Registered number: 00162636

BURBERRY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 28 MARCH 2020

BURBERRY LIMITED

STRATEGIC REPORT
FOR THE 52 WEEKS ENDED 28 MARCH 2020

The directors present their Strategic Report for the 52 weeks ended 28 March 2020.

Business review

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

In early 2020, the Company was impacted by the COVID-19 outbreak. In line with government guidelines, store closures were implemented across the Group and many of those that remained open operated on reduced hours, with significantly reduced footfall. This impacted the Company's trading with its fellow subsidiaries as well as directly with consumers. A number of stores have begun to re-open since, however the long term outcome of the pandemic remains uncertain. There were also disruptions on the supply side which resulted in greater operating complexity, for example in shifting inventory between markets, fulfilment and product development.

The Company had net assets of £223,406,000 as at 28 March 2020 and earned profit after tax of £103,774,000 for the 52 weeks ended 28 March 2020.

In the 52 weeks ended 28 March 2020, revenue increased by 5.8% (2019: increase of 3.6%) and gross profit by 8.5% (2019: increase of 1.2%) due to cost pressures on margin. However, operating profit has decreased by 38.3%. The reduction in operating profit has been largely driven by additional impairments which have arisen as a result of the expected impact of COVID-19 on the Company's operations and performance for at least the next 12 months.

Future developments

The COVID-19 outbreak has created unprecedented challenges in the UK and globally. Whilst the Company will continue to seek opportunities to maximise the long term value derived from its brand, the short term will be focused on brand, localisation, supporting the Company's subsidiary customers to sustain their businesses, direct-to-consumer and digital, and product, inventory and supply chain.

Principal risks and uncertainties

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

The principal risks and uncertainties, including those associated with COVID-19, are integrated with the principal risks of the Group and are not managed separately. Accordingly, the principal risks and uncertainties of the Group, which include those of the Company, are discussed on pages 92 to 119 of the Group's 2019/20 Annual Report which does not form part of this report.

Financial risk management

The Company's financial risk management objectives and policies are set out within note 23 to the financial statements.

Going concern

Please refer to note 1.1 of the financial statements for details of the Company's going concern basis.

Key performance indicators

The Group's directors manage the Group's operations on a consolidated basis using key performance indicators. For this reason, the Company's directors believe that analysis using key performance indicators for the Company is not necessary or appropriate on a standalone basis. The development, performance and position of the Group is discussed in the Financial Review section of the Group's 2019/20 Annual Report which does not form part of this report.

Directors' Section 172(1) Statement

The Company is a wholly owned subsidiary of Burberry Group plc, which is a premium listed company that complies with the 2018 Corporate Governance Code. The Board of Burberry Group plc sets the Group's strategic priorities and, through its committee framework reviews the opportunities and risks of the Group, defines all procedures and is responsible for the decision-making in relation to remuneration, stakeholder relationships and engagement. Refer to pages 28 to 31, 73 to 83 and 92 to 116 of the Group 2019/20 Annual Report for more information.

The directors of the Company are also members of the Group's senior leadership team; through their operational roles they are involved in developing and implementing the Group's strategy and purpose, are in a position to challenge the appropriateness of that strategy with respect to the Company and also ensure that decisions taken by the Company are aligned to the aims and strategic priorities of the Group. In all instances the directors act in the best interests of the Company notwithstanding the Company's role in the Group. In particular, the Company has an important role in the Group's capital allocation and liquidity strategy, including making sure that the subsidiaries of the Group are adequately funded. Accordingly, the Board identified the two following strategic priorities for the year ended 28 March 2020, in which relevant stakeholder groups should be considered, though they acknowledge that not all stakeholders would be impacted by each decision:

- Capital allocation;
- Provision of intercompany loans, facilities and guarantees to fellow subsidiaries.

The Board acknowledges its responsibilities under Section 172(1) of the Companies Act 2006 and below sets out the key processes and considerations that demonstrate how the directors promote the success of the Company and discharge their duties.

(a) The likely consequences of any decision in the long term

The Board meets on a quarterly basis with papers circulated in advance. This enables the directors to fully understand the performance and position of the Company in the long term when making decisions of strategic importance. For more information on the items discussed at the quarterly meetings please see the Corporate Governance Statement on page 4. In addition to quarterly meetings, the Board meets on an ad hoc basis to consider transactions that arise outside of the quarterly meeting cycle.

When the Board is approving decisions of strategic importance, the Board considers the requirements of Section 172 and the potential outcome of the decisions, including the impact on relevant stakeholder groups.

Please refer to page 83 of the Group's 2019/20 Annual Report for further information on the Group's Section 172 responsibilities.

(b) The interests of the Company's employees
Please refer to the Directors' Report on page 5 for the employee engagement statement.

Please refer to page 83 of the Group's 2019/20 Annual Report for further information on the Group's Section 172 responsibilities.

(c) The need to foster the Company's business relationships with suppliers, customers and others
Please refer to the Directors' Report on page 5 for the statement on business relationships.

Please refer to page 83 of the Group's 2019/20 Annual Report for further information on the Group's Section 172 responsibilities.

(d) The impact of the Company's operations on the community and environment
The communities and environments of the Company are the same as the Group and the decisions in relation to these matters are made by the directors of Burberry Group plc. The Board acknowledges the importance of the Group's impact on the communities and environments in which it operates and the Group regularly engages with local communities, partners and governments. More information on this can be found on pages 60 to 71, 73 to 82 and 110 to 112 of the Group's 2019/20 Annual Report in addition to the responsibilities section published on the Burberry Group plc website.

Please refer to page 83 of the Group's 2019/20 Annual Report for further information on the Group's Section 172 responsibilities.

(e) The desirability of the company maintaining a reputation for high standards of business conduct
As a subsidiary of Burberry Group plc, the Company applies the Group's policies and standards in relation to business conduct and the directors of the Company are committed to adhering to these in their decision making process. More details on the Group's policies and standards can be found on pages 60 to 72, 108, 131 and 142 of the Group's 2019/20 Annual Report in addition to the Modern Slavery Statement published on the Burberry Group plc website.

Please refer to page 83 of the Group's 2019/20 Annual Report for further information on the Group's Section 172 responsibilities.

(f) The need to act fairly between members of the Company
When making decisions, the Board has regard to its sole shareholder Burberry (UK) Limited.

On behalf of the board.

I Brimicombe
Director
05 October 2020

DIRECTORS' REPORT
FOR THE 52 WEEKS ENDED 28 MARCH 2020

The directors present their report and the audited financial statements for the 52 weeks ended 28 March 2020.

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial 52 week period. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards comprising FRS 101 'Reduced Disclosure Framework', and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the directors are required to:

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

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

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

Corporate governance statement

The Company has adopted and approved its own Corporate Governance Code (the "Code") which sets out the policies and practices that govern the internal affairs of the Company. The Code reflects the fact that the Company is a subsidiary of Burberry Group plc which is a premium listed company and complies with the 2018 Corporate Governance Code.

To ensure application of the Code, the Board meets quarterly with papers circulated in advance to enable the directors to fully understand the performance and position of the Company, alongside matters arising for decision. These papers include:

- reports on the relevant risk and ethics items that impact the Company during the year;
- half-yearly reports on payment practice information;
- trading updates which demonstrate the financial position of the Company and support capital allocation decisions;
- treasury committee updates which show the liquidity of the Company (net cash position, outstanding borrowings, facilities, and guarantees); and
- a summary of material contracts.

During the year the Board approved the Code which formalised the internal policies and practices already used to govern the Company, as a result the Board considers the Code to have been applied in practice throughout the year.

Employee engagement statement

As a result of the Group governance structure, employee engagement matters are addressed at the Group level. An explanation of how these responsibilities have been carried out is set out on pages 74 to 75 of the Group's 2019/20 Annual Report. The Company's employees participate in the Group's engagement processes. The Board do not consider that there were any matters specific to the Company which required separate engagement with its employees.

Disabled employees

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

Statement on business relationships

The Board acknowledges the need for the Company to foster business relationships with suppliers, customers and others. All policies, practices and procedures adopted by the Group in regards to stakeholder relationships and engagement are applied by the Company. Refer to pages 73 to 82 of the Group's 2019/20 Annual Report for more details.

The Company identifies its key business relationships as being the same as the Group as described on pages 73 to 82 of the Group's 2019/20 Annual Report, other than having a more limited number of relationships than the Group. These include the Company's relationships with its suppliers and its intercompany, wholesale and licensing customers.

Company's policy for payment of creditors

The Company is required to publicly report its payment policies, practices and performance.

For all trade creditors, it is Company policy to:

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

Trade creditor days as at 28 March 2020 were 61 days (2019 - 69 days) based on the ratio of average company trade creditors during the year to the amounts recorded as expense during the year attributable to trade creditors.

Energy and Carbon report

The Company is a participant in the Group's responsibility agenda. The Company is exempt from providing information on its Energy and Carbon emissions because the parent, Burberry Group plc, has provided the relevant reporting information on pages 66 to 68 of the Group's 2019/20 Annual Report.

