Julie Brown	6/6	–	–	–
Fabiola Arredondo	6/6	–	3/3	4/4
Ian Carter	6/6	–	3/3	4/4
Jeremy Darroch[1]	5/6	3/3	2/3	–
Stephanie George[1]	5/6	–	3/3	4/4
Matthew Key	6/6	3/3	3/3	2/2
Dame Carolyn McCall	6/6	3/3	3/3	–
Ron Frasch	6/6	1/1	3/3	4/4
Orna NíChionna	6/6	–	3/3	4/4
Sir John Peace[2]	2/2	–	–	–

1. In the event that Non-Executive Directors were unable to attend a meeting due to prior commitments or illness, where possible, they gave their views to the Chair of that respective meeting ahead of the meetings being held.
2. Sir John Peace stepped down from the Board on 12 July 2018.

INFORMATION FLOW AND PROFESSIONAL DEVELOPMENT

Our Chairman works closely with the Company Secretary in the planning of agendas and scheduling of Board and Committee meetings. Together, they ensure that information is made available to Board members on a timely basis and is of a quality appropriate to enable the Board to effectively carry out its duties.

Our Board is kept up to date on legal, regulatory, compliance and governance matters through advice and regular papers from the General Counsel, the Company Secretary and other advisers.

The Company Secretary assists the Chairman in designing and facilitating an induction programme for new Directors and their ongoing training. Each newly appointed Director receives a formal and tailored induction programme to enable them to function effectively as quickly as possible, while building a deep understanding of the business. Each induction typically consists of meetings with both Executive and Non-Executive Directors and briefings from senior managers across our key business areas and operations. In addition, Non-Executive Directors are provided with opportunities to visit key stores, markets and facilities. This includes visits to our various operating facilities in the UK. The Chairman considers the training needs of individual Directors on an ongoing basis.

For Gerry Murphy's appointment as Chairman, the induction programme (as outlined above) was followed, with a specific focus on understanding the Group's strategy and stakeholder interests. This also involved meetings with shareholders.

The Board has direct access to the advice and services of the Company Secretary. The appointment and removal of the Company Secretary is a matter reserved for the Board as a whole. To carry out their duties, Directors may also obtain independent professional advice, if necessary, at the Group's expense.

MANAGING CONFLICTS OF INTEREST

All Directors have a duty under the Companies Act 2006 to avoid a situation in which they have, or could have, a direct or indirect conflict of interest or possible conflict of interest with the Company and the Group.

Under the Company's Articles of Association, our Board has the authority to approve situational conflicts of interest. It has adopted procedures to manage and, where appropriate, approve such conflicts. Authorisations granted by the Board are recorded by the Company Secretary in a register and are noted by the Board at its next meeting.

A review of situational conflicts that have been authorised is undertaken by the Board annually.

Following the last review, the Board concluded that the potential conflicts had been appropriately authorised, no circumstances existed, which would necessitate that any prior authorisation be revoked or amended, and the authorisation process continued to operate effectively.

EVALUATION OF INTERNAL CONTROLS

Our Board is ultimately responsible for the Group's system of internal controls and risk management. It discharges its duties in this area by:

- Determining the nature and extent of the principal risks it is willing to accept to achieve the Group's strategic objectives (the Board's risk appetite).
- Challenging management's implementation of effective systems of risk identification, assessment and mitigation.

Our Audit Committee is responsible for reviewing the effectiveness of the Group's internal controls and risk management arrangements. Details of the Group's risk management process and the management and mitigation of each principal risk together with the Group's viability statement can be found in our Risk and Viability Report on pages 74 to 89.

Ongoing review of these controls is provided through internal governance processes and the work of the Group is overseen by executive management, particularly the work of the Group Internal Audit team and the Risk Committee. Further assurance is provided by the reviews conducted by the external auditor. Regular reports on these activities are provided to the Audit Committee as reflected in the standing items on the Audit Committee agenda.

The Board, through the Audit Committee, has conducted a robust assessment of our principal risks and internal control framework. It has considered the effectiveness of the system of internal controls in operation across the Group for the year covered by the Annual Report and Accounts and up to the date of its approval by the Board. This review covered the material controls, including financial, operational and compliance, as well as risk management arrangements. No significant control weaknesses were identified. The system of internal controls is designed to manage rather than eliminate the risk of not achieving business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The process followed by the Board, through the Audit Committee, in reviewing regularly the system of internal controls and risk management arrangements complies with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting issued by the FRC. It also accords with the provisions of the Code.

CONTROL ENVIRONMENT

Our business model is based primarily on a central design, supply chain and distribution operation to supply products to global markets via retail and wholesale channels, including digital. This is reflected in our internal control framework, which includes centralised direction, resource allocation, oversight and risk management of the key activities of marketing, inventory management, and brand and technology development. We have also established procedures for the delegation of authorities to ensure that approval for matters that are considered significant is provided at an appropriate level. In addition, we have policies and procedures in place that are designed to support risk management across the Group. These include policies relating to treasury and the conduct of employees and third parties with whom we conduct business, including prohibiting bribery and corruption. These authorities, policies and procedures are kept under regular review.

The Group operates a "three lines of defence" model, which helps to achieve effective risk management and internal control across the organisation.

- First line of defence: management owns and manages risk and is also responsible for implementing corrective actions to address process and control deficiencies.
- Second line of defence: to help ensure the first line is properly designed, established and operating effectively, management has also established various risk management and compliance functions to help build and/or monitor the first line of defence. These include, but are not limited to, functions such as Group Risk Management, Legal, Brand Protection, Company Secretariat, Finance, Health and Safety, Data Protection, Asset and Profit Protection, and Business Continuity.
- Third line of defence: Internal Audit provides the Audit Committee and management with independent and objective assurance on the effectiveness of governance, risk management and internal controls. This includes the way in which the first and second lines of defence achieve risk management and control objectives.

INTERNAL AUDIT

The Internal Audit function is managed under the leadership of our Senior Vice President, Risk Management and Internal Audit who reports to the Chief Operating and Financial Officer but has an independent reporting line to the Chair of the Audit Committee.

The scope of Internal Audit work is considered for each operating company and Group function. This takes account of risk assessments, input from senior management and the Audit Committee and previous audit findings. For example, this year there was an emphasis on assurance over the Group's major change programme, including a number of strategic IT projects. There was also a continued focus on cybersecurity and the core financial controls that transferred to BBS in Leeds. Changes to the Group's risk profile are considered on an ongoing basis and amendments are made to the audit plan as necessary during the year. Any proposed changes to the plan are discussed with the Chief Operating and Financial Officer and reported to the Audit Committee. The effectiveness of Internal Audit is assessed by performing an independent review of the function at least every five years. The Committee has assessed the effectiveness of Internal Audit and is satisfied that the quality, experience and expertise of the function are appropriate for the business.

Ongoing visibility of the internal control environment is provided through Internal Audit reports to management and the Audit Committee. These reports are graded to reflect an overall assessment of the control environment under review, the significance of any control weaknesses identified, and any remedial actions, which have been identified and agreed with management. The Audit Committee places high emphasis on actions being taken as a result of internal audits. Regular reports are provided to the Audit Committee on the status of any open actions.

FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal controls over financial reporting. These are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external reporting purposes.

We have comprehensive planning, budgeting, forecasting and monthly reporting processes in place. A summary of financial results, supported by commentary and performance measures, is provided to the Board each month.

In relation to the preparation of Group Financial Statements, the controls in place include:

- A centre of expertise responsible for reviewing new developments in reporting requirements and standards to ensure that these are reflected in Group accounting policies.
- A global finance structure consisting of employees with the appropriate expertise to ensure that Group policies and procedures are correctly applied. Effective management and control of the finance structure is achieved through our finance leadership team, consisting of key finance employees from the regions, BBS and London headquarters.

Our reporting process is supported by transactional and consolidation finance systems. Reviews of controls are carried out by senior finance management. The results of these reviews are considered by the Board as part of its monitoring of the performance of controls around financial reporting controls.

The Audit Committee reviews the application of financial reporting standards and any significant accounting judgements made by management. These matters are also discussed with the external auditor.

FAIR, BALANCED AND UNDERSTANDABLE

As a whole, the Annual Report and Accounts are required to be fair, balanced and understandable and to provide the information necessary for shareholders to assess the Group's position, performance, business model and strategy. On behalf of the Board, the Audit Committee considered whether the fair, balanced and understandable statement could properly be given on behalf of the Directors. The processes followed to provide the Committee with assurance were considered and the Committee provided a recommendation to the Board that the fair, balanced and understandable statement could be given on behalf of the Directors. Based on this recommendation, our Board is satisfied that it has met this obligation. A summary of the Directors' responsibilities in relation to Financial Statements is set out on page 152. The independent auditor's report on page 153 includes a statement concerning the auditor's reporting responsibilities.

OTHER GOVERNANCE DISCLOSURES

The Group is committed to acting with integrity and transparency on all tax matters and complying fully with the letter and spirit of the relevant tax law. The Group will only engage in responsible tax planning aligned with our commercial and economic activity. We will not use tax structures or undertake artificial transactions, the sole purpose of which is to create a contrived tax result. For example, we exclude transactions with parties based in tax haven jurisdictions when the transactions are not in the ordinary course of Group trading business or which could be perceived as artificially transferring value to low tax jurisdictions. We are also committed to engaging in open and constructive relationships with tax authorities in the territories in which we operate. The Group tax strategy is implemented through the Group's tax policy, which directs and aligns our tax planning, reporting and compliance activities with the Group's strategic objectives. Further information regarding the Group tax strategy is provided at www.burberryplc.com.

Tax governance framework

Our Chief Operating and Financial Officer is responsible for the Company's tax strategy and the transparency and effectiveness of the Group's corporate tax processes and disclosures. The tax strategy is implemented with the assistance of the finance leadership team and global tax and trade compliance teams. Compliance with the tax strategy is reviewed on an ongoing basis as part of the regular financial planning cycle. The Group's tax status is reported regularly to the Audit Committee. The Audit Committee is responsible for monitoring the Group's tax strategy and significant tax matters. Audit Committee meetings are attended by a number of Group officers and employees as outlined on page 116.

Share capital

Further information about the Company's share capital, including substantial shareholdings, can be found in the Directors' Report on page 147.

ENGAGEMENT WITH SHAREHOLDERS

The Board recognises the importance of regular, open and constructive dialogue with shareholders throughout the year.

Our Investor Relations team participated in over 300 investor meetings and events during the financial year. As well as introducing our new Chairman to top shareholders, meetings were also held with a combination of our Senior Independent Director, the Chair of the Remuneration Committee, Executive Directors and other members of senior management, totalling over 100 meetings. This engagement included presentations to institutional shareholders and analysts following the release of the Group's Half and Full Year results (available on the Group's website at www.burberryplc.com), as well as meetings with the Group's 20 largest investors.

Topics discussed in investor meetings included, but were not limited to, luxury sector growth dynamics, the Group's strategic plans, early progress against our strategy, and our current business performance.

Our Investor Relations and Company Secretariat departments act as the centre for ongoing communication with shareholders, investors and analysts. The Board receives regular updates about the views of the Group's major shareholders and stakeholders from these departments as well as via direct contact.

We also conducted an independent investor perception audit of our major investors through KPMG Makinson Cowell, a capital markets advisory firm, the outcomes of which were discussed with the Board at the March meeting.

REPORT OF THE AUDIT COMMITTEE

MATTHEW KEY
Chair, Audit Committee

DEAR SHAREHOLDER,
I am pleased to present the FY 2018/19 report of the Audit Committee. The purpose of this report is to describe how we have carried out our responsibilities during the year.

The role of the Audit Committee is to monitor and review the integrity of financial information and to provide assurance to the Board that the Group's internal controls and risk management systems are appropriate and regularly reviewed. We also oversee the work of the external auditor, approve their remuneration and recommend their appointment. In addition to the disclosure requirements relating to audit committees under the Code, the Committee's report sets out areas of significant and particular focus for the Committee.

Over the course of FY 2018/19, we continued to focus on our usual work as set out on page 116. As indicated in last year's report, we have continued to pay particular attention to the Group's risk management, its risk reporting framework and risk mitigation covering each principal risk on a regular basis. Some of the more in-depth areas of focus included a rolling programme of risk topics such as cyber resilience, supply chain and quality.

During the year, we undertook an external audit tender in accordance with the UK's implementation of the EU's mandatory firm rotation requirements. Details of the tender process are set out on page 119. After reviewing written proposals and hearing presentations from the participating firms, the Committee recommended to the Board that Ernst & Young LLP (EY) be appointed as auditor from FY 2020/21.

The Committee also considered the significant matters set out in the table on page 117. Where these related to the Financial Statements for the year, the Committee requested papers from management setting out its approach, the key estimates and judgements applied, as well as management's recommendations. The Committee reviewed and challenged these papers, together with the findings of the external auditor, in order to conclude on the appropriateness of the treatment in the Financial Statements. All matters reviewed were concluded to the satisfaction of the Committee.

The Committee confirms that during FY 2018/19, the Group has complied with the mandatory audit processes and audit committee responsibilities provisions of the Competition and Markets Authority Statutory Audit Services Order 2014. This report describes the work of the Committee in discharging its responsibilities.

The Committee has a constructive and open relationship with management and I thank them on behalf of the Committee for their assistance during the year. I am confident that the Committee has carried out its duties in the year effectively and to a high standard.

PricewaterhouseCoopersLLP has continued to provide robust challenge throughout the audit process and I thank them for their work.

MATTHEW KEY
Chair, Audit Committee

"I am confident that the Committee has carried out its duties in the year effectively and to a high standard."

AUDIT COMMITTEE MEMBERSHIP

Jeremy Darroch, Matthew Key and Dame Carolyn McCall served as members of the Committee throughout the year ending 30 March 2019. Ron Frasch was appointed as a member of the Committee on 7 November 2018. Matthew Key succeeded Jeremey Darroch as Chair of the Committee with effect from 6 February 2019.

The Committee met three times during the year, and all Committee members attended all meetings. In addition to the scheduled meetings, the Chair of the Committee met separately with representatives of the external auditor and senior members of the finance function on a regular basis, including prior to each meeting. In addition, he met with other members of management on an ad-hoc basis as required to fulfil his duties.

Regular attendees at Committee meetings include the Chairman of the Board; Chief Operating and Financial Officer; Chief People, Strategy and Corporate Affairs Officer; Company Secretary; Senior Vice President, Risk Management and Audit; Senior Vice President, Group Finance; Vice President, Group Financial Controller; the General Counsel, and representatives of the external auditor.

The Board is satisfied that both Jeremy Darroch and Matthew Key have recent and relevant financial experience, and that all other Committee members have past employment experience in either finance or accounting roles, or broad consumer experience and knowledge of financial reporting and/or international businesses. As a whole, the Board is satisfied that the Audit Committee has competence relevant to the business sector. Details of their experience can be found in their biographies on pages 94 to 97.

ROLE OF THE COMMITTEE

The main roles and responsibilities of the Committee are set out in written terms of reference, which are available on the Company's website at www.burberryplc.com. The Committee reviews its terms of reference annually and this year recommended changes to the Board for approval. In light of its key responsibilities, the Committee considered the following items of usual business during the financial year in relation to:

- Financial Reports: the integrity of the Group's Financial Statements and formal announcements of the Group's performance.
- Risk and Internal Controls: the Group's internal financial, operational and compliance controls and risk identification and management systems. Review of Group policies for identifying and assessing risks and arrangements for employees to raise concerns (in confidence) about possible improprieties.
- Viability: consideration of the Group's viability statement as set out on pages 88 to 89.
- Internal Audit: review of the annual internal audit programme and the consideration of findings of any internal investigations and management's response. Review of effectiveness of the Internal Audit function.
- External Auditor: recommending the appointment of external auditor, approving their remuneration and overseeing their work. Policies on the engagement of the external auditors for the supply of non-audit services.

Significant matters for the year ended 30 March 2019	How the Audit Committee addressed these matters
Transaction for the acquisition of leather goods centre of excellence in Italy	In September 2018, we completed the acquisition of a company, containing a division of one of our long-standing Italian partners and created a new leather goods centre of excellence, known as Burberry Manifattura. The Committee reviewed management's proposal on the accounting for this transaction, including the estimates applied to the fair value of consideration, acquired assets and liabilities and goodwill arising from the transaction. The Committee considered management's proposed approach to impairment testing, the goodwill arising from this transaction and the disclosure of the transaction in the Financial Statements. Disclosure of the impact of this transaction is set out in note 28 of the Financial Statements.
Impairment assessment of property, plant and equipment and onerous lease provisions	The Committee considered management's assessment of the recoverability of the carrying value of retail assets held in property, plant and equipment, and, where applicable, the potential need for provisions relating to onerous lease contracts. The Committee considered the approach applied by management to review for potential indicators of impairment and the assumptions applied in this review. Where impairments were identified, the Committee considered the reasons for the impairment and management's quantification of the impairment. The results of the impairment assessment of retail assets are set out in note 14 of the Financial Statements.
The recoverability of the cost of inventory and the resulting amount of provisioning required	The Committee considered the Group's current provisioning policy, the expected loss rates on inventory held at the balance sheet date and the nature and condition of current inventory. Following the announcement that the Group would cease the practice of destroying unsaleable finished products, management carried out a detailed review of inventory and provisioning, including the expected future use of problem inventory and the impact on inventory provisioning. Movements in inventory provisioning are set out in note 17 of the Financial Statements.
Income and deferred taxes	The Committee reviewed the Group's tax strategy, developments relating to discussions with tax authorities, the status of any ongoing tax audits, and their impact on the Financial Statements. The Committee reviewed and challenged the appropriateness of assumptions and estimates applied in order to estimate the amount of assets and liabilities to be recognised in relation to uncertain income tax and deferred tax positions. As a result of this review and reflecting developments during the year, the Committee concluded that uncertain tax positions should be presented as a key source of estimation (see note 1). The Committee concluded that the assets and liabilities recognised and disclosures contained in the Financial Statements for the period were appropriate. Details of movements in tax balances are set out in notes 10 and 15 of the Financial Statements and further disclosure of tax contingent liabilities is given in note 31. The potential impact of adopting IFRIC 23 in the following year's Financial Statements was also reviewed.
Adoption of new accounting standards	The Committee reviewed the adoption of two new accounting standards, IFRS 9 and IFRS 15, in the current year's Financial Statements. The Committee reviewed management's final assessment of the impacts of the standards, the changes to accounting policies relating to these new standards, and the adoption disclosures in the financial statements. The Committee also reviewed management's plans for the adoption of IFRS 16 for the year ended 28 March 2020, including the choice of adoption approach, the status of the adoption project and the disclosure of the impact of adoption in the current year's Financial Statements. The impacts of new accounting standards are set out in note 1 of the Financial Statements.
Fair, balanced and understandable reporting	The Committee considered the Annual Report and Interim Report, on behalf of the Board, to ensure that they were fair, balanced and understandable, in accordance with requirements of the UK Corporate Governance Code. As part of this review, the Committee reviewed the report from the strategic report drafting team, highlighting key considerations. The Committee considered comments arising from the review of the Financial Statements by the Executive Directors. The Committee also considered the use of alternative performance measures by the Group, including the appropriateness of their current use and their disclosure in the Financial Statements and Strategic Report. The Committee concluded that their current use was fair, balanced and understandable.
Other matters	At the May and November meetings, the Committee also considered management's papers on the following subjects: • assessment of the carrying value of goodwill • recognition and measurement of adjusting items for restructuring costs.

