BY APPOINTMENT TO
HM QUEEN ELIZABETH II
WEATHERPROOFERS
BURBERRY LIMITED LONDON

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

BURBERRY

ANNUAL REPORT 2017/18

CONTENTS

STRATEGIC REPORT

"While the task of transforming Burberry is still before us, the first steps we implemented to re-energise our brand are showing promising early signs."

MARCO GOBBETTI
Chief Executive Officer

FINANCIAL HIGHLIGHTS

£2,733M

REVENUE

2018	**2,733**
2017	2,766
2016	2,515
2015	2,523
2014	2,330

£467M

ADJUSTED OPERATING PROFIT

2018	**467**
2017	459
2016	418
2015	455
2014	460

£410M

OPERATING PROFIT

2018	**410**
2017	394
2016	403
2015	440
2014	445

£892M

NET CASH (AS AT 31 MARCH)

2018	**892**
2017	809
2016	660
2015	552
2014	403

82.1P

ADJUSTED DILUTED EPS

2018	**82.1**
2017	77.4
2016	69.9
2015	76.9
2014	75.4

Adjusted diluted EPS is stated before adjusting items
Reported diluted EPS 68.4p (2017: 64.9p)

41.3P

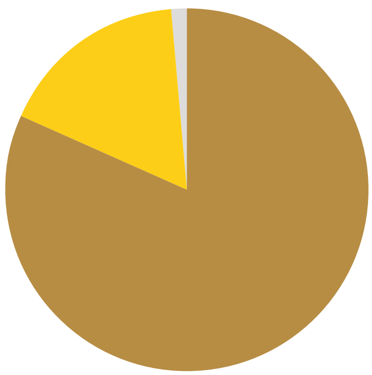
DIVIDEND PER SHARE

2018	**41.3**
2017	38.9
2016	37.0
2015	35.2
2014	32.0

Alternative performance measures, including adjusting measures, are defined on page 52

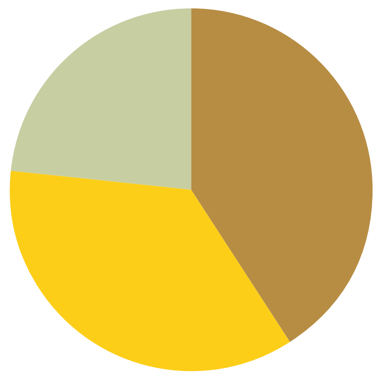
REVENUE SNAPSHOT

REVENUE BY CHANNEL[2,3]



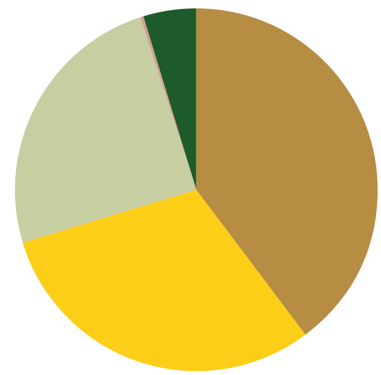
- RETAIL: £2,177M, +3%
- WHOLESALE: £453M, 0%
- LICENSING: £30M, +21%

REVENUE BY REGION[1,2,3]



- ASIA PACIFIC: £1,081M, +5%
- EMEIA: £938M, +1%
- AMERICAS: £611M, −1%

REVENUE BY PRODUCT[1,2,3]



- ACCESSORIES: £1,046M, +1%
- WOMEN'S: £808M, +2%
- MEN'S: £647M, +4%
- BEAUTY: £12M, −26%
- CHILDREN'S & OTHER: £117M, +8%

REVENUE BY CHANNEL

Retail (82% of sales) includes revenues generated through 240 mainline stores, 155 concessions, digital commerce and 54 outlets.

- Comparable store sales +3%
- Began strategic store closures
- About 70% of retail sales are estimated to be influenced by digital somewhere along the customer journey

Wholesale (17% of sales) includes sales to department stores, multi-brand speciality accounts, travel retail and 46 franchise stores.

- Growth in Asia Pacific offset a decline in the US

Licensing (1% of sales) includes income from global product licences and a licence in Japan.

- In October 2017, Burberry began to operate its beauty business under a strategic partnership with Coty

REVENUE BY REGION

Asia Pacific (41% of sales), c90% retail

- Comparable sales up by a mid-single digit percentage year on year
- Wholesale up by a double digit percentage year on year

EMEIA (36% of sales), >75% retail

- Comparable sales broadly stable year on year
- Wholesale up by a low single digit percentage year on year

Americas (23% of sales), c80% retail

- Comparable sales up by a low single digit percentage year on year
- Wholesale declined by a high single digit percentage year on year

REVENUE BY PRODUCT

Accessories (40% of sales)

- Grew 1% with small leather goods outperforming

Women's (31% of sales) and Men's (24% of sales) Apparel

- Grew 2% and 4% respectively with seasonal updates leading the growth
- A more complete wardrobe offer and full look merchandise drove strength in tops, skirts and trousers in the second half

Children's and other (4% of sales)

- Grew 8% with strength in cashmere scarves and tops

Beauty retail (1% of sales)

- Declined 26% due to the closure of beauty box stores

1. Retail/wholesale revenue
2. All references to revenue growth on this page are presented at constant exchange rates
3. All references to revenue and revenue growth on this page are excluding Beauty wholesale. See page 49 for reconciliation to total revenue

OUR BUSINESS

ONE OF THE WORLD'S MOST VALUABLE LUXURY BRANDS

We are a 162-year-old global luxury brand with a distinctive British identity

ICONIC LUXURY BRAND[1]
Ranked the 6th most valuable brand in the luxury industry by Interbrand in 2017

UNIQUELY BRITISH
The only British luxury fashion house listed in the FTSE 100

ONE
Burberry label

STRENGTH ACROSS MULTIPLE CATEGORIES

We express our creativity across multiple product categories

DIVERSIFIED OFFERING
A well-balanced mix across apparel and accessories

MULTIPLE CATEGORIES
Broad customer appeal across men's, women's and children's wear; accessories; and beauty

AN EXTENSIVE LUXURY DISTRIBUTION FOOTPRINT

We have a strong global, directly operated distribution network with a presence in all major fashion cities and luxury brand adjacencies

3 REGIONS
Asia Pacific, EMEIA and the Americas

RETAIL 82%[2]
WHOLESALE 17%[2]
of total sales

449
Directly operated stores

46
Franchises

DIGITAL LEADERSHIP	INSPIRED PEOPLE	HIGHLY CASH GENERATIVE
Burberry is a leader in digital innovation	More than 10,000 diverse employees globally led by a strong Executive Team. We are also an industry leader in responsibility	Burberry's capital allocation framework is applied to the uses of cash generated by the Group to drive shareholder value
EXTENSIVE GLOBAL REACH burberry.com 47 countries and 11 languages Increased reach through Farfetch	**58 NATIONALITIES** Represented in our London headquarters	**128%[(6)]** Cash conversion in FY 2017/18
51M FOLLOWERS GLOBALLY Across 13 different social media platforms, 24 accounts in 11 languages	**87%[(4)]** of employees are proud to work at Burberry	**PROGRESSIVE DIVIDEND POLICY** With the dividend per share greater than or equal to prior year
NO.1 IN CHINA[(3)] Ranked the number 1 digital luxury brand in China by L2	**SUSTAINABLE APPROACH[(5)]** Maintained our position in the top of the Dow Jones Sustainability Index (DJSI) for three consecutive years	**>£1.2BN** Returned to shareholders in the form of dividends and buybacks over the last five years

1. Interbrand Best Global Brands 2017 Rankings
2. Revenue excluding Beauty wholesale
3. Digital IQ Index (May 2017)
4. Burberry Employee Engagement survey 2017
5. Dow Jones Sustainability World Index (2015, 2016, 2017)
6. Cash conversion is defined on page 52

CHAIRMAN'S LETTER

SIR JOHN PEACE
Chairman

WE ARE ON TRACK FOR THE NEXT PHASE OF BURBERRY'S TRANSFORMATION

With a new Chief Executive Officer, Chief Creative Officer and strategy, this has been the most important year in Burberry's recent history.

We welcomed Marco Gobbetti to the role of CEO on 5 July 2017. After several further key appointments to the leadership team, we were delighted that Riccardo Tisci joined us in the crucial role of Chief Creative Officer on 12 March 2018, succeeding Christopher Bailey.

STRATEGY

Following Marco's appointment as CEO, the Board conducted a review of the Company's strategy with management in the context of a rapidly changing luxury market. The Board was united in the view that to win with today's customer, Burberry must sharpen its brand positioning.

This will require us to change our approach to product, communications and customer experience, enabled by our ongoing focus on operational excellence and our people initiative. We believe that the combination will deliver sustainable long-term value for customers, employees and society and reward our shareholders.

Throughout this report, there are early highlights of how these changes are being embedded in the organisation, and our initial progress against our plans.