DIRECTORS' REPORT
FOR THE 52 WEEKS ENDED 28 MARCH 2020

Dividends paid

During the year the Board approved an interim dividend of £200,000,000 (2019 - £200,000,000). In making this decision the Board had regard to the relevant stakeholder groups.

Results and dividends

The Company's profit for the year, after taxation, amounted to £103,774,000 (2019 - £157,650,000).

The directors do not recommend the payment of a final dividend (2019 - £nil).

Directors

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

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

Branches outside of the UK

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

Future developments

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

Financial risk management

Please refer to note 23 for the financial risk management of the Company.

Qualifying third-party indemnity provision

J Brown had the benefit of an indemnity, which is a qualifying third-party indemnity as defined by Section 234 of the Companies Act 2006 until her resignation as director of the Company on 15 April 2019. The indemnity was put in place by the Group, and covers her duties as director of the Group and its subsidiaries. The indemnity was in force throughout her tenure during the last financial year. The Group also purchased and maintained throughout the financial year and up to the date of signing the financial statements Director's and Officer's liability insurance in respect of itself and its Group directors, including the directors of its subsidiaries.

Political and charitable donations

During the year, the Company donated £5,179,000 (2019 - £3,771,000) for the benefit of charitable causes. These donations principally comprised cash. The Company made no political donations in line with its policy (2019 - £nil).

DIRECTORS' REPORT
FOR THE 52 WEEKS ENDED 28 MARCH 2020

Disclosure of information to auditors

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

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

Post balance sheet events

Please refer to note 35 for post balance sheet events identified.

Independent auditors

PricewaterhouseCoopers LLP acted as auditor of the Company for the year ended 28 March 2020 and will be resigning as the Company's auditors following completion of these accounts. Pursuant to Section 485 of the Companies Act 2006, Ernst & Young LLP will be appointed as auditors of the Company for the year ended 27 March 2021.

On behalf of the board.

I Brimicombe
Director
05 October 2020

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BURBERRY LIMITED

Report on the audit of the financial statements

Opinion
In our opinion, Burberry Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 28 March 2020 and of its profit for the 52 week period (the "period") then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Income Statement for the 52 weeks ended 28 March 2020, the Balance Sheet as at 28 March 2020, the Statement of Changes in Equity for the 52 weeks ended 28 March 2020; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

Reporting on other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the period ended 28 March 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

CASchroeder

Catherine Schroeder (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
05 October 2020

INCOME STATEMENT
FOR THE 52 WEEKS ENDED 28 MARCH 2020

	Note	2020 £000	2019[1] £000
Revenue	3	**1,527,941**	1,444,844
Cost of sales		**(813,950)**	(786,777)
Gross profit		**713,991**	658,067
Income from investments in subsidiaries		**532**	-
Net operating expenses	4	**(527,276)**	(404,327)
Net impairment of right-of-use assets		**(30,218)**	-
Net impairment losses on financial assets		**(19,117)**	(30,075)
Operating profit		**137,912**	223,665
Finance income	8	**13,804**	13,340
Finance expenses	9	**(16,606)**	(11,387)
Profit before taxation	5	**135,110**	225,618
Taxation	10	**(31,336)**	(67,968)
Profit for the financial year		**103,774**	157,650

(1) The prior year figures have been re-presented to separately disclose net impairment losses on financial assets from net operating expenses.

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

The above results are derived from continuing operations.

The notes on pages 14 to 67 form part of these financial statements.

BURBERRY LIMITED
REGISTERED NUMBER: 00162636

BALANCE SHEET
AS AT 28 MARCH 2020

	Note		2020 £000		2019[1] £000
Fixed assets					
Intangible assets	11		**131,501**		107,199
Property, plant and equipment	12		**52,999**		54,814
Right-of-use assets	13		**294,083**		-
Investments in subsidiaries	14		**11,961**		12,857
			490,544		174,870
Current assets					
Inventories	15	**156,970**		164,057	
Trade and other receivables – amounts falling due after more than one year	16	**453,435**		451,634	
Trade and other receivables – amounts falling due within one year	16	**252,809**		342,478	
Cash and cash equivalents	17	**766,949**		535,867	
		1,630,163		1,494,036	
Creditors – amounts falling due within one year	18	**(1,134,410)**		(1,202,592)	
Lease liabilities – amounts falling due within one year	20	**(46,116)**		-	
Net current assets			**449,637**		291,444
Total assets less current liabilities			**940,181**		466,314
Creditors – amounts falling due after more than one year	19		**(82,021)**		(105,305)
Lease liabilities– amounts falling due after more than one year	20		**(327,120)**		-
Borrowings	25		**(300,000)**		-
Provisions for liabilities	22		**(7,634)**		(14,368)
Net assets			**223,406**		346,641
Capital and reserves					
Called up share capital	26		**20,547**		20,547
Capital reserve			**2,387**		2,387
Profit and loss account			**200,472**		323,707
Total equity			**223,406**		346,641

(1) Prior year figures have been re-presented to reflect the change in accounting policy for loans receivable classification as described in note 1.1.

The notes on pages 14 to 67 form part of these financial statements.

The financial statements on pages 11 to 67 were approved by the board on 05 October 2020 and signed on its behalf by:

I Bramicombe
Director

BURBERRY LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE 52 WEEKS ENDED 28 MARCH 2020

	Called up share capital £000	Capital reserve £000	Profit and loss account £000	Total equity £000
At 30 March 2019	**20,547**	**2,387**	**323,707**	**346,641**
Adjustment on initial application of IFRS 16	-	-	(23,908)	(23,908)
Adjustment on initial application of IFRIC 23	-	-	(4,389)	(4,389)
Adjusted balance as at 31 March 2019	**20,547**	**2,387**	**295,410**	**318,344**
Profit for the year	-	-	103,774	103,774
Total comprehensive income for the year	**-**	**-**	**103,774**	**103,774**
Dividends paid in the year	-	-	(200,000)	(200,000)
Value of share options granted	-	-	1,459	1,459
Tax on share options granted	-	-	(171)	(171)
Total transactions with owners	**-**	**-**	**(198,712)**	**(198,712)**
At 28 March 2020	**20,547**	**2,387**	**200,472**	**223,406**

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

	Called up share capital £000	Capital reserve £000	Profit and loss account £000	Total equity £000
At 31 March 2018	**20,547**	**2,387**	**354,255**	**377,189**
Adjustment on initial application of IFRS 9	-	-	896	896
Adjusted balance as at 1 April 2018	**20,547**	**2,387**	**355,151**	**378,085**
Profit for the year	-	-	157,650	157,650
Total comprehensive income for the year	**-**	**-**	**157,650**	**157,650**
Dividends paid in the year	-	-	(200,000)	(200,000)
Value of share options granted	-	-	9,267	9,267
Tax on share options granted	-	-	1,639	1,639
Total transactions with owners	**-**	**-**	**(189,094)**	**(189,094)**
At 30 March 2019	**20,547**	**2,387**	**323,707**	**346,641**

The notes on pages 14 to 67 form part of these financial statements.

1. Accounting policies

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

1.1 Basis of preparation

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

The financial statements have been prepared on a going concern basis under the historical cost convention, as modified by derivative financial assets and derivative financial liabilities measured at fair value through profit and loss, and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006. As permitted under section 400 of the Companies Act 2006, group financial statements have not been prepared as the Company is itself a wholly owned subsidiary of another company (see note 34).

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

The impact of the COVID-19 pandemic on the global economy and the operating activities of many businesses has resulted in a climate of considerable uncertainty. The ultimate impact of this pandemic on the Company is uncertain at the date of signing these financial statements. Taking into account the trading expectations of the Company, its current liquidity, existing funding and facilities available to the Company, including support from Burberry Group plc if required, and any other relevant factors, the Directors consider it appropriate to continue to adopt the going concern basis in preparing the financial statements for the 52 weeks to 28 March 2020.

The amounts owed by fellow subsidiaries presented for the prior period within trade and other receivables (see note 16) have been re-presented to reflect a change in accounting policy (see note 1.16) whereby the assessment of maturities of loan receivables takes into consideration any intention to renew the loan, where the loan is provided under a facility which has a maturity of more than 12 months from the balance sheet date. The change in accounting policy has resulted in an increase in trade and other receivables falling due after more than one year of £349,466,000 and a corresponding decrease in trade and other receivables falling due within more than one year.