EXTERNAL AUDITOR

The Committee oversees the work undertaken by PricewaterhouseCoopers LLP (PwC). During the year, the Committee met with the external auditor without members of management being present.

Appointment and fees

The Committee's primary responsibility is to make a recommendation on the appointment, reappointment and removal of the external auditor. Every year, the Committee assesses the qualifications, expertise, resources and independence of the external auditor, and the effectiveness of the previous audit process. Over the course of the year, the Committee reviewed the audit process and the quality and experience of the audit partners engaged in the audit. The Committee also reviewed the proposed audit fee and terms of engagement for FY 2018/19. Details of the fees paid to the external auditor during the financial year can be found in note 8 to the Financial Statements.

In 2018, the Committee approved the reappointment, remuneration and terms of engagement of PwC as the Group's external auditor for FY 2018/19. The Committee recommended that the Board proposes to shareholders that PwC be reappointed as the Group's external auditor at the Group's forthcoming AGM.

PwC has remained in place as auditor since prior to the Initial Public Offering (IPO) of the Company in 2002. The firm was reappointed with a new lead audit partner following a formal tender process undertaken by the Group for FY 2010/11. The external auditor is required to rotate the audit engagement partner every five years. The current engagement partner, Paul Cragg, began his appointment from FY 2015/16. As a result of the UK's implementation of the EU's mandatory firm rotation requirements, the Company is required to replace PwC with another firm of auditors no later than for the financial year commencing 29 March 2020. The Committee conducted a competitive tender during FY 2018/19 as identified in the FY 2017/18 Annual Report. Further information on the tender process is set out on page 119.

NON-AUDIT SERVICES

The Committee recognises that the independence of the external auditor is an essential part of the audit framework and the assurance that it provides. In line with the Revised Ethical Standard issued by the FRC in June 2016, the Committee has adopted a policy, which sets out a framework for determining whether it is appropriate to engage the Group's auditor for non-audit services and pre-approving non-audit fees.

The overall objective is to ensure that the provision of non-audit services does not impair the external auditor's independence or objectivity. This includes, but is not limited to, assessing:

- any threats to independence and objectivity resulting from the provision of such services;
- any safeguards in place to eliminate or reduce these threats to a level where they would not compromise the auditor's independence and objectivity;
- the nature of the non-audit services; and
- whether the skills and experience of the audit firm make it the most suitable supplier of the non-audit service.

The value of non-audit services that can be billed by the external auditor is restricted by a cap, which is set at 70% of the average audit fees for the preceding three years as defined by the FRC.

During FY 2018/19 Burberry's external auditor has not undertaken non-audit work, which exceeded this threshold.

Proposed fees above £100,000 are approved by the Chair of the Audit Committee. Non-audit services with a value below £100,000 and which are in line with the Group's policy have been pre-approved by the Audit Committee. Compliance with the policy of engaging the Group's auditor for non-audit services and pre-approving non-audit fees is reviewed and monitored by the Senior Vice President, Risk Management and Internal Audit. These fees must be activity based and not success related. At the half year and year end, the Audit Committee reviews all non-audit services provided by the auditor during the period, and the fees relating to these services.

During the year, the Group spent £0.3 million on non-audit services provided by PwC (14% of the average of Group audit fees received over the last three years). Further details can be found in note 8 to the Financial Statements.

External audit tender process

The Audit Committee commenced a tendering process in 2018. The process was led by a steering group chaired by the Chief Operating and Financial Officer with support from Senior Vice President, Group Risk Management and Internal Audit, Senior Vice President, Group Finance and Vice President, Group Financial Controller. An overview of the tender process is set out below.

June to September 2018	• Audit tender request for proposal issued. • Two firms confirm they will participate in the tender. • Audit Committee Chair and management consider suitable audit firms to determine their capability. • Interviews with Audit Committee Chair, Chairman of the Board, Chief Executive Officer and Chief Operating and Financial Officer. • Presentations and interviews with key stakeholders, including technical exercises. • Submission of tender documents by the firms. • References taken.
October 2018	• Presentations by firms to Audit Committee. • Initial recommendation made by Audit Committee to the Board. • Agreement of commercial terms and fees.
November 2018	• Final decision and recommendation to the Board.

Selection Criteria

Selection criteria were agreed by the steering group in conjunction with the Chair of the Audit Committee. Key elements included sector experience, business understanding, audit approach, quality and service and strength of team. The evaluation was based on the interactions between Burberry and the firms throughout the process.

Invitation to tender

Ernst & Young LLP (EY) and KPMG LLP were invited to tender, Deloitte LLP was conflicted and therefore unable to participate. Second-tier firms were considered for the audit tender but declined to participate. Each firm submitted a detailed tender document, and presented their proposals to the Audit Committee, Chairman of the Board, Chief Executive Officer, Chief Operating and Financial Officer and other members of the senior management team.

Final selection

Following the presentations, the Audit Committee, Chairman of the Board, Chief Executive Officer, and Chief Operating and Financial Officer discussed the relative strengths and weaknesses of the firms. The Committee agreed that both firms were credible candidates and had submitted and presented high-quality proposals. On balance, the Committee members identified EY as the preferred candidate and recommended to the Board their appointment as external auditor from FY 2020/21, subject to shareholder approval at the AGM in 2020. EY will shadow PwC for FY 2019/20.

NOMINATION COMMITTEE REPORT

GERRY MURPHY
Chair, Nomination Committee

NOMINATION COMMITTEE MEMBERSHIP
All the Non-Executive Directors served as members of the Committee throughout the year ending 30 March 2019. Sir John Peace was a member and Chair of the Committee until his retirement from the Board on 12 July 2018. Gerry Murphy has been a member of the Committee since his appointment to the Board on 17 May 2018 and became Chair of the Committee following the retirement of Sir John Peace.

The Committee met three times during the year and, with the exception of one meeting, all members attended all meetings. Where members were unable to attend, they provided feedback to the Chair on the matters to be discussed In advance of the meeting.

Regular attendees at Committee meetings included: the Chief Executive Officer, the Chief People, Strategy and Corporate Affairs Officer, and the Company Secretary.

ROLE OF THE COMMITTEE
The Committee is responsible for keeping under review the composition of our Board and succession planning for senior leadership positions. The main roles and responsibilities of the Committee are set out in written terms of reference, which are available on the Company's website at www.burberryplc.com. The Committee reviews its terms of reference annually and this year recommended changes to the Board for approval. In light of its key responsibilities, the Committee considered the following items of usual business during the financial year in relation to:

- the structure, size and composition of the Board and its committees;
- succession planning for the Board and the Executive Committee;
- the independence and time commitments of Non-Executive Directors;
- the Board's policy on diversity as it relates to appointments to the Board;
- the Committee's effectiveness; and
- the Committee's terms of reference.

The Committee continues to work diligently to assist the Board with building on its relevant skills and competencies, according to our Board succession plan.

The principal activities of the Committee during the year included the continued evolution of the Board in light of the review of the structure and composition of our Board.

In relation to our Non-Executive Directors, the Committee has continued to focus on building relevant skills and competencies for the future under its succession plan. During the year, the Committee considered the composition of the Board's committees and in November 2018, recommended the appointment of Ron Frasch as a member of the Audit Committee and Matthew Key as a member of the Remuneration Committee. In February 2019, the Committee also recommended Matthew Key succeed Jeremy Darroch as Chair of the Audit Committee.

As required by the UK Corporate Governance Code, Director's offer themselves for annual re-election. The Committee considered the annual re-election of Directors at the AGM based on Director performance, independence, time commitments and tenure. The Committee recommended that, with the exception of Stephanie George and Ian Carter, all Directors stand for re-election at the forthcoming AGM.

"The Committee is responsible for keeping under review the composition of our Board and succession planning for senior leadership positions."

DIVERSITY

Board succession planning is focused on ensuring the Board has the right mix of skills and experience. All new appointments are based on merit, keeping in mind the Board's composition principles. These principles have been designed to:

- Maintain current core competencies;
- Add new competencies, which reflect the evolution of the Group's business;
- Ensure compatibility with Burberry's culture and values; and
- Promote diversity, including in terms of gender, social and ethnic backgrounds, cognitive and personal strengths.

We believe that diverse boards with the appropriate competencies and values are better boards. The Board supports the Hampton-Alexander Review target for women to represent one-third of directors by 2020. Our Board's current membership comprises 45% women, which exceeds this target. With respect to women holding senior-leadership positions at Burberry, we were very pleased to note that Burberry was recognised as being the top FTSE 100 performer in the 2018 Hampton Alexander Review. We also endorse the spirit of the Parker Review, which aims to encourage greater ethnic diversity on UK boards. We will continue to monitor diversity and take appropriate steps to maintain our position as a meritocratic and diverse business.

We also believe that a diverse workforce not only encourages better performance, but also creates a more inclusive working environment with more engaged colleagues. We champion the development of all of our people and ensure that employees of all backgrounds are treated equally.

DIRECTORS' REMUNERATION REPORT

CONTENTS

ORNA NíCHIONNA
Chair, Remuneration Committee

DEAR SHAREHOLDER,
I am pleased to present to you the Directors' Remuneration Report (DRR) for the year ended 30 March 2019, which has been approved by both the Remuneration Committee (the Committee) and the Board.

This year, we have continued to evolve our remuneration reporting with the aim of providing ever greater clarity and transparency around executive remuneration at Burberry and its linkage with our strategy, performance and the wider business.

The report sets out the remuneration outcomes for FY 2018/19, a year in which we have made excellent progress in the execution of our multi-year plan to transform Burberry.

For FY 2019/20, we will continue to operate under our current Remuneration Policy. A summary of this Policy, and the key decisions made by the Committee for the year ahead, is set out on page 130. This includes how we are responding to the changes in the UK Corporate Governance Code and to evolving investor expectations.

STRATEGIC CONTEXT

As outlined in the Strategic Report on pages 22 to 41, we are currently on a multi-year journey to transform and reposition Burberry firmly in luxury fashion. As we set out at the start, FY 2018/19 and FY 2019/20 are foundational years where we will re-energise our brand, rationalise our distribution and manage through the creative transition, after which we will accelerate and grow. In FY 2018/19, we achieved our year one financial, strategic and operational objectives, which has given us huge confidence as we look forward to FY 2019/20.

FY 2018/19 PERFORMANCE AND REMUNERATION OUTCOMES

During FY 2018/19, we embarked on the first stage of our strategy, making excellent progress in building the foundations for our transformation. Key annual performance highlights, taken into account by the Committee when considering incentive outcomes, include:

- In the first half of the year, we launched our new creative vision with a new logo and refreshed Thomas Burberry monogram and a new product aesthetic, starting with Riccardo Tisci's debut runway collection Kingdom. We asserted our leadership in digital innovation with the introduction of our award-winning B Series, a monthly drop of limited-edition products sold on social platforms.
- We also started to align our distribution network to our new creative vision. We refreshed stores in key fashion cities, including London, Paris, New York, Seoul, Shanghai and Tokyo. In wholesale, we accelerated the closure of non-luxury doors in the US, while opening new, image-driving locations around the world to reach new customers and reinforce our brand positioning.
- These initiatives combined to re-ignite brand heat and drove increased engagement from industry insiders, influencers, press and wholesale partners.
- Against the backdrop of our strategic transformation, we delivered FY 2018/19 results in line with guidance. Revenue was £2.7 billion, flat at reported rates, but up 2% at constant exchange rates (CER), excluding Beauty wholesale. Reported operating profit was £437 million, up 7%. Adjusted operating profit was £438 million, unchanged at CER. Adjusted EPS was 82.1p, up 7% at CER. Our performance was underpinned by operational and financial discipline, delivering £105 million of cumulative cost savings, which was ahead of plan and enabled us to self-fund our transformation. The full year dividend per share was up 3% to 42.5p, in line with our progressive dividend policy.
- We made significant progress on our Responsibility Agenda, earning recognition as the leading luxury brand in the 2018 Dow Jones Sustainability Index. Key achievements included ending the practice of destroying unsaleable finished products, stopping the use of real fur and pledging to reduce plastic usage in our supply chain.
- Our progress was reflected in returns for our investors, as we delivered total shareholder return in excess of 15% over the year, outperforming the FTSE 100 and most sector peers.

The FY 2018/19 annual bonus for the Executive Directors was based on Adjusted PBT, with targets set by the Committee in the context of the first phase of the strategic transition described above. Adjusted PBT (CER) was above target, resulting in a payout of 60% of maximum. The full target range is disclosed on page 133.

The 2016 Executive Share Plan (ESP) award was based on three performance metrics, measured over the three-year period to 30 March 2019. Growth in Revenue of 0.8% per annum (CER) was just below the threshold target, while three-year average Adjusted Retail/Wholesale ROIC of 15.7% was above the top end of the target range. Adjusted PBT (CER) growth of -6.1% per annum was below the target range, reflecting that the targets for this award had been set prior to the commencement of the strategic transformation. This performance will result in overall vesting of the 2016 ESP awards for the Executive Directors of 25% of maximum.

"This year, we have continued to evolve our remuneration reporting with the aim of providing ever greater clarity."

Over the three-year performance period, Burberry delivered total shareholder return of 17% per annum, exceeding both the FTSE 100 and most sector peers, and resulting in the creation of over £3 billion of incremental value for our investors. The value to be received by the Executive Directors from their 2016 ESP awards reflects this value creation, illustrating the direct alignment with shareholders.

The ESP shares to be received by our Executive Directors on vesting will be subject to a post-vesting holding period, in accordance with the terms of our Remuneration Policy.

The Committee believes that the bonus and ESP outcomes appropriately reflected the broader performance context outlined above. As a result, no discretion was exercised by the Committee in respect of either outcome.

CHANGES TO THE UK CORPORATE GOVERNANCE CODE

The Committee noted and welcomed the changes made to the Code during 2018 in respect of executive remuneration. The Committee also closely monitored investor guidance and best practice, which continues to evolve rapidly.

In response, the Committee undertook reviews in a number of areas leading to the following actions:

- **Further reducing pensions for new Executive Director hires.** In our 2017 Remuneration Policy, we reduced the level of pension provision for new Executive Director hires from 30% to 20% of salary. In light of the new Code, the Committee reviewed this policy again and decided to further reduce the level of pension for any new Executive Director hires to 15% of salary, which took effect from 31 March 2019. Burberry operates a defined contribution pension scheme for all UK employees where, in line with common market practice, the level of company contribution operates on a scaled basis from 6% of salary to 15% of salary, based on a number of factors including seniority and role. The changes to pension policy for new Executive Directors would align with this framework, which applies to the UK workforce. The Committee will keep this under review, including as a part of our forthcoming Remuneration Policy review (see page 132).
- **Strengthening malus and clawback provisions.** Our current malus and clawback provisions, which have been in place since 2015, can be applied in the event of a material misstatement of accounts or where the incentive outcome has been incorrectly calculated. For bonus and ESP awards made from 2019 onwards, this framework has been strengthened to allow the provision to also be invoked in the event of serious misconduct. We will ensure plan documentation supports the enforceability of the provision, in line with investor guidance. The full terms of the new provision are set out on page 136.
- **Reviewing discretion to adjust incentive outcomes.** The Committee also reviewed the discretionary powers available in respect of the bonus and ESP and concluded that the framework which already exists in our 2017 Remuneration Policy remains appropriate. In assessing outcomes for FY 2018/19, the Committee took into account the broader performance context, as described above.
- **Achieving long-term alignment between executives and shareholders.** The Committee noted that our reward framework already contains a number of structural features designed to foster long-term alignment with investors. Our shareholding guideline of 300% of salary is upper quartile for our company size and is delivered via a bonus investment requirement. In addition, vested ESP awards cannot normally be sold for a period of five years from grant. At the same time, the Committee notes the new Code requirement for a “policy for post-employment shareholding requirements” and is committed to reviewing our structures in this area as part of our forthcoming Remuneration Policy review.

REMUNERATION POLICY

Our current Remuneration Policy was approved by over 93% of shareholders at the 2017 AGM. In line with UK regulations, we will need to seek approval for a new Remuneration Policy at the 2020 AGM.

The Committee is aware of the observation made by some shareholders and proxy agencies around the significant weighting of Adjusted PBT within the overall incentive framework prescribed by our current Policy. We also recognise the importance of ensuring that incentives align with strategic objectives and with business KPIs, which we use to report our performance externally and drive performance internally.