LEADERSHIP TEAM

In Marco Gobbetti, Burberry has a leader with an outstanding track record of delivering growth. With a strengthened leadership team now in place, his vision and expertise in luxury brand transformation together with Julie Brown's financial and commercial acumen, Burberry has the talent and the capabilities to deliver on its plans.

As Burberry embarks on this next chapter, Christopher Bailey, who has been a driving force behind the Company's transformation since 2001, decided that it was the right time for him to pursue new creative projects. Christopher stepped down from the Board on 31 March 2018. On behalf of the Board, I would like to thank him for his exceptional contribution to Burberry and wish him every success for the future.

We are delighted that Riccardo Tisci has decided to join us. Riccardo previously spent more than a decade at Givenchy, where he was Creative Director from 2005 to 2017. There is excitement throughout the Company, and particularly among the creative team, about the quality of individual we have been able to attract to the role.

SHAREHOLDER RETURNS

The Group ended the year with a strong cash balance of £892m, up £83m year-on-year after £355m of share buyback and £169m of dividends. Consequently, the Board has recommended a 6% increase in the full-year dividend to 41.3p, in line with our progressive dividend policy, resulting in a 50% pay-out ratio based on adjusted earnings per share. This reflects the Board's continued confidence in the future growth of the business.

Our approach to capital allocation is based on a framework that defines our priorities for uses of cash. This is underpinned by our principle to maintain a strong balance sheet, with solid investment grade credit metrics. We believe this demonstrates our ongoing commitment to appropriately using our cash to optimise shareholder returns over time.

Over the past five years, Burberry has returned around £770m to shareholders through dividends, and over the past two years has completed £450m of share buybacks (including £150m from the Coty transaction). We have approved a continuation of the share buyback programme of £150m in FY 2018/19.

BOARD DEVELOPMENTS

The composition of our Board continued to evolve over the year, with the appointment of two new non-executive directors and one longer-serving Board member stepping down, as noted below. I also announced my intention to step down as Chairman and from the Board after 16 years.

Following a search led by Senior Independent Director Jeremy Darroch, Burberry appointed Dr. Gerry Murphy as Chairman designate. Gerry has extensive experience in the consumer and retail industries and I am confident he is the right choice as Burberry embarks on a new chapter. Gerry will succeed me after the Company's Annual General Meeting on 12 July 2018.

Our aim is to continue to refresh the Board while ensuring stability and continuity, particularly in the context of significant management change and the implementation of our new strategy.

On behalf of the Board, I would like to thank Philip Bowman for his tremendous contribution to Burberry since our IPO in 2002. We have greatly appreciated Philip's wise counsel and he will be missed by us all.

Ron Frasch joined the Board as a non-executive director in September 2017. He brings a great understanding of the US luxury market, product and a broad experience of working with a wide range of luxury brands. Orna NiChionna also joined the Board as a non-executive director in January 2018. In addition to her experience on remuneration matters, she brings strong UK plc and relevant business experience to the Board.

REMUNERATION

Our Remuneration Policy was presented to shareholders for their vote at last year's Annual General Meeting (AGM). We thank shareholders for their support, with a vote received in favour of 93%. Shareholders also supported the FY 2017/18 Directors' Remuneration Report but with a lower vote in favour.

The Board took proactive measures to address concerns with the report following its publication, and we appreciate the importance of shareholder alignment on remuneration matters. Our aim is to continue to build on the constructive dialogue we have established, and we recommend shareholders vote in favour of this year's Directors' Remuneration Report; see pages 96 to 121.

GOVERNANCE AND DIVERSITY

The Board seeks to operate to the highest standards of corporate governance. The work of our Board and its Committees during the year, along with the assessment of their performance, is set out in the Corporate Governance Report on pages 75 to 121.

Burberry continues to support diversity in all its forms across the organisation including the Board, seeing the value it brings to discussions around the Board table, and within the Executive Team. While all Board appointments are made on merit, we continue to believe in the importance of a diverse Board and are proud that Burberry has always had strong gender diversity among its membership, including at executive level. The Board will continue to monitor diversity on the Board and in the business, and take steps to maintain its position as a meritocratic and diverse company, recognising not just its moral obligations but the value and benefit diversity brings to an organisation.

LOOKING TO THE FUTURE

Looking ahead to FY 2018/19, we will focus on embedding our strategic vision into the organisation. We are building on strong foundations, and are fully focused on successfully delivering our multi-year strategic plan and delivering sustainable long-term value. Just as important, our leadership team is supported by having the right people in place throughout the organisation.

I would like to end by thanking all our talented and committed colleagues for their unstinting hard work and dedication during this time of change. I would also like to thank current and past Board members for their partnership over the past 16 years. Finally, I would like to thank you, our shareholders, once more for your support.

SIR JOHN PEACE
Chairman

A MODEL FOR SUCCESS

OUR BUSINESS MODEL IS DESIGNED TO CREATE LONG-TERM SUSTAINABLE VALUE FOR ALL OUR STAKEHOLDERS

THE ASSETS WE NEED

WE HAVE RESOURCES AVAILABLE TO GENERATE VALUE AND WE PRIORITISE THE USE OF THEM BASED ON OUR STRATEGY, WHICH IS SET OUT ON PAGES 24 TO 43.

TALENT

Our employees drive our strategy. From talented creative teams and highly skilled craftspeople, to knowledgeable sales associates and office-based colleagues, all our people play an important role.

MANUFACTURING

We have fully-owned manufacturing facilities in the UK, including the Burberry Mill and our Castleford manufacturing facility, both of which are located in Yorkshire, England. We also work with a network of high-quality suppliers, predominantly in Europe.

INTELLECTUAL CAPITAL

As a well-established luxury brand, we have substantial technical expertise and our intellectual capital is stored in our design, manufacturing and distribution processes.

DISTRIBUTION NETWORK

We have an extensive global footprint of directly operated and franchise stores (including our website burberry.com), and carefully selected, multi-brand wholesale and licensing partnerships (including third-party digital partnerships).

TECHNOLOGY

Technology underpins all of our activities, from operational efficiency to tailored product offerings across platforms. Data and analytics also provide customer insights, enriching the customer experience and journey.

FINANCIAL

We are self-funded through our own free cash flow, which is utilised in line with our capital allocation framework (page 53).

HOW OUR BUSINESS WORKS

PROCESS

DESIGN

At our London headquarters, our design studio acts as the creative hub for our business. A team of highly talented, artistic designers create authentic and distinctive luxury products, bringing new fashion-forward offerings and reinvigorating core heritage categories.

DEVELOP

When bringing designs to life, we are continuously looking for ways to innovate within both new and heritage assortments. We develop and explore new materials, techniques and combinations with sustainability in mind.

MAKE

We carefully source the best fabrics, materials and finished products based on their high quality and sustainability. Expert craftsmen and women combine traditional techniques with modern technology to create best in class, desirable collections.

DISTRIBUTE & SELL

Our products are sold globally through our directly operated store network, and online at burberry.com, as well as through franchisees and multi-brand, third-party partners, both offline and online. In a few selected areas, such as Eyewear and Beauty, we use the product and distribution expertise of licensing partners.

DEPARTMENTS INVOLVED

FUNCTION

Design and Creative Media

Product Development, Sourcing, Supply Chain, Merchandising and Planning

Digital, Marketing, Architecture and Customer Insight

PRODUCT

Accessories
Women's
Men's
Children's
Beauty

REGION

Asia Pacific
EMEIA*
Americas

CHANNEL

Retail
Wholesale
Licensing

People, Operations, Information Technology, Finance, Corporate Affairs

HOW WE CREATE VALUE

WE CREATE VALUE FOR ALL OF OUR STAKEHOLDER GROUPS. HOW WE ENGAGE WITH OUR STAKEHOLDERS IS SET OUT ON PAGES 88 AND 89.

CUSTOMER

We deliver beautifully made, authentic and distinctive products to our customers. Products which can dress each client head-to-toe for an array of events: work, casual, dinner or travel. Customers also receive continuous brand engagement and inspired storytelling across all platforms.

SHAREHOLDER VALUE

Our strategy aims to drive long-term, sustainable shareholder value by delivering revenue growth, operating margin improvement and cash returns.

EMPLOYEES

Our employees globally are developed, inspired and motivated through our engagement programmes. We ensure we have the right capabilities and expertise to drive our strategies; and our people's efforts and contributions are recognised, rewarded and celebrated. This is detailed further within the Inspired People section on pages 42 to 43.

PARTNERS

Our partners include, but are not limited to, suppliers, wholesalers and licensees. We support other businesses throughout our value chain, collaborating to help them work towards operational excellence, improve resource efficiency and enhance employee wellbeing.

COMMUNITIES

We donate 1% of adjusted profits before tax to charitable causes. A large proportion is dedicated to supporting the Burberry Foundation and its partners in addressing key community needs within the luxury industry's footprint.