Financial Reporting Standard 101 - reduced disclosure exemptions

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

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 'Share based payment' (details on the movement in the number and weighted-average exercise prices of share options, and how the fair value of goods or services received was determined);
- the requirements of IFRS 7, 'Financial Instruments: Disclosures';
- the requirements of paragraphs 91-99 of IFRS 13, 'Fair Value Measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities);

1. Accounting policies (continued)

1.1 Basis of preparation (continued)

- the requirement in paragraph 38 of IAS 1, 'Presentation of financial statements' to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16, 'Property, Plant and Equipment'; and
  - paragraph 118(e) of IAS 38, 'Intangible assets' (reconciliations between the carrying amount at the beginning and end of the period);
- the requirements of the following paragraphs of IAS 1 'Presentation of financial statements':
  - 10(d) (statement of cash flows);
  - 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements);
  - 16 (statement of compliance with all IFRS);
  - 38A (requirement for minimum of two primary statements, including cash flow statements);
  - 38B-D (additional comparative information);
  - 40A-D (requirements for a third statement of financial position);
  - 111 (cash flow statement information); and
  - 134-136 (capital management disclosures).
- the requirements of IAS 7 'Statement of Cash Flows';
- the requirements of paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective);
- the requirements of paragraph 17 of IAS 24 'Related Party Disclosures' (key management compensation);
- the requirements in IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 'Impairment of Assets'.

1.2 New Standards adopted in the period

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

IFRS 16 Leases

The Company adopted IFRS 16 Leases, for the period commencing 31 March 2019. This standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. It replaces IAS 17 Leases and IFRIC 4 Determining whether an arrangement contains a lease. The Company's new accounting policy for leases, following the adoption of IFRS 16 Leases, together with the policy applied in the comparative period, are set out in note 1.5.

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

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

1. Accounting policies (continued)

1.2 *New Standards adopted in the period* (continued)

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

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

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

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

Adjustments recognised on adoption of IFRS 16

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

	As at 31 March 2019 £000	Description of change
Property, plant and equipment	(723)	Reclassification of assets held under finance leases from Property, plant and equipment to Right-of-use assets
Right-of-use assets	292,316	Initial right-of-use assets recognised on adoption of IFRS 16, net of impairments recognised on adoption
Deferred tax assets	5,608	Net impact of deferred tax arising on the difference between the initial impairment of right-of-use assets recognised on adoption, compared to the onerous lease provisions previously recognised
Trade and other receivables	(7,586)	Reclassification of prepayments, relating to leases recognised on balance sheet on adoption of IFRS 16, to form part of the initial right-of-use assets
Trade and other payables	21,296	Reclassification of accruals and deferred income, relating to leases recognised on balance sheet on adoption of IFRS 16, to form part of the initial right-of-use assets
Provisions for liabilities	6,035	Release of onerous lease provisions previously recognised against off balance sheet onerous lease contracts
Lease liabilities	(340,854)	Net present value of lease liabilities recognised on adoption of IFRS 16
Retained earnings	23,908	Post-tax net impact of the difference between the initial impairment of right-of-use assets recognised on adoption, compared to the onerous lease provisions previously recognised, which is recorded in reserves on adoption

1. Accounting policies (continued)

1.2 New Standards adopted in the period (continued)

The net impact on retained earnings at 31 March 2019 was a decrease of £23,908,000. This arose as a result of an initial impairment of right-of-use assets of £35,551,000, offset by a reversal in the previous onerous lease provisions relating to the same leases of £6,035,000 and the recognition of a net increase in deferred tax assets of £5,608,000. This impairment arose principally as a result of measurement differences between provisioning under IAS 36 compared with IAS 37. The weighted average incremental borrowing rate applied to the lease liabilities on 31 March 2019 was 2.03%.

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

Judgement is required in determining the discount rate, which is based on the incremental borrowing rate. As the Company has not held any borrowings since 2013, at the date of adoption, the judgement applied required a consideration of the appropriate factors to take into account when assessing the incremental borrowing rate of the Company. An increase in the discount rate would result in a lower value of the initial right-of-use asset and lease liability, lower depreciation expense and higher interest expense over the term of the lease. The impact of recognising lease payments in excess of the minimum lease payments on adoption was £133,336,000.

On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under IAS 17 Leases. The impact of discounting on the initial value of the lease liability recognised on adoption was £52,021,000.

1. Accounting policies (continued)

1.2 New Standards adopted in the period (continued)

The most significant differences between the Company's operating lease commitments of £289,948,000 at 30 March 2019 and lease liabilities upon adoption of IFRS 16 of £340,854,000 are set out below:

	£000
Operating lease commitments reported at 30 March 2019 under IAS 17	**289,948**
Exclude/deduct:	
Commitments relating to assets not yet controlled by the Company	**(37,000)**
Include/add:	
Liabilities in excess of the minimum commitment to the end of the lease term	**133,336**
Reclassification of finance lease liabilities	**698**
Restatement for commitments excluded at 30 March 2019	**5,893**
Subtotal	**392,875**
Effect of discounting on payments including in the calculation of the lease liability	**(52,021)**
Lease liability opening balance as at 31 March 2019 under IFRS 16	**340,854**
Of which are:	
Lease liabilities – amounts falling due within one year	**40,102**
Lease liabilities – amounts falling due after more than one year	**300,752**
	340,854

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

	As at 30 March 2019 £000
Amounts falling due:	
Within 1 year	48,407
Between 2 and 5 years	93,846
After 5 years	153,588
Total	295,841

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

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

1. Accounting policies (continued)

1.2 New Standards adopted in the period (continued)

IFRC 23 Uncertainty over Income Tax Treatments

The Company adopted IFRIC 23 Uncertainty over Income Tax Treatments, for the period commencing 31 March 2019. This interpretation clarifies the accounting for uncertainties in income tax positions. IFRIC 23 requires the Company to measure the effect of uncertainty on income tax positions using either the most likely amount or the expected value amount depending on which method is expected to better reflect the resolution of the uncertainty. The adoption of IFRIC 23 has resulted in a reduction to retained earnings at 31 March 2019 of £4,389,000.

1.3 Revenue

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

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

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

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

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

1. Accounting policies (continued)

1.3 Revenue (continued)

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

1.4 Share schemes

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

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

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

1. Accounting policies (continued)

1.5 Leases

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

Lessee accounting

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

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

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

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

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

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

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

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

1. Accounting policies (continued)

1.5 Leases (continued)

In circumstances where the Company is in possession of a property but there is no executed agreement or other binding obligation in relation to the property, rent is expensed until such time the obligation becomes binding, at which point, a right-of-use asset and lease liability will be recognised prospectively. These lease costs are disclosed as lease in holdover expenses. Refer to notes 5 and 20.

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

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

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

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

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

Lessor accounting

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

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

Leases accounting policy applied in the comparative period

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

1. Accounting policies (continued)

1.5 Leases (continued)

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.

1.6 Dividend distributions

Dividend distributions to the Company'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.

1.7 Pension costs

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

1.8 Intangible assets

Trademarks, licences and other intangible assets
The cost of securing and renewing trademarks and licences and the cost of acquiring other intangible assets, 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 licence. The useful life of trademarks and other intangible assets is determined on a case-by-case basis, in accordance with the terms of the underlying agreement and the nature of the asset.

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

1. Accounting policies (continued)

1.9 Property, plant and equipment

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

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

Type of asset	Category of property, plant and equipment	Useful life
Land	Freehold land and buildings	Not depreciated
Freehold buildings	Freehold land and buildings	Up to 50 years
Long life leasehold improvements	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 the sale. Disposals are accounted for when the relevant transaction becomes unconditional.

1.10 Investments in subsidiaries

Investments in subsidiaries are carried at cost, less any provisions to reflect impairment in value.

1.11 Impairment of non-financial assets

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

1. Accounting policies (continued)

1.12 Inventories

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

1.13 Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Income Statement because it excludes items of income or expense which are taxable or deductible in other years and it further excludes items which are never taxable or deductible. The Company's liability for current tax is calculated using tax rates which have been enacted or substantively enacted 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 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 Company and it is probable that the temporary difference will not reverse in the foreseeable future.

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

1. Accounting policies (continued)

1.14 Provisions

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

Property obligations
A provision for the present value of future property reinstatement costs is recognised where there is an obligation to return the leased property to its original condition at the end of a lease term. The reinstatement cost at the end of a lease usually arises due to leasehold improvements and modifications carried out by the Company in order to customise the property during tenure of the lease. As a result, the cost of the reinstatement provision is recognised as a component of the cost of the leasehold improvements in property, plant and equipment when these are installed.

Onerous leases accounting policy applied in the comparative period
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.

1.15 Called up share capital

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

1.16 Financial instruments

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 expired.

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

1. Accounting policies (continued)

1.16 Financial instruments (continued)

The Company classifies its instruments in the following categories:

Financial instrument category	Note	Classification	Measurement
Cash and cash equivalents	17	Amortised Cost	Amortised cost
Cash and cash equivalents	17	Fair value through profit and loss	Fair value through profit and loss
Trade and other receivables	16	Amortised Cost	Amortised cost
Trade and other payables	18-19	Other financial liabilities	Amortised cost
Borrowings	25	Other financial liabilities	Amortised cost
Forward foreign exchange contracts (1)	23	Fair value through profit and loss	Fair value through profit and loss

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

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

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

While cash at bank and in hand is classified as amortised cost, 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 assessment of maturities of loan receivables takes into consideration any intention to renew the loan, where the loan is provided under a facility which has a maturity of more than 12 months from 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 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.