As indicated in last year’s report, during FY 2018/19 the Committee considered the possibility of seeking to introduce a new Remuneration Policy at the 2019 AGM, a year earlier than required by the regulations. However, the Committee subsequently concluded that it would be preferable to wait until the 2020 AGM in order to better align the new Policy, including the selection of annual and long-term performance metrics, with the second phase of our transformation strategy from FY 2020/21, as described above. I can confirm that it is the Committee’s current expectation that our new Policy will result in a broadening of the number of performance measures in our incentive framework. I intend to consult closely with shareholders as we develop that Policy.

BROADER EMPLOYEE REWARD
When considering the remuneration arrangements for the Executive Directors and the Executive Committee, the Committee continues to take into account remuneration throughout the Group.

During the year, the Committee considered information on the policies and practices which exist throughout the business. We noted that, although Burberry has a diverse global workforce, the same broad underlying framework for remuneration and reward is cascaded throughout the Group, most notably the significant role of performance-based remuneration, including participation in long-term share awards. We also discussed our approach to, and results of, Burberry's gender pay gap reporting.

In line with the commitment we gave last year, we have chosen to voluntarily disclose our CEO pay ratio ahead of the requirement coming in to force next year (see page 138).

As referred to on page 100, we have reviewed our workforce engagement activities and during FY 2019/20 are building on the wide range of engagement activities already undertaken to ensure there is meaningful two-way conversation with the Board including in the area of remuneration.

FY 2019/20 REMUNERATION APPROACH
In FY 2019/20, we will continue to operate under the current Remuneration Policy. A summary of this Policy, and how it will be applied in the year, is set out on pages 130 to 131.

Key decisions by the Committee in respect of FY 2019/20 include:

- Marco Gobbetti and Julie Brown will both receive a salary increase of 1.6% with effect from 1 July 2019. These increases align directly with the average increase across the broader UK employee population of 1.6% whilst also reflecting both the ongoing need to remain competitive in the global luxury goods market and their performance during the year.
- The annual bonus will continue to be based on Adjusted PBT as prescribed by our current Policy. The targets have been set in the context of our ongoing strategic transformation and are considered by the Committee to be at least as stretching as those set in prior years. The targets will be disclosed in next year's report, due to commercial sensitivity.
- There are also no changes to the performance measures or weightings for the 2019 ESP award, which will continue to be focused on profitability, revenue, and the efficient use of capital, as prescibed by our current Policy.
- The performance target ranges for the 2019 award reflect the anticipated acceleration of growth as we move into the second phase of the transformation strategy while remaining appropriately stretching in the context of continued market uncertainty and execution risk. The Revenue target range of 3% to 8% (2018 award: 1% to 5.5%) and the Adjusted PBT (CER) target range of 4% to 12% (2018 award: 0% to 7.5%) have both significantly increased from last year's award.

ENGAGEMENT WITH SHAREHOLDERS
We remain committed to ongoing engagement with our shareholders to ensure an open and transparent dialogue around executive remuneration arrangements at Burberry.

During the year, I engaged with a significant proportion of shareholders on our proposals in response to the Code and our intention to seek a new Policy vote at the 2020 AGM. We received valuable feedback and good support from those consulted.

I would like to thank shareholders for all their feedback this year. I look forward to gaining your support on the Remuneration Report at the Annual General Meeting in July and to engaging again later this year as we develop our proposals for 2020.

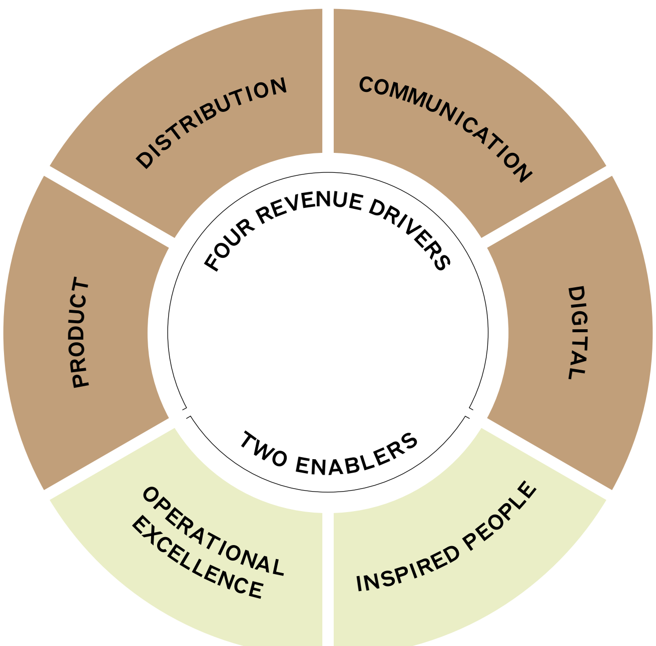
ORNA NíCHIONNA
Chair, Remuneration Committee

"We remain committed to ongoing engagement with our shareholders to ensure an open and transparent dialogue around executive remuneration arrangements at Burberry."

EXECUTIVE DIRECTORS' REMUNERATION AT A GLANCE

This section illustrates how our remuneration framework supports the delivery of our strategy, summarises our Remuneration Policy, including key changes for FY 2019/20, and explains the outcomes from the implementation of our Policy during FY 2018/19.

STRATEGY



FINANCIAL KPIs

- REVENUE GROWTH
- ADJUSTED PROFIT BEFORE TAX GROWTH
- COMPARABLE SALES GROWTH
- ADJUSTED OPERATING PROFIT GROWTH
- ADJUSTED OPERATING PROFIT MARGIN
- ADJUSTED DILUTED EPS GROWTH
- ADJUSTED RETAIL/ WHOLESALE ROIC

For further information on our strategy and KPIs (including non-financial), see pages 22 to 41 and 58 to 60, with the definition of adjusted measures on page 71.

ALIGNING REMUNERATION TO OUR STRATEGY
Our remuneration framework supports us in securing the high-calibre talent needed to execute our strategy in a highly competitive global market.

We are committed to performance-based pay that motivates talent, drives performance and the execution of the Group's strategy, and is aligned with the delivery of long-term shareholder value.

Long-term incentive awards under the Executive Share Plan (ESP) currently use three performance measures, which directly align with the business KPIs.

During our forthcoming Policy review, we will evaluate our framework to ensure it continues to align with the strategy. It is anticipated that this will result in a broadening of the number of performance measures in our incentive framework.

- REVENUE GROWTH
- ADJUSTED PROFIT BEFORE TAX GROWTH
- ADJUSTED RETAIL/WHOLESALE ROIC

OUR EXECUTIVE PAY POLICY

BURBERRY OPERATES A SIMPLE FRAMEWORK CASCADED THROUGH THE BUSINESS
Burberry's broad remuneration framework, consisting of fixed pay, short-term incentives and long-term share awards, is cascaded across all employees in the Group.

FIXED PAY
Consists of salary, benefits and pension

SHORT-TERM INCENTIVES
All employees are eligible for performance-related pay based on short-term performance

LONG-TERM SHARE AWARDS
All employees may participate in Burberry's share plans

THIS BROAD FRAMEWORK TRANSLATES TO THE CURRENT POLICY FOR EXECUTIVE DIRECTORS:

SALARY

Marco Gobbetti: £1,140k

Julie Brown: £725.5k

(with effect from 1 July 2019)

BENEFITS

Pension: 30% of salary (15% for new hires)

Cash allowances and non-cash benefits

ANNUAL BONUS

Maximum 200% of salary based on Adjusted PBT

50% of any net amount received to be invested in Burberry shares until shareholding guideline met

EXECUTIVE SHARE PLAN (ESP)

Marco Gobbetti: 325%

Julie Brown: 300%

Three-year performance period

Vesting over four-year period

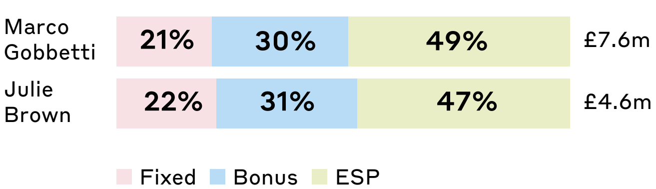
Shares cannot be sold for five years from grant

Measures – Adjusted PBT, Revenue and ROIC

OTHER
Shareholding guidelines of 300% of salary
Discretion, malus and clawback provisions on all incentives

PACKAGE MIX

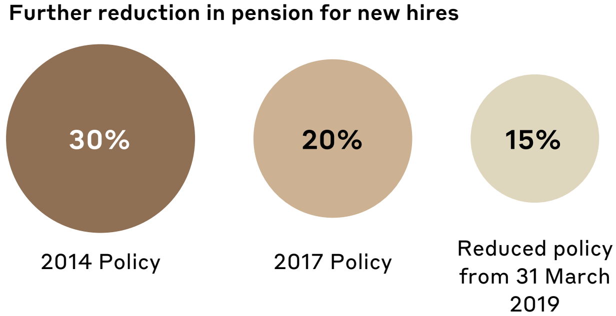
Fixed vs Variable
A significant proportion of maximum total remuneration* is linked to stretching performance targets, illustrated below for FY 2019/20.



Cash vs Shares
The majority of total remuneration* is delivered in shares to drive alignment between Executive Directors and shareholders.

CHANGES FOR FY 2019/20
With effect from FY 2019/20, we are making two changes to our executive remuneration framework in response to evolving best practice and investor expectations:

Further reduction in pension for new hires



Strengthening our malus and clawback provisions

Incorrect calculation

Material misstatement

Serious misconduct

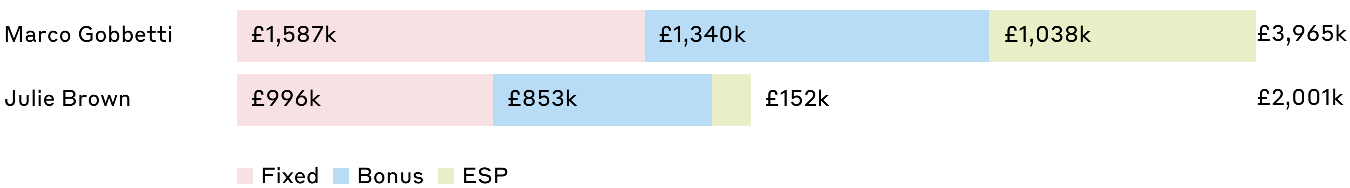
Applicable to awards from 2019 onwards

* Charts based on maximum performance scenario (excluding share price growth). Right hand chart based on the policy before the shareholding guideline has been met.

REMUNERATION OUTCOMES FOR FY 2018/19

SINGLE FIGURE FOR FY 2018/19

The chart below shows the breakdown of the "single-figure" total remuneration for the Executive Directors in respect of FY 2018/19.

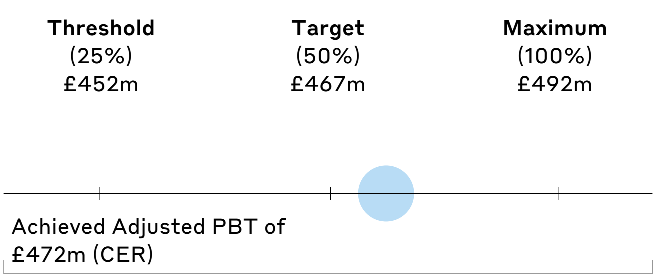


INCENTIVE OUTCOMES FOR FY 2018/19

The performance targets for the annual bonus were set by the Committee at the start of the year to be stretching against a backdrop of profit growth that was anticipated to be broadly stable in the context of the first phase of our strategic plan.

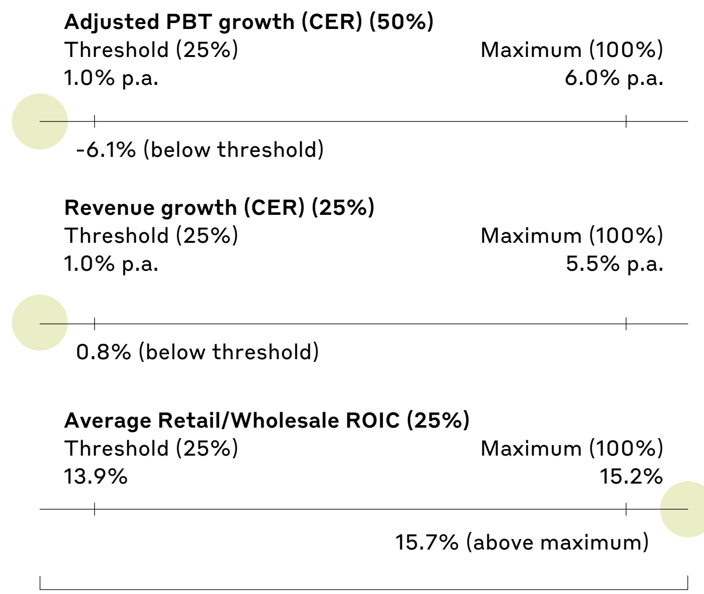
The Committee considered the bonus and ESP outcomes in the context of Burberry's broader performance over the respective performance periods and concluded that the outcomes reflected this performance. As a result, no discretion was exercised by the Committee in respect of either outcome.

Annual bonus: the FY 2018/19 bonus was based on Adjusted PBT (CER) in line with the Policy:



Payout of 60% of maximum

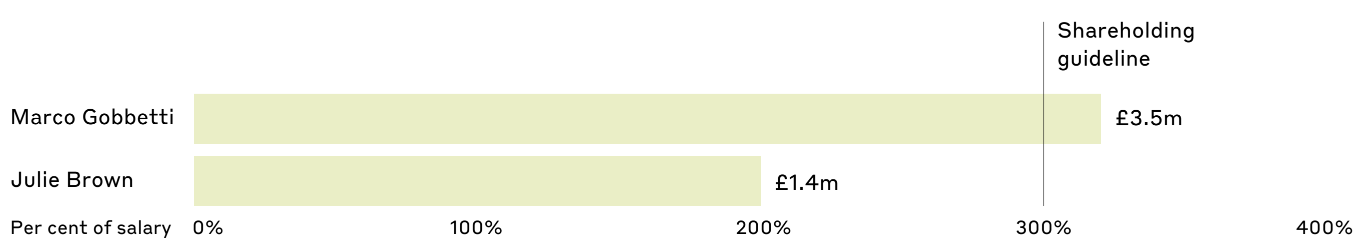
ESP: The 2016 ESP award was based on three performance measures:



Overall vesting of 25% of maximum

ALIGNMENT BETWEEN EXECUTIVES AND SHAREHOLDERS

Executive Directors are subject to a shareholding guideline of 300% of salary, which drives long-term alignment with investors. The chart below illustrates the value of holdings at the year end and the status against the guideline. Marco Gobbetti has now met this guideline and it is anticipated that Julie Brown will do so during FY 2019/20.



OUR REMUNERATION POLICY AND HOW WE WILL IMPLEMENT IT IN FY 2019/20

The Remuneration Policy was approved by shareholders at the AGM on 13 July 2017, and is set out in full in the Directors' Remuneration Report FY 2016/17, which can be found in the Annual Report FY 2016/17 at www.burberryplc.com.

The table below summarises key elements of the remuneration framework for Executive Directors, including how we intend to implement it in FY 2019/20 and the changes being introduced as a result of our recent review.

Element	Summary of current Policy	Implementation in FY 2019/20
Base salary	Salary levels and any increases are set within the same framework and ranges as those for all other employees, taking into account individual performance and overall contribution to the business during the year; cost to the Company; the external economic climate; and positioning against peers. The maximum annual increase for an Executive Director is 10% of base salary. However, annual increases will not normally exceed the average increase for the broader employee population.	In line with the average increase for UK-based employees, Executive Directors will be awarded salary increases of 1.6% with effect from 1 July 2019: • CEO – £1,140,000 • CO&FO – £725,500
Pension	Executive Directors participate in defined contribution arrangements and may elect to receive some or all of their entitlement as a cash allowance. The maximum contribution or cash allowance is 30% of salary per annum for the current Executive Directors. Under the current Policy, for any new external Executive Director appointments, the maximum contribution or cash allowance is 20% of salary per annum.	The cash allowance will continue to be 30% of base salary for current Executive Directors, in line with the current Policy and contractual commitments. For any new Executive Director appointed on or after 31 March 2019, the maximum contribution or cash allowance will be reduced to 15% of salary per annum, which aligns with the scaled pension framework (of 6% to 15%) which applies to the UK employee population (see page 132).
Other benefits	Executive Directors receive a cash allowance and non-cash benefits (which principally include private medical, long-term disability insurance and life assurance). The aggregate maximum value of benefits would not normally exceed £100,000 per individual per annum, other than in circumstances deemed to be exceptional by the Committee.	No changes for FY 2019/20. Annual cash allowances: • CEO – £80,000 • CO&FO – £30,000
Annual bonus	Under the current Policy, the bonus is based solely on Adjusted PBT assessed over the financial year. This recognises that strong financial performance is key to delivering superior shareholder returns and that annual profitability is a key measure of this. Targets are set each year by reference to a range of factors including budget, the strategic plan and long-term financial goals. 25% of maximum pays out at threshold performance and 50% of maximum at target performance. Executives are required to invest 50% of any net bonus earned into Burberry shares until their shareholding guideline is met (see section below). Maximum awards are 200% of salary per annum.	No changes for FY 2019/20. Maximum bonus (% of salary): • CEO – 200% • CO&FO – 200% The Board considers the forward-looking Adjusted PBT bonus targets to be commercially sensitive as they are linked to the Company's financial and strategic plans. Targets will therefore be disclosed in the FY 2019/20 DRR.