* Europe, Middle East, India and Africa

CEO LETTER

MARCO GOBBETTI
CEO

WE HAVE MADE GOOD EARLY PROGRESS AS WE MOVE TO THE EXECUTION OF OUR STRATEGY

I am delighted to introduce Burberry's annual report for FY 2017/18, my first as CEO.

This was a good year and our results represent strong execution through a period of transition. Customers responded well to our innovation in product. Our conversion improved as we focused globally on retail excellence. Our top customers increased their spend and our digital channels outperformed. We also saw some encouraging early signs regarding our new strategy to deliver sustainable long-term value for shareholders.

FY 2017/18 PERFORMANCE

Burberry reported FY 2017/18 revenues of £2.7bn, up 2% at constant exchange rates, excluding Beauty wholesale. Adjusted operating profit was £467m, up 5% at constant exchange rates (reported operating profit was £410m, up 4% at reported rates). We also delivered £44m of incremental cost savings in FY 2017/18, ahead of plan, putting us on track to deliver the target of £100m cumulative savings in FY 2018/19, and £120m of cumulative annualised costs savings by FY 2019/20.

OUR STRATEGY

As the Chairman noted in his letter, the luxury industry is evolving at a rapid pace. Today's customers demand creativity, curation, excitement, innovation and personalisation at every turn and competition is intensifying.

With this in mind, in November we outlined a multi-year strategy to re-energise our products, our communication and the experiences customers have of our brand, while maintaining our focus on driving productivity, simplifying our business and strong financial discipline.

Our vision is to establish Burberry's position firmly in luxury fashion. I strongly believe that by sharpening our positioning in the most rewarding and enduring segment of the market, we will drive sustainable growth and higher margins over time, while continuing to deliver attractive returns.

A STRONG TEAM

Throughout the year, we have focused on building the team to develop and deliver our strategy. This has included promoting great internal talent and bringing in fresh expertise from outside Burberry. This will continue across the business as we strengthen our operating model.

In March, we welcomed Riccardo Tisci as Burberry's new Chief Creative Officer. Riccardo is one of the most talented and influential designers of our time. His designs have a contemporary elegance and his skill in blending streetwear with high fashion is highly relevant to today's luxury consumer. I am excited about how he will reshape our offer and confident he will reinforce our ambitions in luxury fashion.

At the same time, we bid farewell to Christopher Bailey. I would like to echo Sir John's comments about Christopher and acknowledge his immense contribution to Burberry over the past 17 years. He leaves an incredible legacy and strong foundations on which we can build the future of the brand.

I would also like to thank Sir John ahead of his departure in July. Sir John has presided over a period of extraordinary change since becoming Chairman in 2002 as Burberry evolved into one of the world's most valuable luxury brands. I am particularly grateful for his guidance and partnership.

EARLY PROGRESS

Over the last six months, we have focused on building the right platform for transforming Burberry. While the task is still before us, the first steps we implemented to re-energise our brand are showing promising early signs.

We have introduced tighter, more productive collections and stepped up the frequency of deliveries of fresh product, attracting new customers and top-tier clients. We have created a new architecture for handbags with a pipeline of innovative launches planned from Spring 2018. Underpinning our ambitions in this key category, we have announced plans to create a centre of excellence for leather goods with the acquisition of a business from a renowned Italian developer and supplier of luxury leather handbags and accessories.

We have started to evolve the way we communicate with our customers, introducing several exciting new collaborations across product, brand and experiences. We have refreshed our digital platforms, with more curated and editorialised content, generating increased customer engagement.

In line with our strategy to reach a younger, digitally-savvy fashion consumer, we successfully launched an innovative collaboration with Farfetch. This opened up our full inventory to a third-party for the first time and expanded our reach to more than 150 countries around the world.

As part of efforts to embed the customer more closely in everything we do, we restructured the central retail and customer teams, creating a Retail Centre of Excellence. Our retail metrics are already benefiting, with improvements in conversion and significant business from appointments.

We held productive conversations with our wholesale partners with regard to evolving our distribution, while making some strategic retail store closures.

In terms of operational excellence, we are delighted to have opened Burberry Business Services in the heart of Leeds. The new office brings together shared services from Finance, HR and Procurement, Customer Service and IT. Agile and efficient, it is already generating savings and helping improve service.

OUR VALUES

As a global company with more than 10,000 employees across 35 countries, creating shared purpose and unifying around aligned values and behaviours is vital to the successful delivery of our vision. This year, we have made good progress on our commitment to engage employees, empower our leaders, strengthen capabilities, expand our talent plans and simplify how we work.

With a supply chain network of thousands more people worldwide, we also have an opportunity to drive positive sustainable change across every part of our footprint. In this regard, we have set ourselves ambitious goals through to 2022 to address our social and environmental impacts, while supporting the Burberry Foundation in creating long-term partnerships that fuel innovation and transform communities.

We are also committed to narrowing our gender pay gap and making further progress on issues of diversity, gender and ethnic representation.

OUTLOOK

Given the scale of our ambition for the brand, and the significant amount of change in the business over the last 12 months, we have made a positive start to the execution of our strategy. We are on track with our plans and our teams are energised by the opportunity ahead.

I would like to thank Burberry employees and partners for their work in FY 2017/18 and especially for their support to me in my first year as CEO. The innovative spirit that has defined Burberry for more than a century burns brightly as we embark on the next phase of Burberry’s transformation.

MARCO GOBBETTI
CEO

BRAND HIGHLIGHTS

BURBERRY IS ONE OF THE MOST VALUABLE LUXURY BRANDS IN THE WORLD*

BRINGING OUR PRODUCTS TO LIFE

Over the year, we evolved the way we communicated with our customers, introducing several exciting new collaborations across product, brand and experiences. We also refreshed our digital platforms with more curated and editorialised content, generating increased customer engagement.

In December, we launched a limited-edition capsule collection created in collaboration with Chinese Canadian actor, singer and model Kris Wu. Inspired by his own personal style, the collection included a trench coat with prints of Kris's personal tattoos and a rucksack embroidered with his song lyrics. To coincide with the launch of the collection, Kris released a song titled 'B.M. (Burberry Made)', which shares references to the musician's experiences with us as a fashion house.

We also collaborated with Russian designer Gosha Rubchinskiy on a limited-edition capsule. Inspired by youth culture and the legacy of British football in Russia, the collection of caps, coats, jackets and shirts was a remix of the past and present, featuring our iconic Vintage check.

EXPERIENCES MATTER TO LUXURY CONSUMERS

From physical to digital, every touch point contributes to the experiences consumers have of the Burberry brand.

During the year, we installed a life-size hot air balloon and pop-up store in the departure lounge of Heathrow Terminal 2. The experience offered dedicated iPads and Burberry post boxes for travellers to create and print their own Burberry postcards and post them to friends and family. Our balloon installation also appeared in Dubai in 2018 with the newly launched Belt bag.

* According to Interbrand's 2017 report

CASE STUDY: DANNY SANGRA – FROM DOODLE TO BAG

In August 2017, we commissioned artist Danny Sangra to create a special portfolio of artworks for us, entitled 'Now Then'. He took our vintage adverts and made them his own as he described it with 'indiscreet streams of consciousness and commentary'. We featured his illustrations on our Instagram. During the September 2017 show, Danny took over our Snapchat account, capturing his experience of the show, and doodling live over images of the runway and models.

Danny also conjured up three illustrated worlds for consumers to explore on our Burberry app. Inspired by the spirit of eclecticism of Britain, the spirit of travel and the ever-tricky British weather, Danny's doodles were made available to insert into pictures taken on digital phones. They could also add 2D doodles by attaching them to various objects. Consumers were encouraged to share their screenshot on social media, which appeared in a Burberry check frame. Our app won the award for best app in the Drapers Digital Awards 2018.

The collaboration with Danny extended to product in November and December with 'Doodle events' in selected stores, where Danny made custom-made tote bags on request for customers. During these events, Danny also transformed the windows and interiors of our stores with his drawings, in celebration of the creative inspiration behind Burberry's new collection of Doodle reversible tote bags.


Blondey for Burberry

BRAND HIGHLIGHTS

OUR TWO RUNWAY SHOWS ARE OUR BIGGEST BRAND MOMENTS OF THE YEAR, PROVIDING A PLATFORM FOR OUR COLLECTIONS AND THE EXPERIENCES SURROUNDING THEM

SEPTEMBER 2017

Our September 2017 collection was inspired by British social portraiture. Alongside this we held a travelling art exhibition titled 'Here We Are', featuring 200 works by some of the 20th Century's most celebrated social and documentary photographers. The photographs explored the British way of life and character.

The collection and exhibition were revealed across two floors of the magnificent former courthouse, Old Sessions House, in London, which opened its doors for us for the first time since its restoration. Guests were seated on an eclectic selection of furniture from garden seating to bus-shelter benches throughout the space, with walls left bare to show the history of the almost 250-year-old building.