1. Accounting policies (continued)

1.16 Financial instruments (continued)

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

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

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

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

1.17 Foreign currency translation

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

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

2. Key sources of estimation uncertainty and judgements

2.1 Key sources of estimation uncertainty

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

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

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

The COVID-19 pandemic (COVID-19) has had a major impact on the global economy and is expected to have a significant impact on the operations and financial performance of the Company for at least the next 12 months. In March 2020, many of the Company's retail stores were closed due to government restrictions relating to COVID-19. A number of these stores have begun to re-open since July 2020, however many have been operating on reduced hours, with significantly reduced footfall. At the date of signing these financial statements the ultimate impact of COVID-19 is uncertain.

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

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

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

2.1 Key sources of estimation uncertainty (continued)

The key areas where the estimates and assumptions applied have a significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next financial year are discussed below. Further details of the Company's accounting policies in relation to these areas are provided in note 1:

Impairment of property, plant and equipment and right-of-use assets
Property, plant and equipment and right-of-use assets are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount of an asset or a cash generating unit is determined based on value-in-use calculations prepared using management's best estimates and assumptions at the time. Refer to notes 12 and 13 for further details of property, plant and equipment and right-of-use assets and impairment reviews carried out in the period.

Inventory provisioning
The Company manufactures and sells luxury goods and is subject to changing consumer demands and fashion trends. The recoverability of the cost of inventories is assessed every reporting period, by considering the expected net realisable value of inventory compared to its carrying value. Where the net realisable value is lower than the carrying value, a provision is recorded. When calculating inventory provisions, management considers the nature and condition of the inventory, as well as applying assumptions in respect of anticipated saleability of finished goods and future usage of raw materials.

Taking into account the significant uncertainty regarding the outcome of COVID-19 and its impact on retail operations and the global economy, as well as other factors impacting the net realisable value of inventory, management consider that a reasonable potential range of outcomes could result in an increase or decrease in inventory provision of £10,000,000 in the next 12 months. This would result in a potential range of inventory provisions of 30.1% to 38.5% as a percentage of the gross value of inventory as at 28 March 2020.

Refer to note 15 for further details of the carrying value of inventory.

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

During the next year it is possible that some or all of the current disputes are resolved. Management estimate that the outcome across all matters under dispute or in negotiation between governments could be an increase or decrease of £5,000,000 to £15,000,000 relative to the current tax liabilities recognised at 28 March 2020. This would have an impact of approximately 4% to 11% on the Company's effective tax rate.

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

2.1 Key sources of estimation uncertainty (continued)

Impairment of trade and loan receivables
The Company is required to make an estimate of the recoverable value of trade and loan receivables. When assessing the expected loss on trade and loan receivables, management considers factors including any specific known problems or risks. Refer to note 16 for further details on the net carrying value of trade and loan receivables.

2.2 Key judgements in applying the Company's accounting policies

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

Classification of loans receivable
Where the Company has loans receivable, judgement is required in determining whether the loan should be classified as an amount falling due within one year or an amount falling due after more than one year. This judgement takes into consideration whether the loan is provided under a facility which has a maturity of more than 12 months from the balance sheet date and any intention to renew the loan.

At 28 March 2020, loan amounts receivable from fellow subsidiaries of £356,003,000 were classified as falling due after more than one year based on management's assessment that the loans were likely to be renewed (2019 - £349,466,000).

3. Revenue

The Board considers the Company's business through its two channels to market, being retail/wholesale and licensing.

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

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

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

	2020	2019
	£000	£000
Revenue by destination		
EMEIA (1)	**790,627**	770,366
Americas	**295,365**	252,376
Asia Pacific	**441,949**	422,102
Total	**1,527,941**	1,444,844

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

All revenue originates in the United Kingdom.

	2020	2019
	£000	£000
Revenue by channel		
Retail/wholesale	**1,480,436**	1,397,660
Licensing	**47,505**	47,184
Total	**1,527,941**	1,444,844

4. Net operating expenses

	2020	2019
	£000	£000
Selling and distribution costs	**133,588**	134,802
Administrative expenses	**393,688**	269,525
Net operating expenses	**527,276**	404,327

5. Profit before taxation

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

	2020 £000	2019 £000
Depreciation of property, plant and equipment		
- within cost of sales	**1,007**	1,005
- within selling and distribution costs	**6,660**	6,318
- within administrative expenses	**6,575**	7,381
Depreciation of right-of-use assets		
- within selling and distribution costs	**37,437**	-
- within administrative expenses	**10,476**	-
Amortisation of intangible assets		
- within selling and distribution costs	**312**	332
- within administrative expenses	**24,164**	25,230
Loss on disposal of property, plant and equipment and intangible assets	**50**	990
Loss on disposal of right-of-use assets	**87**	-
Net impairment of property, plant and equipment	**1,862**	547
Net impairment of right-of-use assets	**30,218**	-
Impairment of intangible assets	**12,440**	3,914
Directors' and employees' costs (see note 7)	**205,446**	229,948
Auditors' remuneration (see note 6)	**2,743**	1,642
Other lease expense		
- property lease variable lease expense	**6,009**	-
- property lease in holdover expense	**888**	-
- non-property short-term lease expense	**2,687**	-
Operating lease rentals		
- minimum lease payments	**-**	42,391
- contingent rents	**-**	8,563
Operating lease income		
- income from lease of leasehold property	**(193)**	(1,684)
Net exchange loss/(gain) on revaluation of monetary assets and liabilities	**3,213**	(2,732)
Net exchange loss on derivatives held for trading	**6,344**	10,492
Net impairment losses on financial assets (see note 16)	**19,117**	30,075
Impairment charge relating to investment in subsidiaries (see note 14)	**896**	6,187
Loss on disposal of subsidiary (see note 14)	**-**	1,833
Restructuring costs/(releases) *	**8,621**	(3,321)
Gain on disposal of Beauty operations **	**(5,048)**	(717)

5. Profit before taxation (continued)

*** Restructuring costs**

Restructuring costs of £8,621,000 were incurred in the current period, arising as a result of the Group's cost-efficiency programme announced in May 2016. The costs in the current year are principally attributable to redundancies and functional restructuring costs.

**** Disposal of Beauty operations**

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

In the current year, a credit of £5,048,000 (2019 - £717,000) has been recorded relating to reassessments of provisions for contract termination and consideration for assets transferred to Coty on completion.

6. Auditor remuneration

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

	2020 £000	2019 £000
Audit services in respect of the financial statements of the Company	**341**	331
Audit services in respect of the financial statements of other Group companies	**2,229**	1,306
Audit-related assurance services	**-**	5
Other non-audit-related services	**173**	-
Total	**2,743**	1,642

7. Employees and Directors

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

	2020 Number	2019 Number
Production	**1,052**	1,039
Buying	**112**	121
Distribution/sales	**1,033**	1,030
Administration	**1,403**	1,379
	3,600	3,569

	2020 £000	2019[1] £000
Staff costs		
Wages and salaries	**174,607**	183,300
Termination benefits	**1,602**	4,447
Social security costs	**17,800**	22,398
Share based compensation (all awards and options settled in shares)	**1,393**	11,562
Other pension costs	**10,044**	8,241
	205,446	229,948

(1) The prior year figures have been re-presented to correctly reflect termination benefits and social security costs. The net impact is £nil.

	2020 £000	2019 £000
Staff costs include the following remuneration in respect of directors:		
Aggregate emoluments	**2,692**	6,030

7. Employees and Directors (continued)

	2020 Number	2019 Number
The number of directors who:		
Exercised options over shares in the Company	**2**	4
Had awards receivable in the form of shares under a long-term incentive scheme	**4**	6

	2020 £000	2019 £000
The directors' remuneration disclosed above includes the amounts paid to the highest paid director as follows:	**1,119**	3,743
Aggregate emoluments	**1,119**	3,743

The highest paid director did not exercise any share options during the year.

8. Finance income

	2020 £000	2019 £000
Interest receivable from Group companies	**10,055**	9,695
Bank interest income – amortised cost	**853**	714
Other finance income – amortised cost	**17**	-
Finance income – amortised cost	**10,925**	10,409
Bank interest income – fair value through profit and loss	**2,879**	2,931
	13,804	13,340

9. Finance expenses

	2020 £000	2019 £000
Interest payable to Group companies	**9,350**	10,277
Interest expense on lease liabilities (1)	**6,997**	-
Interest expense on bank loans and overdrafts	**175**	176
Other finance expense	**84**	934
	16,606	11,387

(1) Interest expense on lease liabilities of £6,997,000 have been recorded for the current year, as a result of the adoption of IFRS 16 Leases. Refer to note 1 for details of adoption of IFRS 16 Leases.