<table>
<tr><th>Element</th><th>Summary of current Policy</th><th>Implementation in FY 2019/20</th></tr>
<tr><td>Executive Share Plan (ESP)</td><td>Long-term share awards which vest 50% after three years and 50% after four years, subject to continued employment and achievement against the performance targets.
Performance is measured over three financial years using the following performance measures:
• revenue
• adjusted profit
• a measure to incentivise the efficient use of capital

Targets for the measures are calibrated ahead of each annual grant by reference to a range of factors including the latest strategic plan, long-term financial goals, latest three-year projections and broker earnings estimates for Burberry and its competitors. For each measure, no more than 15% of the maximum may vest for threshold performance.
Holding period: while Executive Directors are employed by Burberry, normally no ESP shares may be sold, except to cover any tax liabilities arising from the award, until five years from the date of grant.
The maximum annual award is 325% of salary (375% in exceptional circumstances).</td><td>No changes for FY 2019/20.

Annual award (% of salary):
• CEO – 325%
• CO&FO – 300%

The following table summarises the performance targets for the 2019 award, which will cover the performance period of three years to 2 April 2022.
<table>
<tr><th></th><th>Adjusted PBT growth (CER)</th><th>Revenue growth (CER)</th><th>Average ROIC</th></tr>
<tr><td>Weighting</td><td>50%</td><td>25%</td><td>25%</td></tr>
<tr><td>Threshold vesting (15% of max)</td><td>4%</td><td>3%</td><td>13.5%</td></tr>
<tr><td>Maximum vesting</td><td>12%</td><td>8%</td><td>17%</td></tr>
</table>
No vesting below Threshold performance. Growth rates on a per annum basis.</td></tr>
<tr><td>All-Employee Share Plans</td><td>Executive Directors may participate in the Company's two all-employee share plans on the same basis as other employees. The Sharesave scheme offers the opportunity to enter into a three- or five-year savings contract to save a portion of salary which can be used to purchase Burberry shares at up to a 20% discount to the market price. The Free Share Plan grants shares which vest after three years subject to continued employment.</td><td>The maximum savings amount for Sharesave is £6,000 per annum, with which shares can be purchased at a 20% discount. The maximum Free Share award is £500 per annum.</td></tr>
<tr><td>Discretion, malus and clawback</td><td>The 2017 Policy contains provisions which would allow the Committee discretion to adjust the bonus outcome or ESP vesting level. Any exercise of discretion would be disclosed in the relevant report.
Malus and clawback provisions exist for both the annual bonus and ESP and may be invoked in the event of a material misstatement in the Company's audited financial statements or if the incentive outturn has been incorrectly calculated.</td><td>The malus and clawback provisions will be strengthened to include serious misconduct as follows: an award may be reduced (or clawed back) in circumstances where the participant has engaged in serious misconduct (including breach of a Company policy) which results in serious reputational damage for the Company and/or which justifies, or could justify, summary dismissal of the participant.</td></tr>
<tr><td>Shareholding guidelines</td><td>Executive Directors are subject to a shareholding guideline of 300% of base salary, while employed by Burberry.
There is no specific timeline in which shareholding guidelines must be achieved. However, there is an expectation that executives make annual progress towards their guideline, which is supported via the requirement to invest a portion of any net annual bonus as previously described. Only shares that are owned outright count towards the shareholding guideline.</td><td>No changes for FY 2019/20.

The operation of the shareholding guidelines will be reviewed as part of the forthcoming Remuneration Policy review.</td></tr>
</table>

ANNUAL REPORT ON REMUNERATION

FY 2018/19 TOTAL SINGLE FIGURE REMUNERATION FOR EXECUTIVE DIRECTORS (AUDITED)

The table below sets out the single figure of total remuneration received or receivable by the Executive Directors in respect of FY 2018/19 (and the prior financial year). The subsequent sections detail additional information for each element of remuneration.

	Salary £'000	Allowances and benefits £'000	Pension £'000	Bonus £'000	ESP £'000	Prior company shares buy-out[1] £'000	Total £'000
Marco Gobbetti							
Year to 30 March 2019	1,117	135	335	1,340	1,038	–	3,965
Year to 31 March 2018[1]	816	91	245	833	–	4,345	6,330
Julie Brown							
Year to 30 March 2019	711	72	213	853	152	–	2,001
Year to 31 March 2018	700	56	210	714	–	–	1,680

Notes:

1. The amounts shown for Marco Gobbetti in FY 2017/18 relate to the period from 5 July 2017, when he became CEO, to 31 March 2018. The amount shown in "Prior company shares buy-out" reflects compensation for incentives forfeited on leaving his previous employer, which are also disclosed in the table on page 137 and in previous years' reports.
2. The values shown in the ESP column in respect of FY 2018/19 represent the vesting of the 2016 ESP award. The values have been calculated by multiplying the number of shares which will vest based on the performance outcome set out on page 134 (53,829 for Marco Gobbetti and 7,905 for Julie Brown) by the three-month average share price to the end of the financial year (£18.48), plus the value of dividends on these shares (using a cumulative dividend per share of 81 pence).

SALARY (AUDITED)

The table below details annual salaries as at 30 March 2019 and those that will apply from 1 July 2019.

When setting salaries for the Executive Directors, the Committee took into account a number of factors, including the approach for our wider employee population, individual performance and overall contribution to the business during the year, cost to the Company, the external economic climate, and market positioning. The salary increases of 1.6% align directly with the average increase across the broader UK employee population of 1.6% whilst also reflecting both the ongoing need to remain competitive in the global luxury goods market and their performance during the year.

	As at 30 March 2019	**As at 1 July 2019**	% change
Marco Gobbetti	£1,122,000	**£1,140,000**	1.6%
Julie Brown	£714,000	**£725,500**	1.6%

PENSION (AUDITED)

In line with the approved Remuneration Policy and their respective service agreements, each Executive Director receives an annual pension contribution or pension cash allowance of 30% of base salary. No Director has a prospective entitlement to receive a defined benefit pension.

Under the current Remuneration Policy approved by shareholders at the 2017 AGM, any new external Executive Director appointment could receive a maximum pension contribution or cash allowance of 20% of salary. As described on page 125, for any new Executive Director appointed on or after 31 March 2019, the maximum pension contribution or pension cash allowance will be reduced to 15% of salary. Burberry operates a defined contribution pension scheme for all UK employees where, in line with common market practice, the level of company contribution operates on a scaled basis from 6% of salary to 15% of salary, based on a number of factors including seniority and role. The changes to pension policy for new Executive Directors would align with this framework which applies to the UK workforce. The Committee will keep the new policy for Executive Directors under review, including as part of the forthcoming Remuneration Policy review.

ALLOWANCES AND BENEFITS (AUDITED)

The table below details the cash allowances and non-cash benefits received by the Executive Directors during FY 2018/19 in accordance with the Policy and disclosed in the single figure table.

FY 2018/19 (£'000)	Cash allowance	Private medical insurance	Life assurance	Long-term disability insurance	Tax advice
Executive Directors					
Marco Gobbetti	80	12	29	6	8
Julie Brown	30	19	5	10	8

ANNUAL BONUS OUTCOMES FOR FY 2018/19 (AUDITED)

The annual bonus for FY 2018/19 for the Executive Directors was based on Adjusted PBT at Constant Exchange Rates (CER) in line with the Remuneration Policy.

As reported last year, the performance targets for this award were set by the Committee at the start of the year, against a backdrop of profit growth for FY 2018/19 that was anticipated to be broadly stable in the context of the first phase of our multi-year strategic plan. The table below sets out the targets, the achieved performance and the level of payout for FY 2018/19.

Annual bonus for FY 2018/19	Maximum bonus opportunity (% of salary)	FY 2018/19 Adjusted PBT target (£m)	FY 2018/19 Adjusted PBT achieved (CER)* (£m)	FY 2018/19 bonus payment (% of maximum)	FY 2018/19 bonus payment (£'000)
Marco Gobbetti	200%	Threshold: 452			1,340
Julie Brown	200%	Target: 467	472	60%	853
		Maximum: 492			

* Adjusted PBT for bonus purposes is calculated using the average exchange rates of FY 2017/18. The level of Adjusted PBT achieved for bonus purposes is therefore higher than the reported FY 2018/19 Adjusted PBT (£443m) to reflect CER.

As shown in the table above, the Adjusted PBT achieved was £5 million ahead of the Target level set by the Committee, which resulted in bonuses for the Executive Directors of 60% of maximum.

In addition to performance against the Adjusted PBT targets, the Committee also took into account the broader performance context for the year when determining the final bonus outcome. This included consideration of strategic progress in building the foundations for our transformation by investing in building brand heat and driving increased engagement from industry influencers and wholesale partners. There was significant progress on our distribution transition as the closure programme of non-luxury doors in the US was stepped up. The focus on Operational Excellence delivered over £105 million of cumulative cost savings, which was ahead of plan. There was also continued progress towards responsibility and sustainability goals (as described on pages 42 to 43). For investors, a total shareholder return in excess of 15% over the year outperformed the FTSE 100 and most sector peers. The Committee concluded that the bonus outcomes appropriately reflected the broader performance context and, as a result, no discretion was applied to the final outcome shown above.

Under the Remuneration Policy, Executive Directors are required to invest 50% of any net bonus earned into Burberry shares until their shareholding guideline of 300% of salary is met. As shown in the table on page 137, Marco Gobbetti has met his shareholding guideline. Julie Brown will invest a portion of her net FY 2018/19 annual bonus into Burberry shares, up to a maximum of 50% of the net amount received.

ANNUAL BONUS FOR FY 2019/20

For FY 2019/20, the maximum bonus opportunity for Executive Directors will remain at 200% of base salary, and will continue to be based fully on Adjusted PBT in line with Policy. The Board considers the forward-looking Adjusted PBT bonus targets to be commercially sensitive as they are linked to the Company's financial and strategic plans, and as such targets will be disclosed in next year's report. Targets have been set to reflect the second year of the strategic transition where operating margins and Adjusted PBT are expected to be broadly stable and are considered by the Committee to be of an equivalent stretch to those set in prior years.

The clawback provision which will apply to this annual bonus is as follows: during the three-year period from the normal date of payment, the Company may seek to recover any bonus in whole or in part in the event of a material misstatement in the Company's audited financial statements; or if the bonus outcome has been incorrectly calculated; or if the individual has engaged during the period from the start of the relevant bonus year to the end of the clawback period in serious misconduct (including, but not limited to, breach of a Company policy), which results in serious reputational damage for the Company and/or justifies, or could justify, summary dismissal of the individual.

EXECUTIVE SHARE PLAN

The following section sets out details of:

- 2016 ESP awards vesting based on performance to FY 2018/19
- 2018 ESP awards granted during FY 2018/19
- 2019 ESP awards to be granted in FY 2019/20

2016 ESP AWARDS VESTING BASED ON PERFORMANCE TO FY 2018/19 (AUDITED)

Marco Gobbetti and Julie Brown hold 2016 ESP awards, which will vest 50% on 30 January 2020 and 50% on 30 January 2021 based on performance over the period from 1 April 2016 to 30 March 2019. The table below sets out the targets and actual performance achieved.

Outcome of 2016 ESP award	Weighting	Threshold (25% of max)	Maximum	Actual performance	Vesting (% of max)
Annual growth in Adjusted PBT[1]	50%	1.0%	6.0%	-6.1%	0%
Annual growth in Revenue[1,2]	25%	1.0%	5.5%	0.8%	0%
Average Adjusted Retail/Wholesale ROIC	25%	13.9%	15.2%	15.7%	100%
Final vesting outcome					25%

1. The ESP outcome is calculated using the average exchange rates of the year on which the targets were based, as set out in the performance conditions to awards.
2. Performance was measured on a like-for-like basis against the targets, taking into account two changes in accounting over the period (the adoption of IFRS 15 and the move to retail calendar reporting). Neither of these impacted the vesting outcome.

In considering the final vesting outcome, the Committee also noted the broader performance context over the performance period: in particular, the strong performance in the execution of the strategic transition and delivery of total shareholder return of 17% per annum, exceeding the FTSE 100 and most sector peers. No discretion was applied to the final vesting outcome shown above.

In line with the Remuneration Policy, vested shares may not be sold until five years from grant (30 January 2022), other than to meet tax liabilities.

2018 ESP AWARDS GRANTED DURING FY 2018/19 (AUDITED)

The table below summarises the ESP share awards granted to Executive Directors during FY 2018/19.

	Type of award	Basis of award	Shares awarded	Face value at grant (£'000)	Performance period
Marco Gobbetti	ESP share award	325% of salary	172,532	£3,646	3 years to 27
Julie Brown		300% of salary	101,348	£2,142	March 2021

- The ESP shares were granted on 31 July 2018 and will vest 50% after three years and 50% after four years from grant date, subject to the performance conditions outlined below. Awards are granted in the form of nil-cost options.
- The face value of each award is calculated using the three-day average price prior to the date of grant (£21.135), which was the price used to determine the number of shares awarded.

The performance targets for this award are as follows:

Performance targets for 2018 ESP award	Weighting	Threshold (15% of max)	Maximum
Annual growth in Adjusted PBT[1,3]	50%	0.0%	7.5%
Annual growth in Revenue[1]	25%	1.0%	5.5%
Average Adjusted Retail/Wholesale ROIC[2,3]	25%	13.5%	17.0%

1. The vesting outcomes are calculated using Revenue and Adjusted PBT as disclosed in the annual accounts, subject to any adjustments (down or up) made by the Committee to reflect CER and any other items deemed to be outside management's control.
2. Adjusted retail/wholesale ROIC measures the efficient use of capital to ensure that returns on future investment are attractive. Group ROIC includes the contribution from the high-return licensing business. Given the licensing business is not capital-intensive, ROIC will continue to be measured on Burberry's retail/wholesale business only. Retail/wholesale ROIC, for the purposes of the ESP performance measure, is calculated as the retail/wholesale post-tax adjusted operating profit divided by the average retail/wholesale operating assets, measured over the three-year period, on a reported currency basis. A calculation of adjusted retail/wholesale ROIC is included in the five-year summary on page 213.
3. For FY 2019/20 Burberry adopted IFRS 16 for lease accounting. To ensure fair and consistent performance measurement and in accordance with the ESP rules, the Committee will assess final performance for this award taking into account existing lease accounting methodology, which is consistent with the basis of the targets. Further disclosure will be provided at the time of vesting in the relevant report.

2019 ESP AWARDS TO BE GRANTED IN FY 2019/20

2019 ESP awards to the Executive Directors will be made at the same award levels as in FY 2018/19 (325% of salary for Marco Gobbetti and 300% of salary for Julie Brown). The awards will vest 50% after three years and 50% after four years from the date of grant, subject to the performance conditions. In line with Policy, other than to meet tax liabilities, no shares may be sold until five years from grant date.

Awards will continue to be based on Adjusted PBT, Revenue and ROIC performance, which will be measured over the three-year performance period to 2 April 2022 in accordance with the following targets:

Performance targets for 2019 ESP award	Weighting	Threshold (15% of max)	Maximum
Annual growth in Adjusted PBT[1]	50%	4%	12%
Annual growth in Revenue[1]	25%	3%	8%
Average Adjusted Retail/Wholesale ROIC[2]	25%	13.5%	17%

1. See footnote 1 on page 135.
2. See footnote 2 on page 135.
3. The clawback provision which will apply to this award is as follows: during the period of three years from the normal date of vesting, the Company may seek to recover any vested shares or awards from individual Directors in whole or in part (or cash of equivalent value) in the event of:
   - A material misstatement in the Company's audited financial statements; or
   - If the outturn has been incorrectly calculated; or
   - If the individual has engaged during the period from the ESP award date to the end of the clawback period in serious misconduct (including, but not limited to, breach of a Company policy), which results in serious reputational damage for the Company and/or which justifies, or could justify, summary dismissal of the individual.
4. In accordance with the ESP rules, the Committee will ensure performance is measured on a fair and consistent basis to reflect, for example, changes to accounting such as the adoption of IFRS 16 and the impact of a 53 week year as a result of using retail calendar reporting.

SHARE INTERESTS AND SHAREHOLDING GUIDELINES (AUDITED)

Executive Directors are subject to a shareholding guideline of 300% of base salary. There is no specific timeline in which shareholding guidelines must be achieved. However, there is an expectation that executives make annual progress towards their guideline, regardless of any annual bonus paid or shares vesting. Only shares that are owned outright count towards the shareholding guideline.

The following table sets out the total beneficial interests of the Executive Directors (and their connected persons) in ordinary shares of Burberry Group plc as at 30 March 2019, as well as their progress against the shareholding guidelines. The table also summarises conditional interests in share or option awards, with further detail of the underlying awards in the subsequent table.

As at 30 March 2019, Marco Gobbetti had met the guideline and Julie Brown had made good progress towards the guideline. In accordance with our policy, Julie Brown will invest a portion of her FY 2018/19 annual bonus in Burberry shares, up to a maximum of 50% of the net amount.

	Beneficially held shares				Share/option awards		
Director	Number of shares beneficially owned as at 30 March 2019[1]	As % of salary[2]	Shareholding guideline (% of salary)	Guideline met as at 30 March 2019	Vested but unexercised awards	Unvested – subject to performance	Unvested – subject to continued employment
Marco Gobbetti	**189,477**	312%	300%	Yes	17,089	595,537	19,550
Julie Brown	**77,285**	200%	300%	No	8,250	254,966	74,347

1. There have been no changes in the period up to and including 15 May 2019.
2. Based on the three-month average share price as at 30 March 2019.
3. Marco Gobbetti did not exercise any options during the year. On 25 January 2019, Julie Brown exercised 72,750 nil-cost options granted to her on 30 January 2017 and retained these shares (post tax liabilities). The market value of Burberry shares on the date of exercise was £17.855.

The following table provides further underlying detail on the unvested awards at 30 March 2019 included in the table above.