The exhibition was co-curated by Lucy Kumara Moore and Alasdair McLellan, and featured work from renowned photographers like Dafydd Jones and Brian Griffin. In London alone, the exhibition attracted more than 22,000 visitors. It also went on display in other key cities, including Hong Kong and Paris.

We also created an Old Sessions House guide on our Burberry app. This was fully interactive, enabling users to explore the different rooms and learn about the photographers through video, audio and 360 content.

FEBRUARY 2018

As part of our February 2018 show, we championed LGBTQ+ communities and celebrated diversity and inclusion. The LGBTQ+ rainbow, an emblem for optimism and inclusiveness, featured prominently across the collection, and we were proud to introduce a new rainbow check.

We collaborated with United Visual Artists (UVA) to reimagine its work 'Our Time' for the show. On loan from the Museum of Old and New Art (MONA) in Australia, the installation investigates the subjective experience of the passing of time, and served as the backdrop to the show, which was attended by 1,200 guests.

We also hosted 57 global screenings of the show around the world. In addition we collaborated with social media platform Snapchat to create a new rainbow-themed Snapchat lens, giving users the chance to wear the rainbow check cap that featured in our collection.

For the February 2018 show, we offered a capsule collection of reissued pieces from the brand's archive. This was made available to purchase through 'Show to Door', an immediate, around-the-clock London delivery service from online retailer Farfetch.

We introduced a dedicated playlist on Apple Music to mark our well-established association with music. This featured more than 200 tracks which defined some of the brand's most memorable moments over the last 17 years, as well as exclusive interviews with some of Burberry's most prominent musical collaborators, including Tom Odell, James Bay and Paloma Faith.

"Luxury clients are enthusiastic and take their clothes personally. Fashion is part of who they are to the world. By building a relationship with the client, we are entertaining and sometimes challenging them. We are providing context to our designs with experiences, collaborations and digital content."

JUDY COLLINSON,
Chief Merchandising Officer

BRAND HIGHLIGHTS

WE WANT TO ENSURE THAT OUR CONTENT IS NOT JUST RELEVANT FOR SOCIAL MEDIA, BUT MADE SPECIFICALLY FOR IT

With over 51 million social media followers globally, across 13 unique platforms, 24 accounts and 11 languages, our Burberry brand has outstanding digital reach. We capitalise on this using data and analytics to connect our customers with relevant content.

Digital innovation is always at the forefront of our plans as the first access point to any brand is online. During the year, we relaunched our website, burberry.com, which provides continually updated exciting new content.

To inspire customers with our creativity and storytelling on the Burberry app, we flexed the app's interactive functions, such as the 'tap to reveal' function, to see video content and GIFs as a part of our product storytelling. This brought the stories to life in an entertaining and engaging way. Readers could then purchase the products immediately after reading the story.

We also look at other media to surprise and excite our customers. In September 2017 we collaborated with artist, designer and pro-skater Blondey McCoy. He created an artwork for us on the largest paintable wall in London, situated near our show venue. In November 2017, he also created three hand-painted murals exclusively for Burberry. These provided excellent content, not just for us but for our customers, who went to the murals and created their own social media posts from the walls.

"Our brand energy is built on creative content such as capsules, projects and collaborations. In the digital age, consumers engage visually and often. They expect, so we deliver, continuous innovative content."

SARAH MANLEY,
Chief Marketing Officer

LUXURY MARKET ENVIRONMENT

THE LUXURY MARKET IN 2017

Despite challenging conditions, the luxury goods market showed signs of recovery in calendar year 2017 with industry growth of 5% compared to -1% in 2016[1].

UNCERTAINTY AND VOLATILITY

In 2017, the luxury industry continued to operate against a backdrop of high uncertainty and volatility. Diplomatic strain and economic and foreign exchange fluctuations increased in frequency. The US and Asia were confronted with growing nuclear tensions while Europe faced challenges from the impacts of Brexit and terrorism.

This level of unpredictability has become the new norm, and luxury players must continue to be agile and cautious to compete in this perpetually changing environment. By focusing on the variables that are within their control, such as brand positioning, the flexibility of their supply chain and delivery capabilities, players can enhance stability.

MAJOR ECONOMIES IN 2017

Despite the backdrop of high uncertainty and volatility, the global economy grew 3% in 2017, a small acceleration versus 2016 at 2.4%. This reflects a rebound in investment, manufacturing activity and trade[2]. Once again, luxury demand outpaced overall economic growth, increasing by 5%[1]. However, the performance by region was mixed, with Asia the top performer.

International travel delivered strong momentum with arrivals growing by 7% in 2017, the greatest increase in seven years[3]. This trend was felt in the luxury sector, where tourist spend increased by 6% versus a local spend increase of 4%[1].

Asia

Luxury demand rebounded in mainland China with growth of 15% after several years of stagnation. This was in part led by repatriation of local spending due to lower geo-pricing differentials and stricter inbound tourist checks. Japan grew 4%, aided by the depreciation of the Yen in the second half of the year, which bolstered tourist spending. South Korea was impacted by geopolitical tensions between North Korea and the US and Chinese tourist restrictions[1].

Other regions

The US underperformed as luxury demand continued to decrease. Local consumption improved but tourists favoured European and Asian destinations due to the strong USD. Europe saw a recovery in local consumption and inbound tourist flows following the terrorist events of the previous year, contributing to 6% growth[1]. The Middle East was hindered by oil price volatility and geopolitical tensions.

LUXURY CONSUMERS

Luxury consumers continued to evolve at an unprecedented pace, favouring fashion and newness and becoming more connected with brands than ever, particularly through social media.

FASHION AND NEWNESS

The luxury consumer's appetite for fashion and newness continued to heighten, with fashion increasingly being used to express consumer viewpoints, values and personal style. Luxury brands responded to this trend by expanding their fashion-forward offerings, as well as increasing their customer engagement.

POLARISATION

Consumers continued to demonstrate polarised spending between brands, orienting towards luxury items or mass market brands. Consumers grew increasingly confident in mixing across price points and brands, with brand outperformance seemingly being driven by rich product designs and distinctive and consistent brand messaging.

PERSONALISATION

Personalisation has become the new norm and, according to a Linkdex survey, 70% of US customers expect some sort of personalisation from online businesses[4]. For the luxury fashion market, this personalisation has taken several forms, including brand storytelling, product recommendations and bespoke or customised products.

DIGITAL

Luxury consumers today are more connected to brands than ever before. Customers favour convenience and use digital as their primary source of research, giving them greater price transparency. It is estimated that 70% of luxury purchases are influenced by online interactions[5].

In Japan and South Korea, more than 50% of e-commerce is via smartphone or tablet. Similarly, in China over 80% of online shopping is done on mobile[4]. Future customer engagement and conversion continues to be highly dependent on digital capabilities and innovation.

SUSTAINABILITY

Customer attention to sustainability has increased, with 66% of global consumers willing to pay more for sustainable goods[4]. In 2017, fashion brands made major advances to step up sustainability, making it an integral part of the product lifecycle.

LUXURY TRENDS

2017 saw diverse performances across channels and products. Industry growth is expected to continue into 2018.

CHANNEL DYNAMICS

All distribution channels delivered growth in 2017, with e-commerce growth particularly strong, albeit from a small base.

Retail +8%

After several years of rapid store expansion, major luxury brands now have well-established global networks. As a result, store openings were a less important growth driver in 2017. Brands instead chose to focus on optimising like for like sales growth by upgrading store interiors and the in store service proposition[1].

Wholesale +3%

The traditional wholesale channel continued to underperform compared to the retail channel as consumers increasingly favoured online, multi-brand retailers over more traditional bricks and mortar offerings. Growth in wholesale was supported by specialty stores, where curated, niche offerings were closely tailored to customers' needs[1].

Digital +24%

Digital, now 9% of industry sales, continued to be the highest-growing channel, having sustained unparalleled average annual growth of c.25% between 2013 and 2017. Asia and Europe were the main growth engines. Notably, in 2017, 39% of sales came from e-tailers, digital only wholesalers. Own-brand websites, such as burberry.com, contributed 31% and the remaining 30% came from other retailer websites[1].

Travel retail +12%

Travel retail was supported by the overall strength in global travel. The number of Chinese visitors into destinations such as Europe, Japan, Hong Kong and Macau increased year on year, with the latter three in particular benefitting from more favourable exchange rates towards the end of 2017[1].

PRODUCT HIGHLIGHTS

Bags continued to lead growth in 2017, while shoes and jewellery gained momentum. Apparel underperformed overall sector growth, but within this, luxury streetwear outperformed.

Apparel grew below market average at 3%

While the overall apparel category underperformed compared to wider sector growth, consumers responded to newness with fashion-forward players continuing to take market share. In addition, product categories such as T-shirts and down jackets posted double-digit growth as millennial consumers responded to heightened brand investment in luxury streetwear[1].