10. Taxation

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

	2020 £000	2019 £000
Corporation tax		
Current tax on profits for the year	**27,759**	50,018
Adjustments in respect of prior years	**(1,960)**	13,876
	25,799	63,894
Double taxation relief	**(3,352)**	(2,776)
	22,447	61,118
Foreign tax		
Overseas taxation	**3,798**	4,042
	3,798	4,042
Total current tax	**26,245**	65,160
Deferred tax - UK		
Origination and reversal of timing differences	**3,767**	3,976
Adjustments in respect of prior years	**2,996**	(1,168)
Impact of changes to tax rates	**(1,672)**	-
Total deferred tax	**5,091**	2,808
Taxation on profit	**31,336**	67,968

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

10. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19% (2019 – 19%). The differences are explained below:

	2020 £000	2019 £000
Profit before taxation	135,110	225,618
Profit before taxation multiplied by standard rate of corporation tax in the UK of 19% (2019 – 19%)	25,671	42,867
Effect of:		
Permanent differences	6,850	10,741
Overseas tax	446	1,265
Adjustments in respect of prior years	1,036	12,708
Impairment charge not deductible	-	1,176
Group relief received for nil consideration	(995)	(789)
Adjustments to deferred tax relating to changes in tax rates	(1,672)	-
Total tax charge for the year	31,336	67,968

Factors that may affect future tax charges

The main rate of corporation tax will remain at 19% from 1 April 2020, as legislated in the Finance Bill in 2020. There were no other factors that may affect future tax charges.

Analysis of (credit)/charge for the year recognised directly in equity:

	2020 £000	2019 £000
Current tax		
Current tax credit on share options (profit and loss account)	(887)	(1,639)
Adjustment on the initial application of IFRIC 23 (profit and loss account)	(4,389)	-
Deferred tax		
Deferred tax charge on share options (profit and loss account)	1,058	372
Adjustment on the initial application of IFRS 16 (profit and loss account)	(5,608)	-
Adjustment on the initial application of IFRS 9 (profit and loss account)	-	183
	(9,826)	(1,084)

11. Intangible assets

	Computer software £000	Trademarks, licences and other intangible assets £000	Assets in the course of construction £000	Total £000
Cost				
At 31 March 2019	**126,404**	**9,212**	**45,564**	**181,180**
Additions	**26,717**	**528**	**33,973**	**61,218**
Reclassifications from assets in the course of construction	**17,234**	**231**	**(17,465)**	**-**
At 28 March 2020	**170,355**	**9,971**	**62,072**	**242,398**
Accumulated amortisation and impairment				
At 31 March 2019	**70,076**	**3,905**	**-**	**73,981**
Charge for the year	**23,784**	**692**	**-**	**24,476**
Impairment charge	**-**	**-**	**12,440**	**12,440**
At 28 March 2020	**93,860**	**4,597**	**12,440**	**110,897**
Net book value				
At 28 March 2020	**76,495**	**5,374**	**49,632**	**131,501**
At 30 March 2019	**56,328**	**5,307**	**45,564**	**107,199**

During the year, an impairment charge of £12,440,000 was recognised in relation to computer software assets under construction. A portion of this charge related to rescheduling of the development of a software project following changes to management investment plans due to the impact of COVID-19, whereby management no longer expect to fully utilise the expenditure incurred to date. The recoverable value of the asset at the balance sheet date is £26,232,000.

12. Property, plant and equipment

	Freehold land and buildings £000	Leasehold improvements £000	Fixtures, fittings and equipment £000	Assets in the course of construction £000	Total £000
Cost					
At 30 March 2019	3,803	56,831	73,742	6,857	141,233
Adjustment on initial application of IFRS 16 (1)	-	-	(2,939)	-	(2,939)
Adjusted balance as at 31 March 2019	3,803	56,831	70,803	6,857	138,294
Additions	1	3,432	5,470	6,159	15,062
Disposals	(10)	(12)	(3,857)	(50)	(3,929)
Reclassifications from assets in the course of construction	-	268	5,395	(5,663)	-
At 28 March 2020	3,794	60,519	77,811	7,303	149,427
Accumulated depreciation and impairment					
At 30 March 2019	1,185	32,729	52,505	-	86,419
Adjustment on initial application of IFRS 16 (1)	-	-	(2,216)	-	(2,216)
Adjusted balance as at 31 March 2019	1,185	32,729	50,289	-	84,203
Charge for the year	50	4,754	9,438	-	14,242
Disposals	-	(12)	(3,867)	-	(3,879)
Impairment charge	-	1,010	852	-	1,862
At 28 March 2020	1,235	38,481	56,712	-	96,428
Net book value					
At 28 March 2020	2,559	22,038	21,099	7,303	52,999
At 30 March 2019	2,618	24,102	21,237	6,857	54,814

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

12. Property, plant and equipment (continued)

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

The pre-tax discount rate used in these calculations was 10.1%, based on the Company's weighted average cost of capital. Where the value-in-use was less than the carrying value of the cash generating unit, an impairment of property, plant and equipment and right-of-use asset was recorded. Potential alternatives for property, such as subletting of leaseholder or sale of freehold, were considered in estimating the value for calculating impairment charges.

During the year, an impairment charge of £1,862,000 was recognised against property, plant and equipment as a result of the annual review of impairment of retail store assets and impairment review for the impact of COVID-19. The impairment related to 15 retail cash generating units for which the total recoverable amount at the balance sheet date is £2,515,000. A net impairment charge was also recorded against right-of-use assets as part of this review (see note 13).

Management has considered the potential impact of changes in assumptions on the impairment recorded against the Company's retail assets. Given the significant uncertainty regarding the impact of COVID-19 on the Company's retail operations and on the global economy, management have considered sensitivities to the impairment charge as a result of changes to the estimate of future revenues achieved by the retail stores. The sensitivities applied are an increase or decrease in revenue of 15% from the estimate used to determine the impairment charge. It is estimated that a 15% decrease/increase in revenue assumptions for the 52 weeks to 27 March 2021, with no change to subsequent forecast revenue growth rate assumptions, would result in a £6,692,000 increase / £5,747,000 decrease in the impairment charge of retail store assets in the 52 weeks to 28 March 2020.

Refer to note 2.1 for further details on the key sources of estimation uncertainty associated with the impairment of property, plant and equipment and right-of use assets.

13. Right-of-use assets

Net book value	Property right-of-use assets £000	Non-property right-of-use assets £000	Total £000
At 30 March 2019	-	-	-
Adjustment on initial application of IFRS 16 (1)	291,593	723	292,316
Adjusted balance as at 31 March 2019	291,593	723	292,316
Additions	93,674	-	93,674
Remeasurements	(13,776)	-	(13,776)
Depreciation for the year	(47,619)	(294)	(47,913)
Net impairment charge on assets	(30,218)	-	(30,218)
At 28 March 2020	293,654	429	294,083

(1) On adoption of IFRS 16, all impairment and onerous leases across existing leased properties were remeasured to take account of the impact of the change in accounting for leases on the measurement of impairments. No changes in underlying assumptions were made during this remeasurement. As a result of the remeasurement, an impairment of right-of-use assets of £35,551,000 was recorded, with a corresponding charge to equity of £23,908,000, net of a reversal of existing onerous lease provisions of £6,035,000 and an increase in deferred tax assets of £5,608,000. The impairment charge recorded of £35,551,000 related to two retail cash generating units and one other property, for which the total recoverable amount at the date of adoption was £46,235,000.

During the year, an impairment charge of £31,207,000 was recognised in right-of-use assets as a result of the annual review of impairment of retail store assets and impairment review for the impact of COVID-19. The impairment related to 15 retail cash generating units for which the total recoverable amount at the balance sheet date is £41,812,000. Refer to note 12 for further details.

An impairment reversal of £989,000 relating to other properties was recorded in the year.

14. Investments in subsidiaries

	Investments in subsidiary companies £000
Cost	
At 31 March 2019	29,430
At 28 March 2020	29,430
Impairment	
At 31 March 2019	(16,573)
Charge for the year	(896)
At 28 March 2020	(17,469)
Net book value	
At 28 March 2020	11,961
At 30 March 2019	12,857

During the year, the Company's investment in Sweet Street Developments Limited was impaired by £896,000. In the prior year, the Company increased its investment in Burberry Brasil Comércio de Artigos de Vestuário E Acessórios Ltda by £6,187,000, which was subsequently impaired. The Company also disposed of its investment in Burberry Italy Retail Limited with a net book value of £34,189,000. The subsidiary was sold to another entity in the group for consideration of €35,788,972 (£32,356,000). The consideration was settled in the form of a loan between the Company and the acquiring entity.

The Company's subsidiaries, Temple Works Limited and Worldwide Debt Collections Limited were dissolved by voluntary strike-off on 4 February 2020 and 25 February 2020 respectively. The value of these investments prior to strike-off was £nil.

The Company has reviewed the recoverable value of its investments to identify if there is any indication of impairment of the carrying value. Where applicable, the recoverable amount has been estimated using management's best estimates of future cash generation of its investments, taking into account the effects of COVID-19.