Director	Type of award	Date of grant	Maximum number of shares/ options	Performance period	Vesting date(s)[6]
Marco Gobbetti	2016 ESP[1]	30 Jan 2017	**215,318**	3 years to 30 March 2019	50% on 30 Jan 20/50% on 30 Jan 21
	2017 ESP[2]	31 Jul 2017	**207,687**	3 years to 31 March 2020	50% on 31 Jul 20/50% on 31 Jul 21
	2018 ESP[3]	31 Jul 2018	**172,532**	3 years to 31 March 2021	50% on 31 Jul 21/50% on 31 Jul 22
	Buy-out[4]	8 Feb 2018	**17,607**	N/A	50% on 22 Oct 19/50% on 30 Oct 20
	SAYE	15 June 2018	**1,920**	N/A	1 September 2023
	SIP	31 July 2018	**23**	N/A	31 July 2021
Julie Brown	2016 ESP[1]	30 Jan 2017	**31,620**	3 years to 30 March 2019	50% on 30 Jan 20/50% on 30 Jan 21
	2017 ESP[2]	31 Jul 2017	**121,998**	3 years to 31 March 2020	50% on 31 Jul 20/50% on 31 Jul 21
	2018 ESP[3]	31 Jul 2018	**101,348**	3 years to 31 March 2021	50% on 31 Jul 21/50% on 31 Jul 22
	Buy-out[5]	30 Jan 2017	**73,000**	N/A	64,500 on 22 July 2019/8,500 on 27 Mar 2020
	SAYE	15 June 2017	**1,294**	N/A	1 September 2020
	SIP	31 Jul 2017 and 2018	**53**	N/A	30 on 31 Jul 2020/23 on 31 Jul 2021

1. The performance conditions and final vesting outcome for the 2016 ESP award are set out on page 134.
2. The 2017 ESP awards are subject to the following performance conditions measured over the three years to 28 March 2020: 25% on three-year revenue growth of between 1% and 5.5% p.a., 50% on three-year growth in Adjusted PBT of between 2% and 10% p.a., 25% on three-year average ROIC of between 16.2% and 18.2%. Further detail on these performance conditions is provided in the Directors' Remuneration Report FY 2017/18 and note 3 on page 135.
3. The performance conditions for the 2018 ESP award are set out on page 135.
4. This award of nil-cost options was granted to Marco Gobbetti in February 2018 to buy out awards forfeited on leaving his previous employer in order to join Burberry. Full details of these awards were provided in the Directors' Remuneration Reports FY 2016/17 and FY 2017/18. The award shown in the table above represents the final tranches of this award.
5. This award of nil-cost options was granted to Julie Brown in January 2017 to buy out awards forfeited on leaving her previous employer in order to join Burberry. Full details of these awards were provided in the Directors' Remuneration Reports FY 2016/17 and FY 2017/18. The award shown in the table above represents the final tranches of this award.
6. ESP awards are structured as nil-cost options and vested awards may be exercised in the period until 10 years from grant. Vested ESP awards may not be sold until five years from date of grant, other than to meet tax liabilities.

CEO REMUNERATION RELATIVE TO EMPLOYEES

The table below summarises the change in Marco Gobbetti's base salary, benefits and bonus received as CEO for FY 2018/19 compared to the prior year. The same data is also shown for the UK employee population.

Year-on-year change (%)	Salary	Allowances and benefits	Bonus
CEO*	2%	10%	19%
UK Employees**	2%	0%	18%

* Calculated using FY 2017/18 data on an annualised basis given that Marco Gobbetti was appointed to the role of CEO on 5 July 2017.

** The comparator group includes all UK employees. This group has been chosen to align with the location of the CEO and with the pay ratio reporting below. For the comparator group of employees, the salary year-on-year changes include the annual salary review from July 2018 but exclude any additional changes made in the year, for example on promotion. In FY 2018/19, the bonus outturn based on Adjusted PBT performance was 60% of maximum, compared to 51% of maximum in FY 2017/18. For benefits, there were no changes to benefit policies or levels during the year. The increase in the value of benefits shown for the CEO reflects an increase in the market cost of the same benefits.

In line with the expectation set out in last year's report, and with our ongoing commitment to transparency in pay disclosure, the Committee has decided to voluntarily begin reporting the CEO pay ratio in advance of the formal requirement to do so next year.

The ratios, set out in the table below, compare the total remuneration of the CEO (as included in the single figure table on page 132) to the remuneration of the median UK employee as well as employees at the lower and upper quartiles. The disclosure will build up over time to cover a rolling 10-year period.

	25th percentile (P25)	Median (P50)	75th percentile (P75)
FY 2018/19 (Option A)	170:1	127:1	82:1

Notes regarding calculation:

The ratios are calculated using option A in the disclosure regulations. The employees at the lower quartile, median and upper quartile (P25, P50, and P75, respectively) were determined based on total remuneration for FY 2018/19 using a valuation methodology consistent with that used for the CEO in the single figure table on page 132. This option was selected on the basis that it provided the most accurate means of identifying the median, lower and upper quartile employees. The calculation is undertaken on a full-time equivalent basis.

The total remuneration in respect of FY 2018/19 for the employees identified at P25, P50 and P75 is £23k, £31k, and £48k, respectively. The base salary in respect of FY 2018/19 for the employees identified at P25, P50 and P75 is £20k, £25k, and £42k, respectively.

The Committee considers pay ratios as one of many reference points when considering remuneration. Throughout the Group, pay is positioned to be fair and market competitive in the context of the talent market for the relevant role, fairly reflecting local market data and other relevant benchmarks (such as the UK Living Wage). The Committee notes the limited comparability of pay ratios across companies and sectors, given the diverse range of business models and employee population profiles which exist across the market.

A significant proportion (around 80%) of the CEO's total remuneration is delivered in variable remuneration, and particularly via long-term share awards under the ESP. In order to drive alignment with investors, the value ultimately received from ESP awards is linked to stretching company performance targets and long-term share price movement. As a result, the pay ratio is likely to be driven largely by the CEO's ESP outcome and may therefore fluctuate significantly on a year-to-year basis.

As a broad illustration, based on incentive award sizes under the current Policy, the ratio could fluctuate between approximately 50x for a zero incentive outcome and approximately 250x for a maximum incentive outcome (prior to any potential further impact from share price movement).

RELATIVE IMPORTANCE OF SPEND ON PAY FOR FY 2018/19

The table below sets out the total payroll costs for all employees over FY 2018/19 compared to total dividends payable for the year and amounts paid to buy back shares during the year. The average number of full-time equivalent employees is also shown for context.

Relative importance of spend on pay		**FY 2018/19**	FY 2017/18
Dividends paid during the year (total)	£m	**171.1**	169.4
	% change	**+1.0%**	
Amounts paid to buy back shares during the year	£m	**150.7**	355.0
	% change	**-57.5%**	
Payroll costs for all employees	£m	**519.8**	515.2
	% change	**+0.9%**	
Average number of full-time equivalent employees		**9,862**	9,752
	% change	**+1.1%**	

SERVICE AGREEMENTS

The table below sets out information on service agreements for the current Executive Directors.

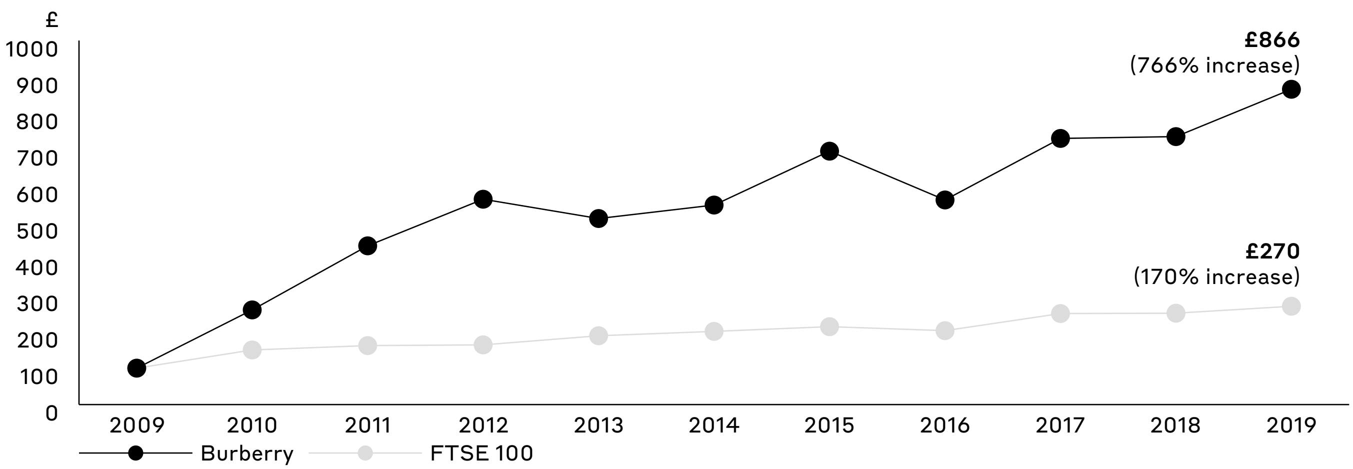
	Date of current service agreement	Date employment commenced	Notice period to and from the Company
Marco Gobbetti	11 July 2016	27 January 2017	12 months
Julie Brown	11 July 2016	18 January 2017	12 months

EXTERNAL APPOINTMENTS

Julie Brown serves as a Non-Executive Director of Roche Holding Limited and it was agreed that fees earned in connection with this appointment can be retained by her. For the period 1 April 2018 to 30 March 2019, Julie's fees for this appointment were CHF 360,000 (c. £276,119). Marco Gobbetti did not hold any external appointment during the year ended 30 March 2019.

TEN-YEAR PERFORMANCE GRAPH AND CHIEF EXECUTIVE OFFICER'S REMUNERATION

The following graph shows the Total Shareholder Return (TSR) for Burberry Group plc compared to the FTSE 100 index assuming £100 was invested on 31 March 2009. Data is presented on a spot basis and sourced from DataStream. The table below shows the total remuneration earned by the incumbent Chief Executive Officer over the same 10-year period, along with the percentage of maximum opportunity earned in relation to each type of incentive. The total amounts are based on the same methodology as used for the single figure of total remuneration for FY 2018/19 on page 132.



FY[1]	2009/10 (AA)	2010/11 (AA)	2011/12 (AA)	2012/13 (AA)	2013/14 (AA)	2014/15 (AA)	2014/15 (CB)	2015/16 (CB)	2016/17 (CB)	2017/18 (CB)	2017/18 (MG)	2018/19 (MG)
Total remuneration (£'000)	7,362	16,003	9,574	10,901	8,007	157	7,508	1,894	3,508	1,091	6,330	3,965
Bonus (% of maximum)	100%	100%	100%	75%	70%	–	81%	0%	0%	51%	51%	60%
ESP (% of maximum)	–	–	–	–	–	–	–	–	–	5%	–	25%
Legacy incentive plans (no longer in operation):												
CIP[2] (% of maximum)	100%	100%	–	100%	100%	–	75%	0%	0%	–	–	–
RSP (% of maximum)	42.50%	–	100%	–	–	–	–	0%	19.30%	–	–	–
EPP[3] (% of maximum)	15%	50%	–	–	–	–	–	–	–	–	–	–
Exceptional award[4]	15%	50%	–	–	–	–	–	–	61.70%	59.9%	–	–

1. Angela Ahrendts (AA, CEO to 30 April 2014), Christopher Bailey (CB, Chief Creative Officer and CEO from 1 May 2014 to 4 July 2017), Marco Gobbetti (MG, CEO from 5 July 2017).
2. The CIP was the Burberry Co-Investment Plan, a long-term incentive plan under which the final performance-based awards were granted in 2014. Details of this plan can be found in the relevant Directors' Remuneration Reports.
3. The EPP was the Burberry Exceptional Performance Share Plan, a one-off long-term incentive plan under which performance-based awards were granted in 2007 only. Details of this plan can be found in the relevant Directors' Remuneration Reports.
4. The Exceptional award for Christopher Bailey relates to vesting of his 2014 exceptional share award as previously disclosed.

NON-EXECUTIVE DIRECTORS' REMUNERATION (AUDITED)

The Policy on remuneration for Non-Executive Directors is set out in the Directors' Remuneration Report FY 2016/17 (which can be found in the Annual Report FY 2016/17 at www.burberryplc.com).

The table below sets out the single figure of total remuneration received or receivable by the Non-Executive Directors in respect of FY 2018/19 (and the prior financial year).

		Fees[1] £'000	Benefits & Allowances[2] £'000	**Total £'000**
Non-Executive Directors				
Gerry Murphy	Year to 30 March 2019[3]	371	1	372
Fabiola Arredondo	Year to 30 March 2019	80	108	188
	Year to 31 March 2018	110	150	260
Ian Carter	Year to 30 March 2019	80	102	182
	Year to 31 March 2018	80	55	135
Jeremy Darroch	Year to 30 March 2019	130	–	130
	Year to 31 March 2018	130	2	132
Ron Frasch	Year to 30 March 2019	80	76	156
	Year to 31 March 2018[4]	47	25	72
Stephanie George	Year to 30 March 2019	80	76	156
	Year to 31 March 2018	80	64	144
Matthew Key	Year to 30 March 2019	85	5	90
	Year to 31 March 2018	80	4	84
Dame Carolyn McCall	Year to 30 March 2019	80	3	83
	Year to 31 March 2018	80	3	83
Orna NíChionna	Year to 30 March 2019	115	2	117
	Year to 31 March 2018[5]	25	–	25
Former Non-Executive Directors				
Sir John Peace	Year to 30 March 2019[6]	114	50	164
	Year to 31 March 2018	400	131	531

Notes

1. Fees include the base fee and additional Committee fees in line with the policy set out on page 142. The additional fees for the role of Audit Committee Chair have been split between Jeremy Darroch and Matthew Key to reflect time served in role.
2. Allowances include an attendance allowance of £2,000 for each meeting attended outside the Non-Executive Director's country of residence and the reimbursement of certain expenses incurred by Non-Executive Directors in the performance of their duties, which are deemed by HM Revenue & Customs to be subject to UK income tax. This includes costs in respect of air travel and other incidental costs incurred in attending regular Board and Committee meetings. Any tax liabilities arising on the reimbursement of these costs will be settled by the Company. Amounts disclosed have been estimated and have been "grossed up" at the appropriate tax rate, where necessary. Note that expenses for Fabiola Arredondo, Ian Carter, Ron Frasch and Stephanie George include travel expenses from the US. Expenses for Sir John Peace include healthcare cover and a car and driver.
3. Fees for Gerry Murphy relate to the period from 17 May 2018 when he joined the Board.
4. Fees for Ron Frasch in FY 2017/18 relate to the period 1 September 2017 to 31 March 2018.
5. Fees for Orna NíChionna in FY 2017/18 relate to the period 3 January to 31 March 2018.
6. Fees for Sir John Peace in FY 2018/19 relate to the period 1 April to 12 July 2018, when he stepped down from the Board.

SUMMARY OF CHAIRMAN AND NON-EXECUTIVE DIRECTOR FEES FOR FY 2019/20

The fee structure for the Chairman and Non-Executive Directors for FY 2019/20 is set out in the table below. There are no changes from the prior year.

Summary of Chairman and NED fees for FY 2019/20	Fee level £'000
Chairman[1]	425
Non-Executive Director	80
Senior Independent Director	20
Audit Committee Chair	35
Remuneration Committee Chair	35
Attendance allowance[2]	2

1. The Chairman is not eligible for Committee chairmanship fees or attendance allowances.
2. Non-Executive Directors receive an attendance allowance for each meeting attended outside their country of residence.
3. Expenses incurred in the normal course of business are reimbursed and, as these are considered by HMRC to be taxable benefits, the tax due on these will also be met by the Company.

CHAIRMAN AND NON-EXECUTIVE DIRECTOR SHAREHOLDINGS (AUDITED)

The table below summarises the total interests of the Chairman and Non-Executive Directors (and their connected persons) in ordinary shares of Burberry Group plc as at 30 March 2019 (or at the date of stepping down, if earlier).

The shareholding guideline for the Chairman and Non-Executive Directors is to hold shares with a market value of £6,000 for each year of their appointment. As at 30 March 2019, all of the Non-Executive Directors had fulfilled this guideline.

Non-Executive Director	Total number of shares owned
Gerry Murphy	5,000
Fabiola Arredondo	7,500
Ian Carter	37,701
Jeremy Darroch	3,000
Ron Frasch	1,265
Stephanie George	41,600
Matthew Key	3,570
Dame Carolyn McCall	2,652
Orna NíChionna	3,067
Former Non-Executive Director	
Sir John Peace	195,738

There have been no changes in the period up to and including 15 May 2019.

REMUNERATION COMMITTEE IN FY 2018/19

Committee membership

The following Directors served as members of the Committee during FY 2018/19:

- Orna NíChionna (Chair)
- Fabiola Arredondo
- Ian Carter
- Ron Frasch
- Stephanie George
- Matthew Key (from 7 November 2018)

Committee remit

The Committee's Terms of Reference (ToR) are published on www.burberryplc.com.

In addition to setting the remuneration of the Executive Directors, the Committee continues to directly oversee the remuneration arrangements for the Executive Committee.

SUMMARY OF MEETINGS

The Committee typically meets four to six times a year. During FY 2018/19, the Committee met four times and the agenda items discussed at these meetings are summarised below.

May 2018	• FY 2017/18 incentive outcomes • FY 2018/19 performance targets and incentive awards • FY 2018/19 senior executive remuneration • Approval of Directors' Remuneration Report FY 2017/18
November 2018	• Update on external environment (including changes to the Code) from independent advisors • Incentives performance update • Approval of changes to pension policy for new Executive Director hires
February 2019	• Update on external environment from independent advisors • Feedback on investor engagement • Approval of changes to malus and clawback provisions • Changes to Committee Terms of Reference • Consideration of the policies and practices which exist for the broader workforce • All-employee share plan review
March 2019	• Update on external environment from independent advisors • Review of draft Directors' Remuneration Report FY 2018/19 • Bonus and ESP performance update • Gender pay gap reporting

ADVISORS TO THE COMMITTEE

At the invitation of the Committee, except where their own remuneration is being discussed, the following roles may attend meetings and provide advice to the Committee: the Chairman, the Chief Executive Officer, the Chief Operating and Financial Officer, the Chief People, Strategy and Corporate Affairs Officer, the Chief Human Resources Officer, the Senior Vice President, Reward, the General Counsel, and the Company Secretary.