Bags +7%

Occupying a significant proportion of the luxury goods market at c.20%, bags continue to provide dynamic growth driven by both price and volume[1].

Shoes +10% Jewellery +10%

Both shoes and jewellery, two entry-level customer-converter categories, delivered double-digit growth. This was likely due to a catch-up from their relatively under-penetrated starting base, as well as their accessible price point appealing more widely to the growing Asian middle class[1].

OUTLOOK

After a better than expected 2017, industry experts are forecasting growth of 4%-5% per annum in the medium term[1]. This will be driven by sustained global GDP growth, strong luxury consumer travel flows, the prominence of the Chinese middle class, and potential benefits from US tax reforms.

Drivers of top-line luxury industry growth will continue to be supported by like for like sales performance, rather than space expansion and volume, or like for like price increases. Polarisation between players in the industry is anticipated to intensify further, with the gap between winners and losers widening.

1. Bain & Company – Luxury Goods Worldwide Market Report (October 2017)
2. The World Bank – Global Economic Prospects (January 2018)
3. World Tourism Organisation – 2017 International Tourism Results (January 2018)
4. The Business of Fashion and McKinsey & Company – The State of Fashion 2018 (November 2017)
5. Bain & Company and Farfetch – The Millennial State of Mind (May 2017)

STRATEGY

IN NOVEMBER 2017, WE SET OUT OUR MULTI-YEAR PLAN TO RE-ENERGISE OUR PRODUCT AND OUR CUSTOMERS' EXPERIENCE OF OUR BRAND TO DELIVER SUSTAINABLE LONG-TERM VALUE

WHY WE HAVE LAUNCHED A NEW STRATEGY

We have been on a journey over the last 162 years, from equipping explorers, to becoming one of the most valuable global luxury brands with a distinctive, inclusive, uniquely British point of view. Since the IPO in 2002, we have enjoyed strong growth by expanding our global luxury retail footprint, building our leadership in digital, and developing strength across multiple categories.

Today, the luxury sector has changed, and new consumers demand innovation, creativity, personalisation, curation and excitement from brands at every turn.

To win with this consumer, we must sharpen our brand positioning. Building on our strong foundations, our vision is to establish Burberry's position firmly in luxury fashion. By doing so, we will play in the most rewarding, enduring segment of the market, and deliver sustainable long-term value. This shift will require a change in our approach to product, communication and customer experience.

RATIONALE

Today's luxury consumers are more demanding in their expectations of personalisation, newness and fashion. They are moving away from traditional notions of luxury and elegance, and are looking for casual, fun fashion, such as streetwear, that fits with their lifestyles. They want innovative, exciting assortments which can be used to express their opinions and point of view. The injection of fashion has become a priority for all luxury brands, including core heritage brands, as traditional luxury consumers mature and new luxury consumers emerge, demanding newness.

Consumers are also polarising between luxury and mass market offerings. 20 years ago, mid-market brands dominated the fashion market. Today, however, consumers prefer either high luxury or mass market items, mixing them together to create a unique and personal look. As a result, players in the middle segment are increasingly losing share.

With these movements in the market, we must refine our brand message and position. Our vision is to ground Burberry firmly in luxury, responding to consumers' increasing desire for fashion and newness. Given our strong brand, heritage, extensive distribution and capability to innovate across multiple categories, we are well positioned to make this move.

HOW OUR STRATEGY WAS DEVELOPED

Our strategy was developed over the course of several months by our Chief Executive Officer, Marco Gobbetti, and Burberry's senior leadership team. The approach was highly collaborative, with each member of the senior team leading a significant part of the work. As the plans were developed, they were shared regularly with the Board who gave its unanimous support for the strategy in November 2017.

STRATEGIC IMPLEMENTATION

Burberry's transformation will have two phases: first, a two-year period of investment to strengthen our brand positioning; and the period beyond, when we expect growth to accelerate.

In the first two years, we will rationalise our distribution, manage our creative transition and invest in brand experiences. This transition phase will establish Burberry firmly in luxury and prepare the business for the delivery of sustainable, long-term value in the coming years.

In the second phase, growth is expected to accelerate, driven by our new creative vision and rejuvenated brand positioning, and supported by an appropriate distribution network, enhanced communications and an improved customer service proposition.

Our strategy will be delivered through six strategic pillars, four revenue drivers to re-energise the brand and enhance luxury consumer engagement (Communication, Product, Distribution and Digital) and two enablers (Operational Excellence and Inspired People). These will ensure that we continue to focus on productivity and simplification and have the right capabilities in place to realise our vision.

Our six strategic pillars are outlined in greater detail on the following pages and summarised in the table opposite.

WHAT WE WILL ACHIEVE

By re-energising our product and customer experience to establish Burberry firmly in luxury, we will position ourselves in the most rewarding and enduring segment of the market. This will enable us to drive sustainable growth and meaningful operating margin expansion over time, while continuing to deliver attractive returns to our shareholders.

THE STRATEGY WILL BE DELIVERED THROUGH A COMBINATION OF SUPERIOR ORGANIC PROFIT GROWTH AND CONTINUED STRONG CASH GENERATION, AS WELL AS THROUGH OUR COMMITMENT TO OUR CAPITAL ALLOCATION FRAMEWORK, WHICH IS OUTLINED ON PAGE 53.

In the short term, there will be a period of transition as we implement our strategy, during which revenues and operating margins are expected to be broadly stable*. Cash generation is expected to remain strong and be utilised in line with our capital allocation framework.

We are tracking our progress through a number of Key Performance Indicators (KPIs) and other measures which we consider important in performance against our strategy. These are monitored regularly and are laid out in the table below.

	STRATEGIC PILLARS AND HOW WE WILL ACHIEVE THEM		AMBITION	KPIS AND OTHER MANAGEMENT MEASURES
REVENUE DRIVERS	PRODUCT	· Create a new, strong, fashionable product offer · Transform leather goods · Continually engage the customer · Develop outfitting · Rebalance the price architecture	· High single digit top-line growth* · Vast majority of sales from luxury distribution channels	· Revenue growth*^ · Comparable sales growth*^ · Product sales growth* · Geographic sales growth* · Channel sales growth* · Number of outlets · Adjusted operating profit growth^* · Adjusted profit before tax growth^* · Adjusted diluted EPS growth^ · Adjusted retail/ wholesale ROIC^
	COMMUNICATION	· Product first · Content revolution · Focus on experiences		
	DISTRIBUTION	· Enhance the luxury store experience · Elevate customer service · Grow proportion of image-driving luxury doors		
	DIGITAL	· Content curation and storytelling · Personalised luxury services · Seamless omnichannel experiences · Accelerate digital partnerships		
ENABLERS	OPERATIONAL EXCELLENCE	· Simplification and efficiency · Adapting our supply chain · Investments in technology · Drive procurement savings	· Meaningful operating margin expansion*	· Adjusted operating profit margin^ · Achieved cost savings · Adjusted opex to sales ratio
	INSPIRED PEOPLE	· Motivate our teams, reinforcing behaviours, culture and values · Invest in leadership, core capabilities and talent · Build a more sustainable future	· Top quartile Employee Engagement Score · Equal gender representation in leadership · Achievement of responsibility goals (see pages 44 to 47)	· Employee engagement · Women in leadership roles · Product responsibility · Company responsibility · Community responsibility

* At constant exchange rates
^ KPIs

KEY PERFORMANCE INDICATORS

KEY PERFORMANCE INDICATORS (KPIS) HELP MANAGEMENT MEASURE PROGRESS AGAINST OUR SIX STRATEGIC PILLARS AND RESPONSIBILITY TARGETS

FINANCIAL MEASURES

We believe it is vital to ensure alignment between our Executive Team's strategic focus and the long-term interests of shareholders. As a result, elements of Executive remuneration are based on performance against the following measures: revenue growth, adjusted profit before tax growth and adjusted retail/wholesale return on invested capital. You can read more about our Remuneration Policy on pages 101 to 102.

To improve the comparability of our operating performance relative to our luxury peer group and to simplify our disclosure, we now report on Group adjusted operating profit growth and adjusted operating profit margin rather than previously where we had reported retail/wholesale segment profitability. Our KPIs now reflect this change.

KPI | **MEASURE** | **PERFORMANCE**

REVENUE GROWTH*^

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

Financial ambition
High single digit top-line growth*

	£m	CER growth %
2018	**2,733**	**-1**
2017	2,766	-2
2016	2,515	-1
2015	2,523	+11
2014	2,330	+17

FY 2017/18 revenue declined 1%*. Retail growth of 3% was offset by wholesale (-16%) reflecting the reduction in wholesale revenue following the Beauty licence with Coty.