The Company has not impaired the carrying value of its investments, other than as noted above, as their cash generation in the long term is considered sufficient to support the carrying value.

14. Investment in subsidiaries (continued)

In accordance with Section 409 of the Companies Act 2006 a full list of related undertakings as at 28 March 2020, including country of incorporation and percentage share ownership, is disclosed below. Unless otherwise stated, all undertakings are directly owned by the Company and operate in the country of incorporation.

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

* Dissolved via voluntary strike-off on 25 February 2020
** Dissolved via voluntary strike-off on 4 February 2020

Ref Registered office address
(1) Horseferry House, Horseferry Road, London, SW1P 2AW, United Kingdom
(2) Adelaide House, London Bridge, London, EC4R 9HA, United Kingdom
(3) City of São Paulo, State of São Paulo, at Rua do Rocio, 350, 3rd Pavement of Condominium Atrium IX, suites No. 31 and No. 32, 28th subdistrict, Vila Olimpia, CEP 04552-000, Brazil

15. Inventories

	2020	2019
	£000	£000
Raw materials	**4,579**	9,264
Work in progress	**424**	198
Finished goods	**151,967**	154,595
	156,970	164,057

	2020	2019
	£000	£000
Total inventories, gross	**238,800**	218,617
Provisions	**(81,830)**	(54,560)
	156,970	164,057

Inventory provisions of £81,830,000 are recorded (2019 - £54,560,000), representing 34.3% (2019 – 25.0%) 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 inventory. Refer to note 2.1 for details on the key sources of estimation uncertainty associated with inventory provisioning.

The cost of inventories recognised as an expense and included in cost of sales amount to £805,989,000 (2019 - £777,579,000)[1].

The net movement in inventory provisions included in cost of sales for the 52 weeks ended 28 March 2020 was a cost of £38,865,000 (2019: £17,961,000).

(1) *The prior year comparative has been restated to correctly reflect the cost of inventories recognised as* an expense and included in cost of sales in 2019. The impact is to increase the prior year comparative by £579,086,000.

16. Trade and other receivables

	2020 £000	2019[1] £000
Amounts falling due after more than one year		
Deferred tax assets (note 21)	**17,778**	18,319
Prepayments (2)	**635**	2,048
Amounts owed by fellow subsidiaries	**435,022**	431,267
	453,435	451,634

	2020 £000	2019[1] £000
Amounts falling due within one year		
Trade receivables	**40,256**	28,528
Provision for doubtful debts	**(5,994)**	(819)
Net trade receivables	**34,262**	27,709
Amounts owed by the ultimate parent	**18,318**	9,990
Amounts owed by fellow subsidiaries	**104,203**	246,306
Other debtors	**9,372**	6,063
Other non-financial receivables	**25,716**	14,431
Prepayments (2)	**17,300**	26,889
Accrued income	**9,256**	8,577
Derivatives	**5,876**	2,513
Current tax assets	**28,506**	-
	252,809	342,478

(1) Prior year amounts owed by fellow subsidiaries have been re-presented to reflect the change in accounting policy described in note 1.1.
(2) Upon adoption of IFRS 16 Leases, prepayments as at 30 March 2019 relating to leases recognised on the balance sheet were reclassified to be included in the measurement of the initial right-of-use asset. Refer to note 1 for further details.

Amounts owed by fellow subsidiaries falling due after more than one year of £435,022,000 (2019 - £431,267,000)[1] are interest bearing, unsecured and receivable between 17 June 2020 and 22 January 2025. The interest rate earned is based on relevant national LIBOR equivalents plus 0.5% - 0.9%. Subsequent to the 52 weeks ended 28 March 2020, the loans maturing on 17 June 2020 were extended to 17 June 2021 under the same terms as the existing loans. See note 2.2 for further details.

Included in amounts owed by the ultimate parent and fellow subsidiaries falling due within one year are loans of £349,000 (2019 – £23,546,000)[1] which are interest bearing, unsecured and receivable between 1 March 2021 and 24 March 2021. The remaining amounts owed by fellow subsidiaries falling due within one year of £122,172,000 (2019 - £232,750,000) are interest free, unsecured and receivable on demand.

16. Trade and other receivables (continued)

Credit risk

The Company's impairment policies and the calculation of any allowances for credit losses are detailed below.

Trade receivables

The Company has no significant concentrations of credit risk. The trade receivables balance is spread across a large number of different customers with no single debtor representing more than 5% of the total balance due (2019: 6%). The Company has policies in place to ensure that wholesale sales are made to customers with an appropriate credit history. Sales to retail customers are made in cash or via major credit cards. In some retail locations, where the Company's store is located within a department store or mall, for example a concession, the sales proceeds may be initially held by the operator of the wider location, giving rise to retail debtors. In addition, receivables balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant and default rates have historically been very low.

The Company applies the 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 are reviewed annually, or when there is a significant change in external factors potentially impacting credit risk, and are updated where management's expectations of credit losses change.

At 28 March 2020, management have assessed the expected credit losses for trade receivables. Due to the global financial uncertainty arising from COVID-19, management have increased the expected loss rates for trade receivables based on their judgement as to the impact of COVID-19 on the trade receivables portfolio. In addition, certain individual customers (where there is objective evidence of credit impairment) have been identified as having a significantly elevated credit risk and have been provided for on a specific basis.

The expected loss allowance for trade receivables at 28 March 2020 of £5,994,000 is 14.9% of the amounts receivable. Due to the significant uncertainty regarding the outcome of COVID-19 and its impact on the global economy, management consider that this expected loss allowance, while representing managements' best estimate of the future outcome, may be required to be updated in future periods depending on actual circumstances. However any updates are not anticipated to result in a material change in the next 12 months.

Receivables excluding trade receivables

The counterparty credit risk of other receivables including amounts due from group companies, is reviewed on a regular basis and the impairment is assessed 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 28 March 2020, the expected 12 month credit losses of receivables, other than trade receivables, were significant and hence net impairment losses of £13,068,000 (2019 - £30,964,000) were recorded in the income statement in relation to receivables from fellow subsidiaries.

16. Trade and other receivables (continued)

Credit risk (continued)

Receivables excluding trade receivables (continued)
Taking into consideration the significant uncertainty regarding the outcome of COVID-19 and its impact on retail operations and the global economy, management consider that a reasonable increase / decrease to the probability of default, driven by a change to assumed credit rating, could result in a £9,000,000 increase / £3,000,000 decrease in the impairment charge for loans receivable from fellow subsidiaries.

Refer to note 2.1 for further details on the key sources of estimation uncertainty associated with impairment of receivables.

Impairment of receivables
The closing loss allowances for receivables reconcile as follows:

	Trade receivables £000	Receivables excluding trade receivables £000	Total £000
At 31 March 2018 – under IAS 39	4,984	-	4,984
Adjustment on the initial application of IFRS 9	(1,079)	-	(1,079)
Adjusted balance as at 1 April 2018	3,905	-	3,905
Impairment provision recognised in profit or loss during the year	-	30,964	30,964
Receivables written off during the year as uncollectable	(2,197)	-	(2,197)
Unused amount reversed	(889)	-	(889)
At 30 March 2019	819	30,964	31,783
Effect of foreign exchange rate changes	-	999	999
Impairment provision recognised in profit or loss during the year	6,049	13,068	19,117
Receivables written off during the year as uncollectable	(874)	(390)	(1,264)
Unused amount reversed	-	-	-
At 28 March 2020	**5,994**	**44,641**	**50,635**

In aggregate, as at 28 March 2020, the movement in the impairment provision on receivables and other financial assets recorded in the income statement was a charge of £19,117,000, of which £6,049,000 relates to contracts with customers and £13,068,000 relates to impairments of amounts receivable from fellow subsidiaries (2019 – net charge of £30,075,000, due to an impairment of £30,964,000 of a loan receivable from a fellow subsidiary partially offset by a reversal of the unused provision in the period relating to contracts with customers).

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

16. Trade and other receivables (continued)

Credit risk (continued)

Other financial assets
With respect to credit risk arising from other financial assets, which comprise cash and short-term deposits and certain derivative instruments, the Company's exposure to credit risk arises from the default of the counterparty with a maximum exposure equal to the carrying value of these instruments. There are policies in place that limit the amount of credit exposure to any financial institution and only deposits funds with independently rated financial institutions with a minimum rating of 'A' other than where required for operational purposes. A total of £9,000 (2019 - £1,000) was held with institutions with a rating below 'A' at 28 March 2020. These amounts are monitored on a weekly basis and regularly reported to the board.

17. Cash and cash equivalents

	2020 £000	2019 £000
Cash and cash equivalents held at amortised cost		
Cash at bank and in hand	**47,102**	41,367
Short-term deposits	**100,644**	20,000
	147,746	61,367
Cash and cash equivalents held at fair value through the profit and loss		
Short-term deposits	**619,203**	474,500
Total	**766,949**	535,867

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.