Deloitte was appointed as an independent advisor to the Committee in 2017 following a tender process and continued in that role during the year. Deloitte is a founding member of the Remuneration Consultants' Group (RCG), which is responsible for the development and maintenance of the voluntary Code of Conduct that clearly sets out the role of executive remuneration consultants and the professional standards by which they advise their clients. Fees are charged on a time and expenses basis and totalled £98,975 (plus VAT) during FY 2018/19. During the year Deloitte also provided other consulting services (including strategy, programme management, technology implementation and analytics), HR resourcing, tax compliance and advisory and transfer pricing services. The Committee is satisfied that advice received from Deloitte during the year was objective and independent and that all individuals who provided remuneration advice to the Committee have no connections with Burberry that may impair their independence. The Committee reviewed the potential for conflicts of interest and judged that there were appropriate safeguards against such conflicts.

Linklaters LLP also provided advice to the Committee in relation to the operation of the Company's share plans, employment law considerations and compliance with legislation.

REMUNERATION VOTING RESULTS

The table below shows the results of the latest remuneration-related shareholder votes on both the Directors' Remuneration Report (at the 2018 AGM) and the Directors' Remuneration Policy (at the 2017 AGM).

We have continued to engage with and listen to our shareholders during 2018/19 as part of our commitment to build on the constructive dialogue we have established. The Committee and I would like to thank all of you who have invested time with us, as it has helped to inform our thoughts on executive remuneration at Burberry going forward.

AGM voting results	Votes for	Votes against	Votes withheld
To approve the Directors' Remuneration Report for the year ended 31 March 2018	280,724,418 (89.24%)	33,863,557 (10.76%)	71,678
To approve the Directors' Remuneration Policy	315,538,767 (93.40%)	22,283,872 (6.60%)	1,291,775

Approval

This report has been approved by the Board and signed on its behalf by:

ORNA NíCHIONNA
Chair, Remuneration Committee

15 May 2019

DIRECTORS' REPORT

The Directors present their Annual Report and the audited consolidated Financial Statements of the Company for the year to 30 March 2019.

SCOPE OF THIS REPORT

For the purposes of the Companies Act 2006, the following are incorporated by reference and shall be deemed to form part of this Directors' Report:

- Strategic Report on pages 4 to 89.
- Governance Report, which includes the Board, the Corporate Governance Report and the Directors' Remuneration Report, on pages 92 to 144.
- Energy and global greenhouse gas emissions disclosure on page 48.

For the purposes of compliance with the Disclosure Guidance and Transparency Rules 4.1.5R(2) and 4.1.8R, the required content of the management report can be found in the Strategic Report or this Directors' Report, including the material incorporated by reference. The management report is intended to provide a fair, balanced and understandable assessment of the development and performance of the Group's business during the year and its position at the end of the year, its strategy, likely developments, and any principal risks and uncertainties associated with the Group's business.

OTHER GOVERNANCE DISCLOSURES

Revenue and profit

Revenue from continuing business during the period amounted to £2,720.2 million (2018: £2,7328 million). The profit for the year attributable to equity holders of the Company was £339.3 million (2018: £293.5 million).

Going concern and Risk and Viability Report

The going concern statements for the Group and Company are set out on pages 165 and 217 of the Financial Statements and are incorporated by reference and shall be deemed to be part of this report. Additionally, the Directors have considered the longer-term viability of the Company. The Risk and Viability Report can be found on page 74.

Independent auditor

In accordance with section 418(2) of the Companies Act 2006, each of the Company's Directors in office at the date of this report confirms that:

- So far as the Director is aware, there is no relevant audit information of which the Company's auditor are unaware.
- He or she has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information, and to establish that the Company's auditor is aware of that information.

The Group's auditor is PricewaterhouseCoopers LLP. A resolution to reappoint PricewaterhouseCoopers LLP as auditor to the Company will be proposed at the forthcoming Annual General Meeting (AGM). Note 8 of the Financial Statements states the auditor's fees both for audit and non-audit work.

The Independent Auditor's Report starting on page 153 sets out the information contained in the Annual Report, which has been audited by the auditor.

During FY 2018/19 the Audit Committee undertook an external audit tender and Ernst and Young LLP was identified as the preferred candidate and its appointment was recommended to the Board. From FY 2020/21 EY will become the Group's auditor, subject to shareholder approval at the AGM in 2020. Details of the audit tender process are set out on page 119.

Political donations

The Company made no political donations during the year in line with its policy (FY 2017/18: £nil). In keeping with the Group's approach in prior years, shareholder approval is being sought at the forthcoming Annual General Meeting, as a precautionary measure, for the Company and its subsidiaries to make donations and/or incur expenditure, which may be construed as political by the wide definition of that term included in the relevant legislation. Further details are provided in the Notice of this year's AGM.

Financial instruments and risk

The Group's financial risk management objectives and policies are set out within note 26 of the Financial Statements. Note 26 also details the Group's exposure to foreign exchange, share price, interest, credit, capital and liquidity risks. This note is incorporated by reference and deemed to form part of this report.

Annual General Meeting

The AGM of the Company will be held at Conrad London St. James, 22-28 Broadway, London, SW1H 0BH on Wednesday, 17 July 2019. The Notice of this year's AGM is available to view on the Company's website at www.burberryplc.com.

The Directors consider that each of the proposed resolutions to be considered at the AGM are in the best interests of the Company and its shareholders, and are most likely to promote the success of the Company for the benefit of its shareholders as a whole. The Directors unanimously recommend that shareholders vote in favour of each of the proposed resolutions, as the Directors intend to do in respect of their own shareholdings.

Directors

The names and biographical details of the Directors as at the date of this report are set out on pages 94 to 97 and are incorporated by reference into this report.

With regard to the appointment and resignation of Directors, the Company follows the Code, and is governed by its Articles of Association, the Companies Act 2006 and related legislation.

At the 2019 AGM, all Directors will offer themselves for re-election except Ian Carter and Stephanie George who are retiring immediately after the AGM. The Notice of this year's AGM sets out why the Board believes the Directors should be re-elected. The service agreements of the Executive Directors and the letters of appointment of the Non-Executive Directors are available for inspection at the Company's registered office. Brief details of these are also included on pages 123 to 144 of the Remuneration Report.

Directors' powers

Subject to the Company's Articles of Association, the Companies Act 2006 and any directions given by special resolution, the business of the Group will be managed by the Board who may exercise all the powers of the Group, including powers relating to the issue and/or buying back of shares by the Group (subject to any statutory restrictions or restrictions imposed by shareholders at the AGM).

Directors' insurance and indemnities

The Company maintains Directors' and officers' liability insurance, which gives cover for legal actions brought against its Directors and officers. In accordance with section 236 of the Companies Act 2006, qualifying third-party indemnity provisions are in place for the Directors in respect of liabilities incurred as a result of their office, to the extent permitted by law. Both the insurance and indemnities applied throughout the financial year ended 30 March 2019 and through to the date of this report.

Directors' share interests

The interests of the Directors holding office at 30 March 2019 in the shares of the Company are shown within the Directors' Remuneration Report on pages 123 to 144. There were no changes to the beneficial interests of the Directors between the period 30 March 2019 and 15 May 2019.

Amendment to Articles of Association

The Company's Articles of Association were adopted at the 2015 AGM. Any amendments to the Company's Articles of Association may be made in accordance with the provisions of the Companies Act 2006 by way of a special resolution. There is no change to the Articles of Association being proposed at this year's AGM.

Substantial shareholdings

As at 30 March 2019, the Company had been notified under Rule five of the Disclosure Guidance and Transparency Rules of the following major interests in its issued ordinary share capital:

	Number of ordinary shares	% of total voting rights[1]
BlackRock Inc.	27,729,908	6.62
Lindsell Train Limited	21,928,267	5.00

1. As at the date in the notification to the Company.

As at 15 May 2019, the Company had not received any further notifications under Rule 5 of the Disclosure Guidance and Transparency Rules of major interests in its issued ordinary share capital.

Disclosures required under Listing Rule 9.8.4
The information required by Listing Rule 9.8.4, where applicable, can be found on the following pages of the Annual Report:

Listing Rule	Description of Listing Rule	Page reference
9.8.4 (12)	Details of any arrangement under which a shareholder has waived or agreed to waive any dividends.	147

Interests in own shares
Details of the Group's interests in its own shares are set out in note 23 to the Financial Statements.

Share capital
Details of the issued share capital, together with details of movements in the issued share capital of the Company during the year, are shown in note 23. This is incorporated by reference and deemed to be part of this report.

The Company has one class of ordinary share, which carries no right to fixed income. Each share carries the right to one vote at general meetings of the Company. The ordinary shares are listed on the Official List and traded on the London Stock Exchange. As at 30 March 2019, the Company had 411,456,001 ordinary shares in issue. The Company does not hold any shares in treasury.

In order to retain maximum flexibility, the Group proposes to renew the authority granted by ordinary shareholder resolution at the AGM in 2018, to repurchase up to just under 10% of its issued share capital. Under the authority from June 2018 to September 2018, £150 million worth of shares were bought back. Further details of the share buyback can be found in note 23 to the Financial Statements. A further share buyback of £150 million will be completed in FY 2019/20. Further details are provided in the Notice of this year's AGM, which is available on the Company's website at www.burberryplc.com.

At the AGM in 2018, shareholders approved resolutions to allot shares up to an aggregate nominal value of £69,017, and to allot shares for cash other than pro rata to existing shareholders. Resolutions will be proposed at this year's AGM to renew these authorities.

No person has any special rights of control over the Company's share capital and all issued shares are fully paid. There are no specific restrictions on the size of holding or on the transfer of shares, which are both governed by the general provisions of the Company's Articles of Association and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or voting rights. The Directors have no current plans to issue shares other than in connection with employee share schemes.

Details of employee share schemes are set out in note 27 to the financial statements. The Burberry Group plc ESOP Trust has waived all dividends payable by the Company in respect of the ordinary shares it holds. In addition, the Burberry Group plc SIP Trust has waived all dividends payable by the Company in respect of the unappropriated ordinary shares it holds. The total dividends waived in the year to 30 March 2019 were in aggregate £0.9 million (2018: £2.0 million).

Voting
Each ordinary share of the Company carries one vote at general meetings of the Company. Any ordinary shares held in treasury have no voting rights. A shareholder entitled to attend, speak and vote at a general meeting may exercise their right to vote in person, by proxy, or in relation to corporate members, by corporate representatives. To be valid, notification of the appointment of a proxy must be received not less than 48 hours before the relevant general meeting at which the person named in the proxy notice proposes to vote. The Directors may in their discretion determine that in calculating the 48-hour period, no account be taken of any part of a day, which is not a working day. Employees who participate in the Share Incentive Plan whose shares remain in the schemes' trusts give directions to the trustees to vote on their behalf by way of a Form of Direction.

Dividends
The Directors recommend that a final dividend of 31.5p per ordinary share (FY 2017/18: 30.3p) in respect of the year to 30 March 2019 be paid on 2 August 2019 to those persons on the Register of Members as at 28 June 2019.

An interim dividend of 11.0p per ordinary share was paid to shareholders on 1 February 2019 (FY 2017/18: 11.0p). This will make a total dividend of 42.5p per ordinary share in respect of the financial year to 30 March 2019. The aggregate dividends paid and recommended in respect of the year to 30 March 2019 total £173.5 million (FY 2017/18: £171.7 million).

Significant contracts – change of control
Pursuant to the Companies Act 2006, the Directors disclose that in the event of a change of control, the Company's borrowings under the Group's £300 million revolving credit facility, dated 25 November 2014, could become repayable.

Service agreements
Details of the service agreements of the Executive Directors are set out on page 139 of the Directors' Remuneration Report.

Share plans
The provisions of the Company's employee share plans may cause options and awards granted under such plans to vest upon a change of control.

Licence agreement
On 3 April 2017, Burberry entered into an exclusive licensing agreement with Coty pursuant to which Coty develops, manufactures, markets, distributes and sells Burberry Beauty products. The agreement took effect in October 2017, from which time ongoing royalty payments have been payable to Burberry. Pursuant to the Companies Act 2006, the Directors disclose that a change in control of Burberry will, in limited circumstances, result in Coty having a right of termination of the licence agreement.

EMPLOYEE INVOLVEMENT

Employee communications
The Company believes that employee communications is an important tool to enhance the Company culture and connectivity, and to motivate and retain employees. A global communications programme, incorporating various physical and digital channels, enables all employees to connect and collaborate closely. These channels are used to efficiently communicate the Company's key strategies, financial performance and other matters of interest and importance.

Burberry World is the key digital intranet channel used by the Company to communicate with employees globally. Through Burberry World the Company shares news, significant brand events and Company announcements.

Other methods and channels used include town halls, face-to-face briefings, open discussion forums with senior management, email and instant messaging. The Company also uses videos, podcasts and digital web pages to communicate key initiatives, events and other brand messages, to enhance internal communications, employee connectivity and the Burberry culture.

Employee share ownership
As part of its remuneration framework the Group operates two all-employee share plans and encourages employee share ownership at all levels of the organisation. Further details of these are set out in the Directors' Remuneration Report on pages 123 to 144.

Under its two all-employee share plans, during FY 2019/20 the Group intends to grant awards of free shares (or equivalent cash-based awards as appropriate) to all eligible employees globally and to invite eligible employees where possible to participate in the Sharesave Scheme. The Group reviews the operation of these plans to ensure that they effectively support the Group's strategy and encourage alignment by employees with the Group's performance.

Further information regarding the Group's approach to employee involvement and communications is provided on page 62.

EMPLOYMENT POLICIES

The Company takes an inclusive approach to employment. More information can be found on page 41. The Company encourages its employees to work across functions, geographies and cultures to enhance understanding and create a connected global community. As the Group continues to grow globally, we are building on our long-term commitment to diversity and inclusion, embracing the cultures of all the countries where we do business. Burberry is committed to making the necessary adjustments to support employment of people with disabilities, and provide training and development to ensure they have the opportunity to achieve their potential.

Further information regarding the Group's employment policies is provided on the Group's website at www.burberryplc.com.

Health and Safety

The Company has a global Health and Safety Policy approved by the Chief Executive Officer on behalf of the Board. A safety-first approach is firmly embedded in all operational activities in Burberry. Governance of our health and safety strategy is maintained through a Global Health and Safety Committee, which is chaired by the General Counsel. Health and safety issues are also considered by the Ethics Committee, Risk Committee and Audit Committee. Each region has a local committee, which assist with implementation of our health and safety strategy and help to ensure all local regulatory and Burberry standards are achieved and maintained.

Strategic direction on health and safety matters is provided by the Senior Manager, Global Health and Safety, and is supported by a global team. In line with industry best practice, our health and safety goals and objectives are set each year to continually analyse our performance and support a process for continuous improvement. Our unannounced global assurance audit programme continues to measure health and safety performance within our managed operations at a set frequency and tracks improvement actions and risk reduction strategies through to closure.

In FY 2018/19, as a result of our many initiatives, we have seen improvements across all health and safety topic areas, with specific focus on supporting the business with health and well-being initiatives.

The Strategic Report from pages 4 to 89 and Directors' Report from pages 145 to 149 have been approved by the Board on 15 May 2019 in accordance with the Companies Act 2006.

By order of the Board

GEMMA PARSONS
Company Secretary

15 May 2019

Burberry Group plc
Registered Office:
Horseferry House
Horseferry Road
London
SW1P 2AW

Registered in England and Wales
Registered number: 03458224

FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

MARCO GOBBETTI
Chief Executive Officer

JULIE BROWN
Chief Operating and Financial Officer

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

In our opinion:

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

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

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

BASIS FOR OPINION

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

INDEPENDENCE

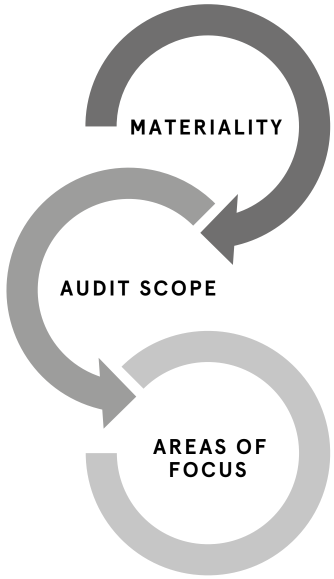
We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities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

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

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

OUR AUDIT APPROACH

OVERVIEW



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

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

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

THE SCOPE OF OUR AUDIT

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

CAPABILITY OF THE AUDIT IN DETECTING IRREGULARITIES, INCLUDING FRAUD

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

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

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

KEY AUDIT MATTERS

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

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

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

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

HOW WE TAILORED THE AUDIT SCOPE

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

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

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

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

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

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

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

MATERIALITY

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

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

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

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

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

GOING CONCERN

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

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

REPORTING ON OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

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

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

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

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

USE OF THIS REPORT

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

OTHER REQUIRED REPORTING

COMPANIES ACT 2006 EXCEPTION REPORTING

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

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

We have no exceptions to report arising from this responsibility.