COMPARABLE SALES GROWTH*

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

Financial ambition
High single digit top-line growth*

	CER growth %
2018	**+3**
2017	+1
2016	-1
2015	+9
2014	+12

Comparable sales grew 3% in FY 2017/18 led by mid single-digit growth in Asia Pacific; EMEIA was broadly stable in the year while the Americas grew at low single digits.

ADJUSTED OPERATING PROFIT GROWTH*

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

Financial ambition
Adjusted operating profit growth ahead of revenue growth*

	£m	CER growth %
2018	**467**	**+5**
2017	459	-21
2016	418	-11
2015	455	+7
2014	460	+8

Adjusted operating profit in FY 2017/18 was up 5%* benefiting from retail growth, £44m incremental cost savings and improved Beauty profitability.

KPI	MEASURE			PERFORMANCE

ADJUSTED OPERATING PROFIT MARGIN

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

Financial ambition
Meaningful operating margin expansion*

	%
2018	**17.1**
2017	16.6
2016	16.6
2015	18.0
2014	19.8

Adjusted operating profit margin +110bps at constant exchange rates, +50bps at reported rates in FY 2017/18.

ADJUSTED PROFIT BEFORE TAX GROWTH*^

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

Financial ambition
Adjusted PBT growth ahead of revenue growth*

	£m	%
2018	**471**	**+5**
2017	462	-21
2016	421	-10
2015	456	+7
2014	461	+8

Adjusted PBT in FY 2017/18 +5%*. This reflected retail growth, £44m incremental cost savings and improved Beauty profitability.

ADJUSTED DILUTED EPS GROWTH

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

Financial ambition
Adjusted EPS growth ahead of revenue growth*

	Pence	Reported growth %
2018	**82.1**	**+6**
2017	77.4	+11
2016	69.9	-9
2015	76.9	+2
2014	75.4	+8

Adjusted diluted EPS grew 6% to 82.1p in FY 2017/18 reflecting profit growth, a 70bps effective tax rate reduction and a benefit from share repurchases.

ADJUSTED RETAIL/ WHOLESALE ROIC^

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

Financial ambition
ROIC significantly ahead of WACC

	%
2018	**16.3**
2017	15.4
2016	14.7
2015	17.9
2014	19.6

Adjusted retail/ wholesale ROIC 16.3%, +90bps, resulting from adjusted retail/ wholesale operating profit growth and lower retail/wholesale operating assets.

* At constant exchange rates

^ Key performance indicator linked to Executive remuneration

For definition of comparable sales, constant exchange rates and adjusting items see page 52. The calculation of adjusted retail/wholesale ROIC is set out on page 184.

KEY PERFORMANCE INDICATORS

NON-FINANCIAL MEASURES

We have developed non-financial measures to assess our performance against our ongoing people objectives and 2022 responsibility targets. Progress is regularly monitored by our Board through the Inspired People pillar of our strategy. For further details on our responsibility activities and progress against 2022 targets, see pages 44 to 47. The Group has considered the new non-financial reporting requirements under sections 414CA and 414CB of the Companies Act 2006 and has included relevant details in the Annual Report.

OBJECTIVE	MEASURE	PERFORMANCE
EMPLOYEES		
Create an environment where all our employees are actively engaged in delivering outstanding results for the business	Employee Engagement Score as measured by Mercer Sirota Employee Engagement Index based on completed survey responses only	FY 2017/18 Performance: 72% of employees are engaged [1]
Ensure our policies, processes, practices and resources promote equal gender representation in our Leadership population	Number of women, globally in Director and above roles divided by total number of Director and above roles	FY 2017/18 Performance: 51% of the Leadership population is female
RESPONSIBILITY		
COMPANY		
Become carbon neutral in our own operations, with a focus on: • Driving energy efficiency • Procuring 100% of energy from renewable sources	Absolute CO_2e market based emissions	FY 2017/18 Performance: 20,222,227kg CO_2e market-based emissions (20% reduction from FY 2016/17 emissions) 2022 Goal: carbon neutral in our own operations
COMMUNITIES		
Support the Burberry Foundation and its partners in: • Tackling educational inequality and facilitating access to the creative industries • Fostering community cohesion and social and economic empowerment in communities sustaining the luxury fashion industry	Number of individuals positively impacted	FY 2017/18 Performance: 23,000 people positively impacted [2] 2022 Goal: 1 million people positively impacted [2]
PRODUCT		
Drive positive change through our products, by: • Increasing demand for more sustainable raw materials • Supporting our supply chain partners to go beyond environmental and social compliance, to improve resource efficiency and worker wellbeing	% of products with more than one positive attribute	FY 2017/18 Performance: 28% of product with one positive attribute, 14% with more than one positive attribute [3] 2022 Goal: 100% of product with more than one positive attribute [3]

Definition of key terms

1. Employee Engagement score as measured by Mercer Sirota Employee Engagement Index
2. Positively impact people: We will support the Burberry Foundation and its partners in addressing key community needs within our industry's footprint. This will translate into different impacts, depending on geographies and community needs. Impacts will be assessed and reported at regular intervals over the course of five years
3. Positive product attributes: Sourcing of raw materials and making of products impact both people and the environment. At point of purchase, we are committed to ensuring that these activities not only minimise any potential negative impacts, but actually drive positive change

SIX STRATEGIC PILLARS

OUR STRATEGY HAS SIX PILLARS:
FOUR REVENUE DRIVERS AND TWO ENABLERS

REVENUE DRIVERS

PRODUCT

COMMUNICATION

DISTRIBUTION

DIGITAL

ENABLERS

OPERATIONAL EXCELLENCE

INSPIRED PEOPLE

OUR SIX STRATEGIC PILLARS ARE SUMMARISED BELOW AND IN GREATER DETAIL ON THE SUBSEQUENT PAGES

REVENUE DRIVERS

PRODUCT

To re-energise the brand and win with fashion-forward influencers, we are evolving our product offer to signal change and attract the attention of luxury consumers. Transforming leather goods will be a key part of this. We will continue to be unconstrained by the traditional calendar, offering regular newness. We will also focus on creating full outfits for the customer, adding innovation at every price point to recruit new customers to the brand.

COMMUNICATION

We are evolving our communications to be led by product and made for social media. Placing our products at the centre of our communications, we will leverage our digital and social media reach to convey new energy. We will reignite brand heat and change customer perception, using bold consumer engagement, reinventing editorial content and increasing our focus on experiences, using pop-ups and capsules to continually engage consumers with the brand.

DISTRIBUTION

Our aim is to operate a distribution network that is consistent with our luxury positioning. To support this change, we will rationalise our non-luxury wholesale and retail doors, with an initial emphasis on the US and then EMEIA. We will also transform our in-store experience by refurbishing our retail stores and enhancing customer service. Together, these actions will enhance our luxury distribution network, supporting our refined brand positioning.

DIGITAL

We are revolutionising our digital proposition by displaying highly curated product assortments and personalised stories and editorialising our website to enhance consumer engagement. We are also improving the omnichannel experience to allow customers flexibility over payment and delivery options, allowing them to switch seamlessly between physical and digital. We will also strategically grow and strengthen digital partnerships with brand-appropriate partners.

STRATEGY ENABLERS

OPERATIONAL EXCELLENCE

To deliver sustainable growth, we must increase our agility and efficiency, enabling us to better respond to the rapidly changing environment in which we operate. Our ambition is to adapt our supply chain to deliver true luxury products, power the organisation through technology and to work in a simple and efficient way. Operational exellence is an important foundation as we strengthen our Company and re-position our brand.

By working differently and more effectively we can remove significant waste. We have accelerated and extended our cost saving programme to deliver £100m of cumulative cost savings in FY 2018/19, and £120m of cumulative annualised cost savings by FY 2019/20, which in total represents 15% of our addressable cost base.

INSPIRED PEOPLE

Our Inspired People programme is designed to deliver the organisational and people elements of our strategy. Work is underway to deliver on our commitments of fostering a dynamic and inclusive culture to engage employees, empower our leaders, strengthen capabilities, expand our talent plans, simplify how we work and drive positive sustainable change across every part of our footprint.

PRODUCT

PRODUCT IS AT THE HEART OF OUR TRANSFORMATION

To re-energise the brand and win with fashion-forward influencers, we are evolving our product offer to signal change and win the attention of luxury consumers. Transforming leather goods will be a key part of this. We will continue to be unconstrained by the traditional calendar, delivering regular newness. We will also focus on creating full outfits for the customer and re-energising all price points to recruit new customers to the brand. The five components of our product strategy are:

CREATE A NEW, STRONG, FASHIONABLE PRODUCT OFFER →

Today's luxury customer demands newness and excitement. We will re-energise our product offering to send a strong, edited fashion message.

TRANSFORM LEATHER GOODS →

Leather goods, particularly handbags, are an important driver of perception for luxury brands. Burberry will build a compelling luxury leather goods offer, considering a range of customers, end uses and silhouette preferences. We will increase the prominence of bags within our stores and online to realise the revenue opportunity, as well as improve wider brand perception.