In March 2020, the Company drew down on the Group's multi-currency revolving credit facility (see Note 25) which resulted in an increase to the closing position of cash and cash equivalents as at 28 March 2020.

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

18. Creditors – amounts falling due within one year

	2020 £000	2019 £000
Bank overdrafts (note 24)	**4,541**	8,279
Trade payables	**135,727**	148,372
Amounts owed to fellow subsidiaries	**420,605**	320,026
Amounts owed to ultimate parent	**445,457**	553,244
Corporate tax	**-**	25,370
Other taxes and social security costs	**16,206**	18,042
Derivative financial liabilities	**2,648**	5,059
Other payables	**2,236**	2,574
Accruals (1)	**97,314**	109,518
Deferred income and non-financial accruals (1)	**1,999**	4,258
Contract liabilities	**7,677**	7,850
	1,134,410	1,202,592

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

Included in amounts owed to the ultimate parent and fellow subsidiaries are loans of £520,924,000 (2019 - £617,973,000) which are interest bearing, unsecured and repayable between 13 April 2020 and 1 March 2021. The interest rate is based on relevant national LIBOR equivalents plus 0.5% - 0.9%. The remaining amounts owed to fellow subsidiaries of £345,138,000 (2019 - £255,297,000) are interest free, unsecured and repayable on demand.

18. Creditors – amounts falling due within one year (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. Licencing contract liabilities relate to deferred revenue arising from the upfront payment for the Beauty licence which is being recognised in revenue over the term of the licence on a straight-line basis reflecting access to the trademark over the license period to 2032.

	As at 28 March 2020 £000	As at 30 March 2019 £000
Retail contract liabilities	**1,119**	1,293
Licensing contract liabilities	**83,607**	90,164
Total contract liabilities	**84,726**	91,457
Amounts falling due after more than one year (note 19)	**77,049**	83,607
Amounts falling due within one year	**7,677**	7,850

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

	52 weeks to 28 March 2020 £000	52 weeks to 30 March 2019 £000
Retail revenue relating to contract liabilities	**757**	546
Deferred revenue from Beauty license	**6,557**	6,557
Revenue recognised that was included in contract liabilities at the start of the year	**7,314**	7,103

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

	2020 £000	2019 £000
Other payables	**3,012**	420
Deferred income and non-financial accruals (1)	**1,960**	21,278
Contract liabilities (note 18)	**77,049**	83,607
	82,021	105,305

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

20. Lease liabilities

	Property lease liabilities £000	Non-property lease liabilities £000	Total £000
At 30 March 2019	-	-	-
Adjustment on initial application of IFRS 16	340,156	698	340,854
Adjusted balance as at 31 March 2019	**340,156**	**698**	**340,854**
Effect of foreign exchange rate changes	(137)	33	(104)
Created during the year	91,938	-	91,938
Amounts paid (1)	(52,453)	(305)	(52,758)
Discount unwind	6,985	12	6,997
Remeasurements	(13,691)	-	(13,691)
At 28 March 2020	**372,798**	**438**	**373,236**

	At 28 March 2020 £000
Analysis of total lease liabilities:	
Amounts falling due within one year	**46,116**
Amounts falling due after more than one year	327,120
Total	373,236

(1) The amounts paid of £52,758,000 includes £45,761,000 arising as a result of a financing cash outflow and £6,997,000 arising as a result of an operating cash outflow.

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

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

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

20. Lease liabilities (continued)

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

The Company's accounting policy for leases is set out in note 1. Details of income statement charges and income for leases are set out in note 5. The right-of-use asset categories on which depreciation is incurred are presented in note 13. Interest expense incurred on lease liabilities is presented in note 9. Commitments relating to off-balance sheet leases are presented in note 32.

Total cash outflows in relation to leases in the 52 weeks ended 28 March 2020 are £64,141,000. This relates to payments of £45,761,000 on lease principal, £6,997,000 on lease interest, £7,788,000 on variable lease payments, and £3,575,000 other lease payments principally relating to short-term leases and leases in holdover.

Maturity profile
The undiscounted contractual cash flows for lease liabilities falling due within one year is £52,702,000.

The maturity profile of the contractual undiscounted cash flows for lease liabilities falling due after more than one year is as follows:

	As at 28 March 2020 £000
In more than 1 year, but not more than 2 years	**50,761**
In more than 2 years, but not more than 3 years	**41,414**
In more than 3 years, but not more than 4 years	**31,458**
In more than 4 years, but not more than 5 years	**32,923**
In more than 5 years	**211,993**
	368,549

21. Deferred tax assets

The movement in deferred tax assets during the year is as follows:

	Capital allowances £000	Share schemes £000	Leases £000	Other £000	Total £000
At 31 March 2018	13,688	7,080	-	914	21,682
(Charged)/credited to the Income Statement	111	(2,637)	-	(282)	(2,808)
Charged to equity	-	(372)	-	(183)	(555)
At 30 March 2019	**13,799**	**4,071**	**-**	**449**	**18,319**
Adjustment on initial application of IFRS 16	**-**	**-**	**5,608**	**-**	**5,608**
Adjusted balance as at 31 March 2019	**13,799**	**4,071**	**5,608**	**449**	**23,927**
Credited/(charged) to the Income Statement	**(2,507)**	**(1,842)**	**(522)**	**(220)**	**(5,091)**
Charged to equity	**-**	**(1,058)**	**-**	**-**	**(1,058)**
At 28 March 2020	**11,292**	**1,171**	**5,086**	**229**	**17,778**

22. Provisions for liabilities

	Property obligations £000	Other £000	Total £000
At 30 March 2019	**11,856**	**2,512**	**14,368**
Adjustment on initial application of IFRS 16	**(6,035)**	**-**	**(6,035)**
Adjusted balance as at 31 March 2019	**5,821**	**2,512**	**8,333**
Created during the year	**794**	**159**	**953**
Utilised during the year	**(369)**	**(82)**	**(451)**
Released during the year	**(379)**	**(906)**	**(1,285)**
Discount unwind	**84**	**-**	**84**
At 28 March 2020	**5,951**	**1,683**	**7,634**

At 30 March 2019, £6,035,000 of onerous leases were included within property obligations. On the adoption of IFRS 16 Leases, those onerous lease obligations related to right-of-use assets have been released and impairments have been recognised against the related right-of-use asset (refer to note 1 adoption of IFRS 16 Leases and note 13).

Property obligations in the current year relate to property reinstatement costs which are expected to be utilised within 18 years (2019 – 19 years).

23. Financial risk management

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

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

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

Market risk

Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency denominated transactions.

From the perspective of the Company, foreign exchange risk management is integrated with the foreign exchange risk management of the Group and is not managed separately. Further details of the Group's foreign exchange risk policy are included in the consolidated financial statements of Burberry Group plc, which are available publicly.

Interest rate risk

The Company's exposure to market risk for changes in interest rates relates primarily to cash, short-term deposits and external borrowings (including overdrafts).

From the perspective of the Company, interest rate risk management is integrated with the interest rate risk management of the Group and is not managed separately. Further details of the Group's interest rate risk policy are included in the consolidated financial statements of Burberry Group plc, which are available publicly.

Credit risk

The Company's impairment policies and the calculation of any allowances for credit losses are detailed in note 16.

Liquidity risk

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

All short-term trade and other payables, accruals and bank overdrafts mature within one year or less. The carrying value of all financial liabilities due in less than one year is equal to their contractual undiscounted cash flows, with the exception of lease liabilities. The undiscounted contractual cash flows for lease liabilities are set out in note 20.

23. Financial risk management (continued)

Capital risk

The Company manages its capital (defined as net cash, borrowings and equity) to ensure that it has sufficient capital and liquidity to support its operations and its investment plans and to optimise returns to shareholders.

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

At 28 March 2020, the Company had net cash comprised of cash and cash equivalents and bank overdrafts as set out in note 17 and note 24 respectively. The Company had borrowings as set out in note 25 and total equity as set out in the Statement of Changes in Equity.

24. Bank overdrafts

Bank overdrafts of £4,541,000 (2019 - £8,279,000) represent balances on cash pooling arrangements.

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

25. Borrowings

	2020 £000	2019 £000
Borrowings	300,000	-
	300,000	-

The Company has access to the Group's £300,000,000 (2019 - £300,000,000) multi-currency revolving credit facility. In March 2020, the Company drew down on this facility in full. The £300,000,000 proceeds of this drawdown were received by the Company in cash.

At 28 March 2020, there were £300,000,000 outstanding drawings (2019 - £nil), maturing between one to two years of the balance sheet date. During the year ending 28 March 2020 the non-cash changes to bank borrowings amounted to £nil (2019 - £nil).

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

26. Called up share capital

	2020 £000	2019 £000
Allotted, called up and fully paid share capital		
20,546,750 (2019 – 20,546,750) ordinary shares of £1 each	**20,547**	20,547

The capital reserve consists of non-distributable reserves.