APPOINTMENT

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

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

London
15 May 2019

GROUP INCOME STATEMENT

	Note	52 weeks to 30 March 2019 £m	Year to 31 March 2018 £m
Revenue	3	**2,720.2**	2,732.8
Cost of sales		**(859.4)**	(835.4)
Gross profit		**1,860.8**	1,897.4
Net operating expenses	4	**(1,423.6)**	(1,487.1)
Operating profit		**437.2**	410.3
Financing			
Finance income		**8.7**	7.8
Finance expense		**(3.6)**	(3.5)
Other financing charge		**(1.7)**	(2.0)
Net finance income	9	**3.4**	2.3
Profit before taxation	5	**440.6**	412.6
Taxation	10	**(101.5)**	(119.0)
Profit for the year		**339.1**	293.6
Attributable to:			
Owners of the Company		**339.3**	293.5
Non-controlling interest		**(0.2)**	0.1
Profit for the year		**339.1**	293.6

Earnings per share			
Basic	11	**82.3p**	68.9p
Diluted	11	**81.7p**	68.4p

		£m	£m
Reconciliation of adjusted profit before taxation:			
Profit before taxation		**440.6**	412.6
Adjusting items:			
Adjusting operating items	5	**0.9**	56.3
Adjusting financing items	5	**1.7**	2.0
Adjusted profit before taxation – non-GAAP measure		**443.2**	470.9
Adjusted earnings per share – non-GAAP measure			
Basic	11	**82.7p**	82.8p
Diluted	11	**82.1p**	82.1p

Dividends per share			
Interim	12	**11.0p**	11.0p
Proposed final (not recognised as a liability at 30 March/31 March)	12	**31.5p**	30.3p

GROUP STATEMENT OF COMPREHENSIVE INCOME

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

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

GROUP BALANCE SHEET

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

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

MARCO GOBBETTI
Chief Executive Officer

JULIE BROWN
Chief Operating and Chief Financial Officer

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

GROUP STATEMENT OF CASH FLOWS

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

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

1. BASIS OF PREPARATION

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

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

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

New accounting policy adopted in the period

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

Accounting reference date

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

New standards adopted in the period

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

<u>IFRS 9 Financial Instruments</u>

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

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

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

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

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

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

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

1. BASIS OF PREPARATION (CONTINUED)

New standards adopted in the period (continued)

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

IFRS 15 Revenue from Contracts with Customers

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

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

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

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

Standards not yet adopted

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

IFRS 16 Leases

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

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

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

The Group has made the following additional implementation options:

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

1. BASIS OF PREPARATION (CONTINUED)

Standards not yet adopted (continued)

IFRS 16 Leases (continued)

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

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

IFRIC 23

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

Basis of consolidation

The Group's annual financial statements comprise those of Burberry Group plc (the Company) and its subsidiaries, presented as a single economic entity. The results of the subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies across the Group.

Subsidiaries are all entities (including special purpose entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Where there is a loss of control of a subsidiary, the consolidated financial statements include the results for the portion of the reporting period during which the Group had control. Intra-group transactions, balances and unrealised profits on transactions between Group companies are eliminated in preparing the Group financial statements. The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For acquisitions of additional interests in subsidiaries from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals of interests in subsidiaries to non-controlling interests are also recorded in equity.

Key sources of estimation uncertainty

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

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

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key areas where the estimates and assumptions applied have a significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next financial year are discussed below. Further details of the Group's accounting policies in relation to these areas are provided in note 2.

Impairment of property, plant and equipment and onerous lease provisions

Property, plant and equipment is reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount of an asset or a cash generating unit is determined based on value-in-use calculations prepared on the basis of management's assumptions and estimates in the period. Where the recoverable amount of the cash generating unit is negative, the need for an onerous lease provision in relation to the committed future minimum lease payments is considered. Refer to note 14 for further details of property, plant and equipment and impairment reviews carried out in the period. Refer to note 21 for further details of onerous lease provisions.

1. BASIS OF PREPARATION (CONTINUED)

Key sources of estimation uncertainty (continued)

Inventory provisioning

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

Uncertain tax positions

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

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

Key judgements in applying the Group's accounting policies

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

There were no key judgements arising in the current period.

Key judgements relating to prior periods

Payment in relation to disposal of Beauty operations

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

2. ACCOUNTING POLICIES

The principal accounting policies of the Group are:

a) Revenue

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

Retail and wholesale revenue

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

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

2. ACCOUNTING POLICIES (CONTINUED)

a) Revenue (continued)

Retail and wholesale revenue (continued)

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

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

Licensing revenue

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

Revenue accounting policy applied in the comparative period

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

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

b) Segment reporting

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

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

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

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

c) Business combinations

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

d) Share schemes

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

2. ACCOUNTING POLICIES (CONTINUED)

d) Share schemes (continued)

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

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

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

e) Leases

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

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

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

f) Dividend distributions

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

g) Pension costs

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

h) Intangible assets

Goodwill

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

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

Trademarks, licences and other intangible assets

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

Computer software

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

i) Property, plant and equipment

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

2. ACCOUNTING POLICIES (CONTINUED)

i) Property, plant and equipment (continued)

Depreciation

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

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

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

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

j) Impairment of non-financial assets

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

k) Investment properties

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

l) Discontinued operations and assets classified as held for sale

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

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

m) Inventories

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

2. ACCOUNTING POLICIES (CONTINUED)

n) Taxation

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

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

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

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

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

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

o) Provisions

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

Property obligations

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

p) Share capital

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

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

2. ACCOUNTING POLICIES (CONTINUED)

q) Financial instruments

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

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

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

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

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

The measurements for financial instruments carried at fair value are categorised into different levels in the fair value hierarchy based on the inputs to the valuation technique used. The different levels are defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: includes unobservable inputs for the asset or liability.

Observable inputs are those which are developed using market data, such as publicly available information about actual events or transactions. The Group has an established framework with respect to measurement of fair values, including Level 3 fair values.
The Group regularly reviews any significant inputs which are not derived from observable market data and considers, where available, relevant third-party information, to support the conclusion that such valuations meet the requirements of IFRS. The classification level in the fair value hierarchy is also considered periodically. Significant valuation issues are reported to the Audit Committee.

2. ACCOUNTING POLICIES (CONTINUED)

q) Financial instruments (continued)

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

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

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

Cash and cash equivalents

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

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

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

Trade and other receivables

Trade and other receivables are included in current assets, except for maturities greater than 12 months after the balance sheet date. The receivables are held with the objective to collect the contractual cash flows and are therefore recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for the expected loss on trade receivables is established at inception. This is modified when there is a change in the credit risk. The amount of the movement in the provision is recognised in the Income Statement.

Trade and other payables

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

Borrowings (including overdrafts)

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

Deferred consideration

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

Derivative instruments

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

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

2. ACCOUNTING POLICIES (CONTINUED)

q) Financial instruments (continued)

Derivatives are initially recognised at fair value at the trade date and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either: (1) hedges of the fair value of recognised assets and liabilities or a firm commitment (fair value hedge); (2) hedges of highly probable forecast transactions (cash flow hedges); (3) hedges of net investment of the assets of overseas subsidiaries (net investment hedges); or (4) classified as fair value through profit and loss.

The forward elements of the hedging instrument are recognised in operating expenses.

Changes in the fair value relating to the spot element of derivatives that are designated and qualify as fair value hedges are recorded in the Income Statement immediately, together with any changes in the fair value of the hedged item that is attributable to the hedged risk.

The effective portion of changes in the fair value relating to the spot element of derivatives that are designated and qualify as cash flow hedges is deferred in other comprehensive income. The gain or loss relating to the ineffective portion of the gain or loss is recognised immediately in the Income Statement. Amounts deferred in other comprehensive income are recycled through the Income Statement in the periods when the hedged item affects the Income Statement. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at the time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Income Statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Income Statement within 'net exchange gain/(loss) on derivatives – fair value through profit and loss'. If a derivative instrument is not designated as a hedge, the subsequent change to the fair value is recognised in the Income Statement within operating expenses or interest depending upon the nature of the instrument.

Where the Group hedges net investments in foreign operations through derivative instruments or foreign currency borrowings, the gains or losses on the effective portion of the change in fair value of derivatives that are designated and qualify as a hedge of a net investment, or the gains or losses on the retranslation of the borrowings are recognised in other comprehensive income and are reclassified to the Income Statement when the foreign operation that is hedged is disposed of.

r) Foreign currency translation

Functional and presentation currency

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

Transactions in foreign currencies

Transactions denominated in foreign currencies within each entity in the Group are translated into the functional currency at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies, which are held at the year end, are translated into the functional currency at the exchange rate ruling at the balance sheet date (closing rate). Exchange differences on monetary items are recognised in the Income Statement in the period in which they arise, except where these exchange differences form part of a net investment in overseas subsidiaries of the Group, in which case such differences are taken directly to the hedging reserve.

Translation of the results of overseas businesses

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

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

2. ACCOUNTING POLICIES (CONTINUED)

r) Foreign currency translation (continued)

The principal exchange rates used were as follows:

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

s) Adjusted profit before taxation

In order to provide additional consideration of the underlying performance of the Group's ongoing business, the Group's results include a presentation of Adjusted operating profit and Adjusted profit before taxation ('adjusted PBT'). Adjusted PBT is defined as profit before taxation and before adjusting items. Adjusting items are those items which, in the opinion of the directors, should be excluded in order to provide a consistent and comparable view of the performance of the Group's ongoing business. Generally, this will include those items that are largely one-off and material in nature as well as income or expenses relating to acquisitions or disposals of businesses or other transactions of a similar nature, including the impact of changes in fair value of expected future payments or receipts relating to these transactions. Adjusting items are identified and presented on a consistent basis each year and a reconciliation of adjusted PBT to profit before tax is included in the financial statements. Adjusting items and their related tax impacts, as well as adjusting taxation items, are added back to/deducted from profit attributable to owners of the Company to arrive at adjusted earnings per share. Refer to notes 6 and 7 for further details of adjusting items.

3. SEGMENTAL ANALYSIS

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

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

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

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

3. SEGMENTAL ANALYSIS (CONTINUED)

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

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

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

3. SEGMENTAL ANALYSIS (CONTINUED)

Additional revenue analysis

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

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

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

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

Entity-wide disclosures

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

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

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

4. NET OPERATING EXPENSES

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

5. PROFIT BEFORE TAXATION

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

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

6. GAIN ON DISPOSAL OF BEAUTY OPERATIONS

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

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

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

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

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

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

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

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

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

7. ADJUSTING ITEMS

Restructuring costs

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

Items relating to the deferred consideration liability

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

A credit of £4.4 million in relation to the revaluation of this balance has been recognised in operating expenses for the 52 weeks to 30 March 2019 (last year: credit of £4.5 million). A financing charge of £1.7 million in relation to the unwinding of the discount on the non-current portion of the deferred consideration liability has also been recognised for the 52 weeks to 30 March 2019 (last year: £2.0 million). These movements are unrealised. No tax has been recognised on either of these items, as the future payments are not considered to be deductible for tax purposes. These items are presented as adjusting items in accordance with the Group's accounting policy, as they arise from changes in the value of the liability for expected future payments relating to the purchase of a non-controlling interest in the Group.

7. ADJUSTING ITEMS (CONTINUED)

Adjusting items relating to prior periods

Costs relating to the disposal of the Beauty operations

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

Goodwill impairment

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

Adjusting taxation charge

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

8. AUDITOR REMUNERATION

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

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

9. FINANCING

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

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

10. TAXATION

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

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

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

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

10. TAXATION (CONTINUED)

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

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

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

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

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

11. EARNINGS PER SHARE

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

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

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

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

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

11. EARNINGS PER SHARE (CONTINUED)

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

12. DIVIDENDS PAID TO OWNERS OF THE COMPANY

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

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

13. INTANGIBLE ASSETS

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

13. INTANGIBLE ASSETS (CONTINUED)

Impairment testing of goodwill

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

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

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

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

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

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

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

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

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

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

14. PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

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

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

15. DEFERRED TAXATION

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

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

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

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

Deferred tax liabilities

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

15. DEFERRED TAXATION (CONTINUED)
Deferred tax assets

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

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

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

Included within other temporary differences detailed on the previous page is a deferred tax liability of £3.3 million (last year: £4.0 million) relating to unremitted overseas earnings. No deferred tax liability is provided in respect of any future remittance of earnings of foreign subsidiaries where the Group is able to control the remittance of earnings and it is probable that such earnings will not be remitted in the foreseeable future, or where no liability would arise on the remittance. The aggregate amount of temporary differences in respect of unremitted earnings is £210 million (last year: £170 million).

16. TRADE AND OTHER RECEIVABLES

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

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

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

16. TRADE AND OTHER RECEIVABLES (CONTINUED)

Prior period comparatives

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

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

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

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

Movement in the provision for doubtful debts was as follows:

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

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

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

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

17. INVENTORIES

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

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

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

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

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

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

18. DERIVATIVE FINANCIAL INSTRUMENTS

Master netting arrangements

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

Derivative financial assets

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

1. Forward foreign exchange contracts classified as fair value through profit and loss are used for cash management and hedging monetary assets and liabilities. At 30 March 2019, all such contracts had maturities of no greater than six months from the balance sheet date.

18. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Derivative financial liabilities

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

1. Forward foreign exchange contracts classified as fair value through profit and loss are used for cash management and hedging monetary assets and liabilities. At 30 March 2019, all such contracts had maturities of no greater than six months from the balance sheet date.

Current derivative financial assets and liabilities

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

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

Net derivative financial instruments

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

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

1. Forward foreign exchange contracts classified as fair value through profit and loss are used for cash management and hedging monetary assets and liabilities. At 30 March 2019, all such contracts had maturities of no greater than six months from the balance sheet date.

18. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Effect of hedge accounting on the financial position and performance

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

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

The foreign currency forwards are denominated in the same currency as the highly probable future inventory purchases (EUR and USD), therefore the hedge ratio is 1:1.

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

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

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

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

19. CASH AND CASH EQUIVALENTS

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

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

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

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

20. TRADE AND OTHER PAYABLES

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

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

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

20. TRADE AND OTHER PAYABLES (CONTINUED)

Contract liabilities

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

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

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

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

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

Deferred consideration

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

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

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

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

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

21. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

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

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

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

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

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

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

22. BANK OVERDRAFTS

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

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

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

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

23. SHARE CAPITAL AND RESERVES

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

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

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

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

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

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

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

24. FINANCIAL COMMITMENTS

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

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

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

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

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

25. CAPITAL COMMITMENTS

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

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

26. FINANCIAL RISK MANAGEMENT

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

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

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

Market risk

Foreign exchange risk

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

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

The Group's treasury risk management policy is to hedge, prior to market opening, 70-90% of its anticipated foreign currency exposure by currency, by season and where the net currency exposure is greater than £20 million. Currently, the Group does not hedge intercompany foreign currency transactions. The Group uses forward exchange contracts to hedge its currency risk, most of which have a maturity of less than 12 months.

The Group designates the spot component of foreign currency forwards in hedge relationships and applies a ratio of 1:1. The forward elements of the foreign currency forward are excluded from designation of the hedging instrument and are separately accounted for as a cost of hedging and recognised in operating expenses on a discounted basis.

The Group determines the existence of an economic relationship between the hedging instrument and the hedged item based on the currency, amount and timing of their respective cash flows. The Group assesses whether the derivative designated in each hedging relationship is expected to be and has been effective in offsetting changes in cash flows of the hedged item using the dollar offset method.

In these hedge relationships ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated, or if there are changes in the credit risk of the Group or the derivative counterparty. There was no ineffectiveness in the 52 weeks ending 30 March 2019 (last year: no ineffectiveness).

The Group monitors the desirability of hedging the net assets of overseas subsidiaries when translated into Sterling for reporting purposes. The Group uses forward foreign exchange contracts to hedge net assets of overseas subsidiaries, relating to surplus cash whose remittance is foreseeable. The outstanding net investment hedges as at 30 March 2019 had a principal value of EUR 8.5 million (£7.3 million) and CNY 576.0 million (£65.8 million), (last year: EUR nil (£nil) and CNY 160 million (£18.1 million)).

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

The following table shows the extent to which the Group has monetary assets and liabilities at the year end in currencies other than the local currency of operation, after accounting for the effect of any specific forward foreign exchange contracts used to manage currency exposure. Monetary assets and liabilities refer to cash, deposits, overdrafts and other amounts to be received or paid in cash. Amounts exclude intercompany balances which eliminate on consolidation. Foreign exchange differences on retranslation of these assets and liabilities are recognised in 'Net operating expenses'.

26. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (continued)

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

Share price risk

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

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

Interest rate risk

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

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

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

Credit risk

Trade receivables

The Group has no significant concentrations of credit risk. The trade receivables balance is spread across a large number of different customers with no single debtor representing more than 5% of the total balance due (last year: 7%). The Group has policies in place to ensure that wholesale sales are made to customers with an appropriate credit history. Sales to retail customers are made in cash or via major credit cards. In some retail locations, where the Group's store is contained within a department store or mall, for example a concession, the sales proceeds may be initially held by the operator of the wider location, giving rise to retail debtors. In addition, receivables balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant and default rates have historically been very low. An ageing of overdue receivables is included in note 16 for the comparative period.