CONTINUOUS ENGAGEMENT →

We will continuously engage with consumers throughout the year by increasing the number of deliveries to stores and online, and by generating excitement through relevant collaborations and capsule collections, in addition to our runway shows.

OUTFIT →

We will shift towards an 'outfit mindset' by developing collections that will create a full outfit for the customer from head to toe, and by arranging our stores by look and fashion story rather than product category. Burberry's sales associates will act as brand ambassadors, highly trained in styling and outfitting, optimising cross-selling.

REBALANCE PRICE ARCHITECTURE →

We will offer a breadth of price points using our product range (while also remaining competitive). We will inject more creativity into our product offering, including converter categories such as shoes, jewellery, eyewear and charms. These offer consumers 'luxury fashion' at more accessible price points. Through time, this should help improve traffic and recruit new customers to the brand.

PROGRESS DURING THE YEAR

We have started to deliver frequent, fresh deliveries and capsules. One example is the February Runway capsule, which was highly edited and sent a strong fashion message to the consumer while delivering triple-digit revenue growth per option. This collection attracted new and young customers. It also resonated well with our existing top-tier customers, with customers buying complete looks, in line with our strategy.

We have created our new handbag architecture around a range of customers, end uses and silhouette preferences, while ensuring value is perceptible.

COMMUNICATION

EVOLVING OUR COMMUNICATIONS

We are evolving our communications to be led by product and made for social media. Placing our products at the centre of our communications, we will leverage our digital and social media reach to convey new energy. We will reignite brand heat and change customer perception, using bold consumer engagement, reinventing editorial content and increasing our focus on experiences, using pop-ups and capsules to continually engage consumers with the brand.

PRODUCT FIRST

We are evolving our communication to ensure that our product is prominent in all our engagement. In every image and campaign, our distinctive Burberry products will be placed front and centre and we will create dedicated communications support for pre-collection campaigns, as well as the runway.

CONTENT REVOLUTION

We will revolutionise our consumer-facing content, including the material published on our digital channels and our own website. We will update our creative language to be bold, dynamic and compelling, to signal the change that is underway. Content is an increasingly important vehicle for reaching the new fashion-forward customer.

FOCUS ON EXPERIENCES

Experiences are becoming ever more important to excite and engage luxury customers. We will focus on the most powerful experiences for our customers across every channel, physical and digital, using the latest tools such as augmented reality. We will focus on collaborating with key fashion influencers, who are central to conveying change to the market and consumers.

PROGRESS DURING THE YEAR

We have made good progress evolving our communications, putting our renewed fashion offering at the forefront. On burberry.com and across every campaign and social media image, exciting and innovative angles and views, animations and formats bring products to life.

There has also been a measured step change in our creative collaborations across events, social and other media. Highlights include one of a kind customised totes in partnership with Danny Sangra, a highly original and inventive artist, illustrator and filmmaker.

Across our social media, our 'Burberry X Cara Delevingne' Christmas party campaign fuelled excitement over the festive period. Engagement covered the entire year with creative content from Adwoa Aboah and Blondey McCoy conveying Burberry’s renewed brand energy.

We have also stepped up the frequency of our fashion moments. During the year, we released bold capsule collections with Kris Wu, an influencer with an unparalleled Chinese millennial following, and Gosha Rubchinskiy, a highly distinctive Russian streetwear designer and photographer. Both were successful in generating increased excitement. 40% of the traffic to our Gosha webpage was first time visitors to burberry.com and the collaboration generated queues outside our stores on the launch day.

Pop-ups have been used selectively to drive momentum and create buzz in key markets. During the year Burberry opened pop-ups in two top Japanese department stores in Tokyo and Osaka, chosen for their prestige and client base. In addition, a highly visible hot air balloon installation at Heathrow Terminal 2 in London targeted travelling customers.

For more information about our content and marketing efforts throughout the year, please see pages 14 to 19.

DISTRIBUTION

TRANSFORMING THE CUSTOMER EXPERIENCE

Our aim is to operate a distribution network that is consistent with our luxury positioning. To support this change, we will rationalise our non-luxury wholesale and retail doors, with an initial emphasis on the US and then EMEIA. We will also transform our in-store experience by refurbishing our retail stores and enhancing customer service. Together, these actions will enhance our luxury distribution network, supporting our refined brand positioning.

ENHANCE THE LUXURY STORE EXPERIENCE

Across our network, Burberry store managers and associates play a pivotal role in shaping the in-store experience. We are investing in talent recruitment, development and retention of sales associates who will be critical as frontline brand ambassadors. Sales associates will be trained in styling and will focus on appointment-driven interactions. We will also introduce a new digital sales tool with enhanced functionalities to support our store teams.

Our mainline stores are a critical consumer touchpoint and we will rejuvenate them to convey our elevated luxury positioning. We will develop a new store concept, which will ensure a consistent and elevated expression of the brand within our stores.

GROW PROPORTION OF IMAGE-DRIVING LUXURY DOORS

Our goal is to reflect and amplify our new luxury positioning across all points of sale. This includes recruiting and growing image driving wholesale accounts, collaborating with wholesale partners to produce exclusive product capsules, and increasing our presence in key department stores. Simultaneously, we will reduce our presence in non-luxury points of distribution across our retail and wholesale channels.

PROGRESS DURING THE YEAR

In line with our new brand positioning, we have prioritised a number of immediate measures to elevate the store experience. These include: the introduction of a global retail leaders programme for those in priority stores and a new digital clienteling tool, with improved functionality across client service, product information and aftersales. We are also rolling out merchant led product training.

In addition, we are piloting a new approach to how we interact with customers, touching everything from how they are greeted when they walk through the door to their experience after purchasing. This is currently being tested at three of our stores, and will evolve based on what we learn from these pilots.

In wholesale, we remain focused on shifting customer perception. In the last six months we have launched a number of successful partnerships, exclusives and pop-ups. For example, we placed February show capsule installations at leading luxury independent stores, which are important for reaching our target luxury fashion customer. These included locations such as Dover St Market, The Store Berlin, Browns East and Antonia Milan.

We are also working in partnership with our wholesalers to review the quality of our points of sale. In the US, we continue to have good discussions with our key wholesale partners and are progressing well on improving our distribution. We have also begun to reduce our outlet exposure. During the year we confirmed the net closure of six outlets, including three in the Americas.


BURBERRY

DIGITAL

REVOLUTIONISING CONTENT AND SERVICES

We are revolutionising our digital proposition by displaying highly curated product assortments and personalised stories and editorialising our website to enhance consumer engagement. We are also improving the omnichannel experience to allow customers flexibility over payment and delivery options, allowing them to switch seamlessly between physical and digital. We will also strategically grow and strengthen digital partnerships with brand-appropriate partners.

Burberry’s digital strategy falls under four major headings:

CONTENT CURATION AND STORYTELLING

We will curate our product and merchandising assortment, for example through ‘shop the look’ rather than product category, bringing the digital shopping experience to life through powerful product storytelling. We will express our brand's point of view through an editorialised website and product first social media campaigns. This will involve enhancing theme pages and introducing shoppable stories and social content onto owned digital platforms.

PERSONALISED LUXURY SERVICES

We will offer a personalised digital experience through product recommendations that are tailored to customer preferences. We will ensure dynamic online customer engagement, for example through evolving and personalising homepages.

SEAMLESS OMNICHANNEL EXPERIENCES

We will allow customers flexibility in payment and delivery options, enabling them to switch seamlessly between physical and digital distribution channels.

ACCELERATE DIGITAL PARTNERSHIPS

Digital partnerships are expected to be a key source of growth for the luxury industry going forward. We will strategically grow in this area through selective, brand-appropriate third-party partnerships to extend our digital presence, while always ensuring a consistent brand experience and product representation. We will also deepen existing relationships, for example through limited edition capsule product collaborations.

PROGRESS DURING THE YEAR

As an early adopter, we have an outstanding digital reach, with over 51 million followers globally, across 13 unique platforms, 24 accounts and 11 languages. This allows high-impact, rapid brand communications to signal change around the globe.