27. Dividends

	2020 £000	2019 £000
Dividends paid in the year	**200,000**	200,000
	200,000	200,000

The directors paid an interim dividend of £9.73 per ordinary share (2019 - £9.73 per ordinary share).

28. Share based payments

Share options granted to directors and employees

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

The key inputs used in the Black-Scholes pricing model to determine the fair value include the share price at the commencement date; the exercise price attached to the option; the vesting period of the award; an appropriate risk-free interest rate; a dividend yield discount for those schemes that do not accrue dividends during the course of the vesting period; and an expected share price volatility, which is determined by calculating the historical annualised standard deviation of the market price of Burberry Group plc shares over a period of time, prior to the grant, equivalent to the vesting period of the option.

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

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

The ESP was set up in the year ended 31 March 2015. 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 prior years 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.

28. Share based payments (continued)

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

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

Date of grant	Options granted	Fair value	Participant group	Performance conditions	Targets Threshold	Targets Maximum
31 July 2019	134,266	£22.59	Management	Continued service	N/A	N/A
31 July 2019	662,050	£22.59	Senior Management	3-year growth in Group adjusted PBT	4.0%	12.0%
				3-year growth in Group revenue	3.0%	8.0%
				3-year average retail/wholesale adjusted ROIC	13.5%	17.0%
31 July 2019	430,852	£22.59	Senior Leadership Team	3-year growth in Group adjusted PBT	4.0%	12.0%
				3-year growth in Group revenue	3.0%	8.0%
				3-year average retail/wholesale adjusted ROIC	13.5%	17.0%
20 November 2019	14,752	£20.50	Management	Continued service	N/A	N/A
20 November 2019	3,515	£20.50	Senior Management	3-year growth in Group adjusted PBT	4.0%	12.0%
				3-year growth in Group revenue	3.0%	8.0%
				3-year average retail/wholesale adjusted ROIC	13.5%	17.0%
27 February 2020	22,641	£16.76	Senior Leadership Team	3-year growth in Group adjusted PBT	4.0%	12.0%
				3-year growth in Group revenue	3.0%	8.0%
				3-year average retail/wholesale adjusted ROIC	13.5%	17.0%

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

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

	31 July 2019	20 November 2019	27 February 2020
Share price at contract commencement date	£22.59	£20.50	£16.76
Exercise price	£nil	£nil	£nil
Life of award	Equivalent to vesting period	Equivalent to vesting period	Equivalent to vesting period
Expected volatility	27.82%	28.00%	30.73%
Risk-free interest rate	0.36%	0.36%	0.32%

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 Group.

28. Share based payments (continued)

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

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

	52 weeks to 28 March 2020	Adjusted[1] 52 weeks to 30 March 2019
Outstanding at start of year	**3,900,551**	4,608,551
Granted during the year	**1,268,076**	1,157,595
Lapsed and forfeited during the year	**(1,526,822)**	(1,784,774)
Exercised during the year	**(124,134)**	(80,821)
Outstanding at end of year	**3,517,671**	3,900,551
Exercisable at end of year	**103,846**	25,713

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

Term of the award	**Number of awards as at 28 March 2020**	Adjusted[1] Number of awards as at 30 March 2019
22 July 2015 – 21 July 2025	**23,908**	95,188
18 November 2015 – 17 November 2025	**988**	6,468
30 January 2017 – 30 January 2027	**163,465**	1,318,868
31 July 2017 – 31 July 2027	**1,121,398**	1,328,480
27 November 2017 – 27 November 2027	**25,598**	27,320
31 July 2018 – 31 July 2028	**954,117**	1,112,590
19 November 2018 – 19 November 2028	**10,804**	11,637
31 July 2019 – 31 July 2029	**1,180,235**	-
20 November 2019 – 20 November 2029	**14,517**	-
27 February 2020 – 27 February 2030	**22,641**	-
Total	**3,517,671**	3,900,551

(1) The prior year figures have been adjusted to correctly reflect the outstanding number of ESP share awards. The impact is to increase the total outstanding awards at 30 March 2019 by 177,043.

28. Share based payments (continued)

One-off awards

The Group grants certain options in respect of ordinary shares as one-off awards with a £nil exercise price. 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.

During the 52 weeks to 28 March 2020, no one-off awards were granted.

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

	52 weeks to 28 March 2020	52 weeks to 30 March 2019
Outstanding at start of year	**897,652**	1,680,321
Granted during the year	**-**	731,368
Lapsed and forfeited during the year	**(3,303)**	(64,875)
Exercised during the year	**(41,222)**	(1,449,162)
Outstanding at end of year	**853,127**	897,652
Exercisable at end of year	**135,403**	75,677

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

Term of the award	**Number of awards as at 28 March 2020**	Number of awards as at 30 March 2019
18 November 2015 – 18 November 2025	**17,974**	31,801
30 January 2017 – 22 December 2026	**18,537**	18,537
30 January 2017 – 30 January 2027	**73,000**	81,250
08 February 2018 – 07 February 2028	**34,696**	34,696
31 July 2018 – 31 July 2028	**667,626**	667,626
12 February 2019 – 12 February 2029	**41,294**	63,742
Total	**853,127**	897,652

Other schemes

The Group also issues options to employees under Savings-Related Share Option Schemes (Sharesave) and free shares to employees under an All Employee Share Plan. In the 52 weeks to 28 March 2020, 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 Group 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.

29. Contingent liabilities

The Company has indemnified banks against potential liabilities and claims resulting from several guarantee commitments made by banks on behalf of other Group companies. At 28 March 2020 the guarantee commitments totalled £50,723,000 (2019 - £40,501,000).

The COVID-19 pandemic has significantly impacted the trading environments in which the Group operates, causing a deterioration in the profitability of its subsidiaries. Under its existing transfer pricing arrangements, the Company may be required to make contributions to its fellow subsidiaries in order to make good any losses incurred during the year ending 27 March 2021. However, given the uncertainty surrounding COVID-19 it is not currently possible to estimate the impact of these contributions.

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

30. Capital commitments

At 28 March 2020 the Company had capital commitments as follows:

	2020 **£000**	2019 £000
Contracted but not provided for:		
Property, plant and equipment	**4,277**	1,252
Intangible assets	**5,063**	6,270
Total	**9,340**	7,522

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.

31. Retirement benefit obligations

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

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

The total value of costs recognised in the Income Statement in the year in relation to the defined contribution scheme is £10,044,000 (2019 - £8,241,000).

32. Financial commitments

The Company leases various retail stores, offices, warehouses and equipment under non-cancellable lease arrangements. The liabilities for these leases are recorded on the Company's balance sheet when the Company obtains control of the underlying asset. The Company has additional commitments relating to leases where the Company has entered into an obligation but does not yet have control of the underlying asset. The future lease payments to which the Company is committed, over the expected lease term, but are not recorded on the Company's balance sheet are as follows:

	2020 **£000**
Amounts falling due:	
Within 1 year	-
Between 2 and 5 years	**14,183**
After 5 years	**22,508**
Total	**36,691**

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

	2020 **£000**	2019 £000
Amounts falling due:		
Within 1 year	**11**	134
Between 2 and 5 years	-	-
Total	**11**	134

33. Related party transactions

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

- Burberry India Private Limited
- Burberry Saudi Company Limited
- Burberry Qatar W.L.L

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

- Burberry Middle East LLC
- Burberry Kuwait General Trading Textiles and Accessories Company \ With Limited Liability

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

	2020	2019
	£000	£000
Sales		
- Product	**31,106**	27,265
- Royalty income	**1,427**	1,777
Amounts owed by Group companies	**2,209**	2,200
Amounts owed to Group companies	**-**	(28)

34. Immediate and ultimate parent undertaking

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

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

35. Events after the balance sheet date

On 14 May 2020, the Company issued a commercial paper with a face value of £300,000,000 and a maturity of 17 March 2021. The commercial paper was issued under the UK Government sponsored COVID Corporate Finance Facility (CCFF). Proceeds of £298.4 million were received by the Company on 14 May 2020.

In June 2020, the Company prepaid the multi-currency revolving credit facility it had previously drawn down on in full. Further, the Group extended the facility for 12 months and it now matures in November 2022.

In June 2020, the loan amounts owed to the ultimate parent and fellow subsidiaries that matured between 13 April 2020 and 17 June 2020 (see note 18) were extended under the same terms as the existing loans. The loans will now mature between 13 April 2021 and 17 June 2021.

In July 2020, the Group announced organisational changes which include the creation of three new business units, allowing the Group to pool expertise within each unit to enhance product focus, increase agility and elevate quality. As part of these organisational changes, the Company will take part in the Group's agenda to further streamline office-based functions to help improve retail efficiency.

In September 2020, the Group issued medium term notes with a face value of £300,000,000 maturing on 21 September 2025. The Company, together with Burberry Limited (US), Burberry (Wholesale) Limited and Burberry Asia Limited, is a guarantor of the notes.