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

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

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

26. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

Trade receivables

As at 30 March 2019	Current £m	Less than 1 month overdue £m	Less than 2 months overdue £m	Less than 3 months overdue £m	Over 3 months overdue £m	Total £m
Retail debtors						
Expected loss rate %	1%	3%	4%	8%	20%	
Gross carrying amount trade receivables	64.3	4.9	3.1	1.1	0.1	73.5
Loss allowance	(0.8)	(0.1)	(0.1)	(0.1)	–	(1.1)
Wholesale / other debtors Americas						
Expected loss rate %	0.5%	2%	4%	5%	5%	
Gross carrying amount trade receivables	10.7	4.6	0.4	0.2	1.1	17.0
Loss allowance	(0.1)	(0.1)	–	–	(0.1)	(0.3)
Wholesale / other debtors Rest of world						
Expected loss rate %	0.5%	4%	7%	10%	10%	
Gross carrying amount trade receivables	25.0	2.4	0.7	0.1	0.6	28.8
Loss allowance	(0.1)	(0.1)	–	–	(0.1)	(0.3)
Licensing						
Expected loss rate %	0%	0%	0%	0%	0%	
Gross carrying amount trade receivables	1.8	–	–	–	–	1.8
Loss allowance	–	–	–	–	–	–
Specific assessment[1]						
Expected loss rate %	30%	100%	100%	100%	100%	
Gross carrying amount trade receivables	0.4	0.2	0.1	–	2.7	3.4
Loss allowance	(0.1)	(0.2)	(0.1)	–	(2.7)	(3.1)

As at 1 April 2018	Current £m	Less than 1 month overdue £m	Less than 2 months overdue £m	Less than 3 months overdue £m	Over 3 months overdue £m	Total £m
Retail debtors						
Expected loss rate	1%	3%	4%	8%	20%	
Gross carrying amount trade receivables	66.3	3.7	1.7	0.7	0.9	73.3
Loss allowance	(0.6)	(0.1)	(0.1)	–	(0.2)	(1.0)
Wholesale / other debtors Americas						
Expected loss rate	0%	0%	0%	0%	0%	
Gross carrying amount trade receivables	9.9	2.0	0.1	–	–	12.0
Loss allowance	–	–	–	–	–	–
Wholesale / other debtors Rest of world						
Expected loss rate	0.5%	4%	7%	10%	10%	
Gross carrying amount trade receivables	23.2	5.1	1.8	1.3	0.2	31.6
Loss allowance	(0.1)	(0.2)	(0.1)	(0.1)	–	(0.5)
Licensing						
Expected loss rate	0%	0%	0%	0%	0%	
Gross carrying amount trade receivables	1.3	–	–	–	–	1.3
Loss allowance	–	–	–	–	–	–
Specific Assessment[1]						
Expected loss rate	100%	100%	100%	100%	100%	
Gross carrying amount trade receivables	0.2	0.1	0.1	–	10.0	10.4
Loss allowance	(0.2)	(0.1)	(0.1)	–	(10.0)	(10.4)

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

26. FINANCIAL RISK MANAGEMENT (CONTINUED)
Credit risk (continued)
The closing loss allowances for trade receivables as at 31 March 2018 reconcile to the loss allowances as at 30 March 2019 as follows:

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

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

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

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

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

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

Other financial assets
With respect to credit risk arising from other financial assets, which comprise cash and short-term deposits and certain derivative instruments, the Group's exposure to credit risk arises from the default of the counterparty with a maximum exposure equal to the carrying value of these instruments. The Group has policies that limit the amount of credit exposure to any financial institution and only deposits funds with independently rated financial institutions with a minimum rating of 'A' other than where required for operational purposes. A total of £8.5 million (last year: £14.9 million) was held with institutions with a rating below 'A' at 30 March 2019. These amounts are monitored on a weekly basis and regularly reported to the Board.

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

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

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

26. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

The maturity profile of the contractual undiscounted cash flows of the Group's non-current financial liabilities, excluding derivatives used for hedging, is as follows:

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

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

Capital risk

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

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

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

Having considered the future cash generation, growth, productivity and investment plans, taking into consideration the current challenging external environment and relevant financial parameters, the Group decided to continue the share buy-back programme it began in May 2016. During the 52 weeks to 30 March 2019, the Company entered into agreements to purchase £150 million (last year: £350 million) of its own shares back as part of the programme. At 30 March 2019 the Company had purchased £150.7 million of its own shares including stamp duty (last year: £355.0 million). For further details refer to note 23.

27. EMPLOYEE COSTS

Staff costs, including the cost of directors, incurred during the year are as shown below. Directors' remuneration, which is separately disclosed in the Directors' Remuneration Report on pages 123 to 144 and forms part of these financial statements, includes, for those share options and awards where performance obligations have been met, the notional gains arising on the future exercise but excludes the charge in respect of these share options and awards recognised in the Group Income Statement.

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

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

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

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

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

27. EMPLOYEE COSTS (CONTINUED)

Share options granted to directors and employees

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

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

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

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

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

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

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

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

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

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

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

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

27. EMPLOYEE COSTS (CONTINUED)

Share options granted to directors and employees (continued)

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

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

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

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

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

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

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

<u>One-off awards</u>

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

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

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

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

27. EMPLOYEE COSTS (CONTINUED)

Share options granted to directors and employees (continued)

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

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

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

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

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

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

<u>Other schemes</u>

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

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

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

28. ACQUISITION OF SUBSIDIARY

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

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

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

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

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

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

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

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

29. RELATED PARTY TRANSACTIONS

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

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

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

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

30. SUBSIDIARY UNDERTAKINGS AND INVESTMENTS

In accordance with Section 409 of the Companies Act 2006 a full list of related undertakings as at 30 March 2019, including their country of incorporation and percentage share ownership, is disclosed below. Unless otherwise stated, all undertakings are indirectly owned by Burberry Group plc and operate in the country of incorporation. All the subsidiary undertakings have been consolidated as at 30 March 2019.

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

30. SUBSIDIARY UNDERTAKINGS AND INVESTMENTS (CONTINUED)

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

1. Held directly by Burberry Group plc.
2. The Group has an indirect holding of 100% of the issued share capital through a nominee.
3. The Group has a 100% share of profits of Burberry Middle East LLC as well as a 100% and 88% share of profits in Burberry Middle East LLC's subsidiaries in Kuwait and Qatar respectively. The Group has the power to control these companies under the agreements relating to Burberry Middle East LLC.

Ref	Registered office address
(1)	Level 5, 343 George Street, Sydney NSW 2000, Australia
(2)	Kohlmarkt 2, 1010 Wien, Austria
(3)	Building 1A, Road 365 (Isa Al Kabeer Avenue), Manama Center 316, Unit 8, Moda Mall, Manama, Bahrain
(4)	Waterloolaan 16, 1000 Brussel, Belgium
(5)	City of São Paulo, State of São Paulo, at Rua do Rocio, 350, 3rd floor of Condominium Atrium IX, suites No. 31 and No. 32, 28th subdistrict, Jardim Paulista, CEP 04552-000, Brazil
(6)	100 King Street West, 1 First Canadian Place, Suite 1600, Toronto ON M5X 1G5, Canada
(7)	Suites 3302-3305, 1717 Nanjing West Road, Jing'an District, Shanghai 200040, China
(8)	Praha 1, Pařížská 11/67, PSČ 11000, Czech Republic
(9)	56A rue du Faubourg Saint-Honoré, 75008, Paris, France
(10)	Königsallee 50, 40212, Düsseldorf, Germany
(11)	Suites 2201-02 & 11-14, 22/F Devon House, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong

30. SUBSIDIARY UNDERTAKINGS AND INVESTMENTS (CONTINUED)

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

31. CONTINGENT LIABILITIES

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

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

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

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

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

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

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

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

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

COMPANY BALANCE SHEET

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

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

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

MARCO GOBBETTI
Chief Executive Officer

JULIE BROWN
Chief Operating and Chief Financial Officer

COMPANY STATEMENT OF CHANGES IN EQUITY

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

A. BASIS OF PREPARATION

Burberry Group plc (the Company) is the parent Company of the Burberry Group. Burberry Group plc is a public company which is limited by shares and is listed on the London Stock Exchange. The Company's principal business is investment and it is incorporated and domiciled in the UK. The Company is registered in England and Wales and the address of its registered office is Horseferry House, Horseferry Road, London, SW1P 2AW. The Company is the sponsoring entity of The Burberry Group plc ESOP Trust and The Burberry Group plc SIP Trust (collectively known as the ESOP trusts). These financial statements have been prepared by including the ESOP trusts within the financial statements of the Company. The purpose of the ESOP trusts is to purchase shares of the Company in order to satisfy Group share-based payment arrangements.

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

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

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

Financial Reporting Standard 101 – reduced disclosure exemptions

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

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

B. ACCOUNTING POLICIES

New accounting policy adopted in the period

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

Accounting reference date

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

New Standards adopted in the period

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

IFRS 9 Financial Instruments

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

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

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

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

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

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

Accounting policies

The following principal accounting policies have been applied in the preparation of these financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated:

Going concern

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

Share schemes

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

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

B. ACCOUNTING POLICIES (CONTINUED)

Share schemes (continued)

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

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

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

Dividend distribution

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

Investments in subsidiaries

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

Impairment of investments in subsidiaries

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

Taxation

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

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

Deferred income tax is recognised, using the liabilities method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the temporary difference arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, no deferred tax will be recognised.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled.

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

B. ACCOUNTING POLICIES (CONTINUED)

Financial instruments

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

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

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

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

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

Cash at bank and in hand

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

Trade and other receivables

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

Borrowings

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

Derivative instruments

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

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

B. ACCOUNTING POLICIES (CONTINUED)

Foreign currency translation

Functional and presentation currency

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

Transactions in foreign currencies

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

Called up share capital

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

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

C. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Impairment of investments in subsidiaries

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

Impairment of trade and other receivables

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

D. INVESTMENTS IN SUBSIDIARIES

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

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

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

E. TRADE AND OTHER RECEIVABLES

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

All amounts owed by Group companies are interest bearing.

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

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

F. CREDITORS

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

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

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

G. CREDIT RISK

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

Trade and other receivables

The Company has no significant concentrations of credit risk. The trade and other receivables balance comprises of intercompany loans with companies within the Group. These Group companies are assessed at each reporting date as to their ability to repay outstanding balances.

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

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

G. CREDIT RISK (CONTINUED)

Other financial assets

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

H. CALLED UP SHARE CAPITAL

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

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

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

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

I. DIVIDENDS

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

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

J. FINANCIAL GUARANTEES

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

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

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

K. AUDIT FEES

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

L. EMPLOYEE COSTS

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

SHAREHOLDER INFORMATION

GENERAL SHAREHOLDER ENQUIRIES

Enquiries relating to shareholdings, such as the transfer of shares, change of name or address, lost share certificates or dividend cheques, should be referred to the Company's Registrar, Equiniti, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA.

Tel: 0371 384 2839. Lines are open from 8.30am to 5.30pm, Monday to Friday.

Please dial +44 (0) 121 415 7047 if calling from outside the UK or see www.help.shareview.co.uk for additional information.

AMERICAN DEPOSITARY RECEIPTS

We have a sponsored Level 1 American Depositary Receipt (ADR) programme to enable US investors to purchase ADRs in US dollars. Each ADR represents one Burberry ordinary share.

For queries relating to ADRs in Burberry, please use the following contact details:

BNY Mellon Shareowner Services,
P.O. BOX 505000,
Louisville, KY 40233-5000.

Tel: Toll free within the US: +1 888 269 2377
Tel: International: +1 201 680 6825

Email enquiries: shrrelations@cpushareownerservices.com or see www.mybnymdr.com for additional information.

MANAGING YOUR SHARES ONLINE

Shareholders and employees can manage their Burberry holdings online by registering with Shareview, a secure online platform provided by Equiniti. Registration is a straightforward process and allows shareholders and employees to:

- Access information on their shareholdings, including share balance and dividend information.
- Sign up for electronic shareholder communications.
- Buy and sell shares.
- Update their records following a change of address.
- Have dividends paid into their bank account.
- Vote by proxy online in advance of the Company's general meetings.

Burberry encourages shareholders to sign up for electronic communication as it allows information to be disseminated quickly and efficiently and also reduces paper usage, which makes a valuable contribution to our global footprint.

WEBSITE

The investor section of Burberry Group plc's website, www.burberryplc.com/en/investors.html, contains a wide range of information and gives access to:

- Regulatory news.
- Share price information.
- Dividend history, share analysis and the investment calculator.
- Financial results announcements.
- Frequently asked questions.

It is also possible to sign up to receive email alerts for Regulatory News Service (RNS) and press releases relating to Burberry Group plc at www.burberryplc.com/en/alerts.html.

ANNUAL GENERAL MEETING

Our AGM will be held at Conrad London St. James, 22-28 Broadway, London, SW1H 0BH, on Wednesday, 17 July 2019. The Notice of AGM, together with details of the business to be conducted at the AGM, is available on our Company website at www.burberryplc.com.

The voting results for the 2019 AGM will also be accessible on www.burberryplc.com shortly after the meeting.

UPDATES TO OUR PRIVACY POLICY

The General Data Protection Regulation (GDPR) has applied since 25 May 2018. Please see the updated privacy policy on www.burberryplc.com for details on how Burberry collects and uses shareholder personal information.

DIVIDENDS

An interim dividend for the financial year ended 30 March 2019 of 11.0p per ordinary share was paid on 1 February 2019. A final dividend of 31.5p per share has been proposed and, subject to approval at the AGM on 17 July 2019, will be paid according to the following timetable:

Final dividend record date:	28 June 2019
Deadline for return of DRIP mandate forms:	12 July 2019
Final dividend payment date:	2 August 2019

The ADR local payment date will be approximately five business days after the proposed dividend payment date for ordinary shareholders.

Dividends can be paid by BACS directly into a UK bank account, with the tax voucher being sent to the shareholder's address. This is the easiest way for shareholders to receive dividend payments and avoid the risk of lost or out-of-date cheques. A dividend mandate form is available from Equiniti or at www.shareview.co.uk.

If you are a UK taxpayer, please note that you are eligible for a tax-free Dividend Allowance of £2,000 in each tax year. Any dividends received above this amount will be subject to taxation. Dividends paid on shares held within pensions and Individual Savings Accounts (ISAs) will continue to be tax-free. Further information can be found at www.gov.uk/tax-on-dividends.

DIVIDENDS PAYABLE IN FOREIGN CURRENCIES
Equiniti is able to pay dividends to shareholder bank accounts in over 30 currencies worldwide through the Overseas Payment Service. An administrative fee will be deducted from each dividend payment. Further details can be obtained from Equiniti or online at www.shareview.co.uk.

DIVIDEND REINVESTMENT PLAN
Our Dividend Reinvestment Plan (DRIP) enables shareholders to use their dividends to buy further Burberry shares. Full details about DRIP can be obtained from Equiniti. If shareholders would like their final 2019 dividend and future dividends to qualify for DRIP, completed application forms must be returned to Equiniti by 12 July 2019.

DUPLICATE ACCOUNTS
Shareholders who have more than one account due to inconsistencies in account details may avoid duplicate mailings by contacting Equiniti and requesting the amalgamation of their share accounts.

ELECTRONIC COMMUNICATION
Shareholders may at any time choose to receive all shareholder documentation in electronic form via the internet, rather than in paper format. Shareholders who decide to register for this option will receive an email each time a shareholder document is published on the internet. Shareholders who wish to receive documentation in electronic form should register online at www.shareview.co.uk.

Equiniti offers a range of shareholder information and services online at www.shareview.co.uk. A textphone facility for those with hearing difficulties is available by calling: 0371 384 2255. Lines are open 8.30am to 5.30pm, Monday to Friday. Please dial +44 121 415 7047 if calling from outside the UK.

FINANCIAL CALENDAR

First quarter trading update:	16 July 2019
AGM:	17 July 2019
Interim results announcement:	November 2019
Third-quarter trading update:	January 2020
Preliminary results announcement:	May 2020

REGISTERED OFFICE
Burberry Group plc, Horseferry House, Horseferry Road, London, SW1P 2AW.

Registered in England and Wales Registered Number 03458224 www.burberryplc.com

SHARE BUYBACK
From June to September 2018, we completed a buyback programme of £150 million.

SHARE DEALING
Burberry Group plc shares can be traded through most banks, building societies or stockbrokers. Equiniti offers a telephone and internet dealing service. Terms and conditions and details of the commission charges are available on request.

For telephone dealing, please call 03456 037 037 between 8.00am and 4.30pm, Monday to Friday, and for internet dealing visit www.shareview.co.uk/dealing. Shareholders will need their reference number, which can be found on their share certificate.

SHAREGIFT
Shareholders with a small number of shares, the value of which makes them uneconomical to sell, may wish to consider donating their shares to charity through ShareGift, a donation scheme operated by The Orr Mackintosh Foundation. A ShareGift donation form can be obtained from Equiniti. Further information is available at www.sharegift.org or by telephone on 0207 930 3737.

TIPS ON PROTECTING YOUR INFORMATION
- Keep any documentation that contains your shareholder reference number in a safe place and shred any unwanted documentation.
- Inform Equiniti, the Registrar, promptly if you change address.
- Be familiar with dividend payment dates and contact the Registrar if you do not receive your dividend cheque or, better still, make arrangements to have the dividend paid directly into your bank account.
- Consider holding your shares electronically in a CREST account via a nominee.

UNAUTHORISED BROKERS (BOILER ROOM SCAMS)

Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount, or offers of free company reports. These are typically from overseas-based "brokers" who target UK shareholders offering to sell them what often turn out to be worthless or high-risk shares in US or UK investments. These operations are commonly known as boiler rooms.

If you receive any unsolicited investment advice, get the correct name of the person and organisation, and check that they are properly authorised by the FCA before getting involved. This can be done by visiting Fca.org.uk/register/.

If you deal with an unauthorised firm, you will not be eligible to receive payment under the Financial Services Compensation Scheme if things go wrong.

If you think you have been approached by an unauthorised firm, you should contact the FCA consumer helpline on 0800 111 6768.

More detailed information can be found on the FCA website at Fca.org.uk/consumers/protect-yourself/unauthorised-firms.

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Disclaimer

The purpose of this Annual Report is to provide information to the members of Burberry Group plc. This document contains certain statements with respect to the operations, performance and financial condition of the Group including among other things, statements about expected revenues, margins, earnings per share or other financial or other measures. Forward-looking statements appear in a number of places throughout this document and include statements regarding our intentions, beliefs or current expectations and those of our officers, Directors and employees concerning, amongst other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the business we operate. By their nature, these statements involve uncertainty and subject to a number of risks since future events and circumstances can cause actual results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this document and unless otherwise required by applicable law the Company undertakes no obligation to update or revise these forward-looking statements. Nothing in this document should be construed as a profit forecast. All members, wherever located, should consult any additional disclosures that the Company may make in any regulatory announcements or documents which it publishes. The Company and its Directors accept no liability to third parties in respect of this document save as would arise under law of England and Wales. This document does not constitute an invitation to underwrite, subscribe for or otherwise acquire or dispose of any Burberry Group plc shares, in the UK, or in the USA, or under the USA Securities Act 1933 or any other jurisdiction.

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