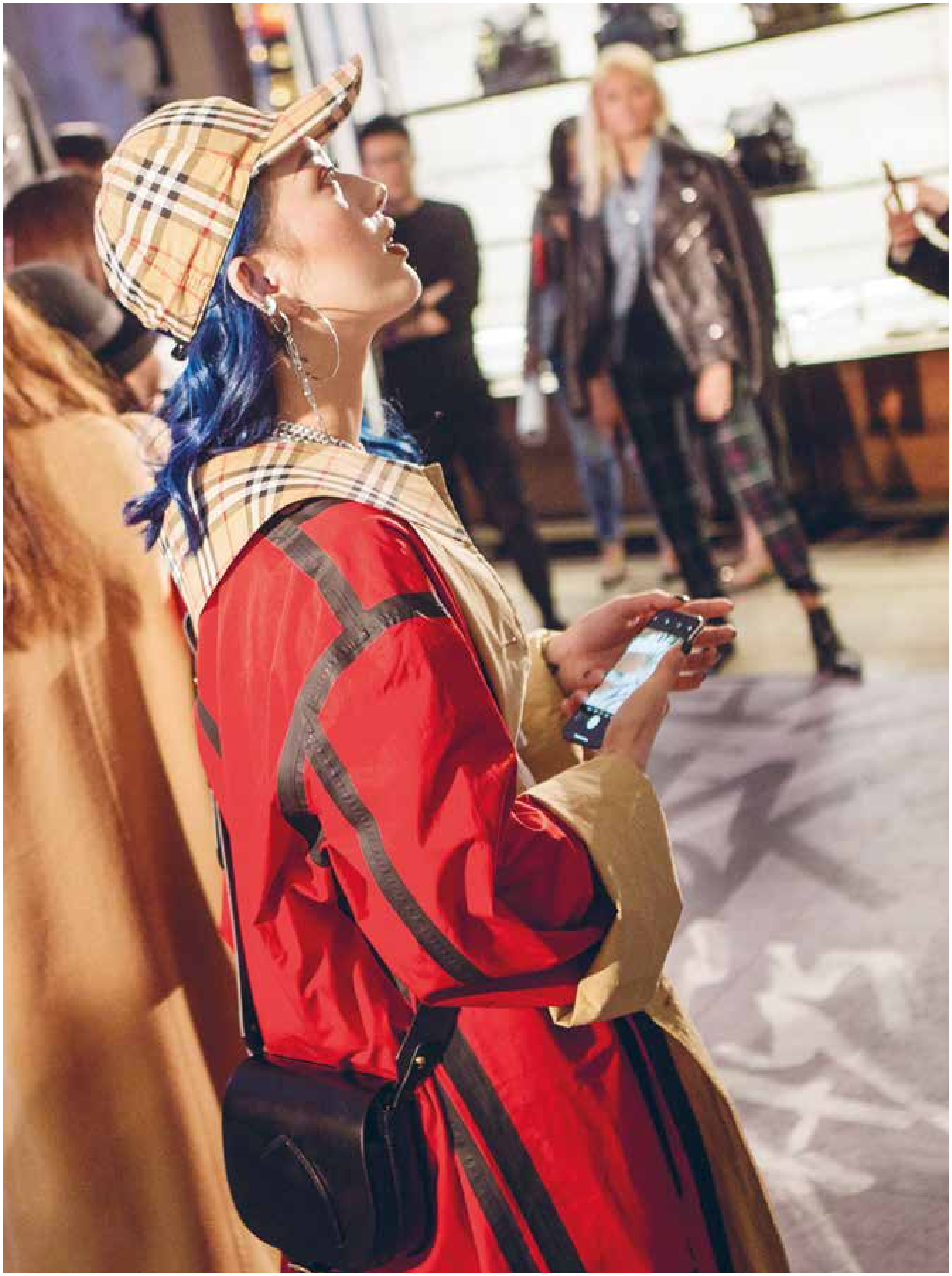
In line with our new positioning, we are articulating Burberry's fashion credentials through distinctive new forms of content. We have also transformed burberry.com from an online catalogue to a luxury flagship site with curated, highly editorialised content. This was completed in February 2018 and will continue to evolve.

Our Burberry app, now available in 33 countries, is our customers’ gateway to the world of Burberry. People can explore and shop new collections while managing all orders in one place. They are immersed in personalised, shoppable stories and can discover the latest style inspiration, campaign images and videos.

In China, Burberry customers can now book in-store appointments via WeChat, China’s number one multi-purpose social media mobile application. Users visiting burberry.com can scan a QR code (a matrix barcode) to open WeChat. They are then geo-located to their nearest store to book an appointment. In addition, should they wish to do so, the customer can speak to a sales associate ahead of their visit, offering them a unique, personalised digital service.

In February, we launched our new global collaboration with Farfetch, the leading global technology platform for the fashion industry. For the first time, our internally developed technology has been integrated to the Farfetch API – the platform’s operating system – allowing our entire global inventory to be available through their e-commerce platform. This integration has expanded our distribution globally, giving us access to over 150 countries, further extending our reach to the young, fashion-conscious consumer.

We are also working with Farfetch to identify the next wave of technological advancement for the industry, as the first brand to partner on the new Dream Assembly programme. Working with start-ups, it acts as a technology accelerator through a programme of mentorship, networking opportunities and access to early stage funding.



OPERATIONAL EXCELLENCE

FUTURE PROOFING FOR THE NEXT PHASE OF THE JOURNEY

To deliver sustainable growth, we must increase our agility and efficiency, enabling us to better respond to the rapidly changing environment in which we operate. Our ambition is to adapt our supply chain to deliver true luxury products, power the organisation through technology and to work in a simple and efficient way. Operational excellence is an important foundation as we strengthen our Company and re-position our brand.

By working differently and more effectively we can remove significant waste. As a result, we have accelerated and extended our cost saving programme to deliver £100m of cumulative cost savings in FY 2018/19, and £120m of cumulative annualised cost savings by FY 2019/20, which in total represents 15% of our addressable cost base.

SIMPLIFICATION AND EFFICIENCY

We are implementing new ways of working across all functions, including merchandising, planning, design, finance, supply chain and marketing. We are redefining our end-to-end design and production calendar – the backbone of our business - ensuring we are synchronised across teams. We are streamlining and simplifying our core operating model and business processes to ensure a single, global approach, and improve accountability and speed of decision-making. Our approach to procurement is also evolving, centralising and automating processes and targeting areas for savings using category management.

SUPPLY CHAIN

We are adapting our supply chain to create true luxury fashion products and deliver world-class service, ensuring consistency across all channels. We are increasing our focus on the quality of materials and adapting our supply chain to enable the shift towards fashion. We are driving service excellence by increasing our omnichannel capabilities, tailoring our deliveries to customer needs and reducing delivery time from days to hours. We are also committed to making a positive impact through our products by driving our responsibility agenda, including responsible sourcing and waste reduction.

TECHNOLOGY

We are making major investments across our technology landscape to create extraordinary experiences for our customers and employees, and to increase our agility as a business. For retail, this means supporting the customer service elevation objective through an upgraded single global Point of Sale system and new clienteling solutions. Across digital, investment in omnichannel, our Burberry app, data and analytics and burberry.com are necessary for our new digital ecosystem. In Finance, we are strengthening and automating analytics and reporting to support decision-making. We are also addressing the basics, upgrading our network speed and Wi-Fi in all areas of the business.

PROGRESS DURING THE YEAR

BURBERRY BUSINESS SERVICES

In October 2017 we successfully executed plans to establish Burberry Business Services in the heart of Leeds. The new office brings together shared services from Finance, HR and Procurement, Customer Service and IT with over 250 roles now filled. The majority of transactional end-to-end processes such as source to pay, sales order to cash and record to report now operate out of this office. This has generated savings from process improvements, labour rates and lower facility costs.

ARIBA

At the end of 2017 Burberry completed the global implementation of Ariba guided buying and the majority of indirect purchase requests are now raised and approved within the system. For Burberry, the project represents a significant milestone in its goal to transform indirect procurement into a simplified end-to-end global process, generating significant operational efficiencies and cost reduction.

RETAIL CALENDAR

On 1 April 2018 the Group's statutory financial reporting calendar was aligned to the operational business by adopting a retail calendar, a 52-week year of four quarters of 13 weeks, in a monthly 5-4-4 weekly format. This single enterprise calendar has aligned financial reporting across functions and enabled automated reporting in order to streamline ways of working and improve performance analysis.

A CLOSER LOOK AT BURBERRY BUSINESS SERVICES

STRENGTHENING OPPORTUNITIES IN THE NORTH OF ENGLAND

As part of our Operational Excellence strategy, we wanted to create a shared service organisation bringing together a number of our teams under one roof in Leeds.

Burberry Business Services opened in October 2017, bringing together staff from our Finance, HR, Procurement, Customer Service and IT teams.

We aim to have over 400 people employed in the Leeds office by the end of 2018. Some of these people have moved from Horseferry House in London, while the majority will be new hires, offering employment opportunities in the local community.

The new hub will be a centre of excellence, making us more productive and efficient by simplifying processes and fostering teamwork across functions. From the outset we are embedding a Lean Six Sigma based culture to underpin our ambition for continuous improvement. The new multi-functional, multi-lingual team in Burberry Business Services is off to a great start, having completed thousands of hours of knowledge transfer, and successfully transitioned most of the services. The new teams' expertise in end-to-end process optimisation and shared service best practices is already bearing fruit. Improvement initiatives are underway in key business processes, such as source to pay, sales order to cash and record to report, and we anticipate productivity gains of 20% in the first year.

With a number of universities and colleges close by we are able to build a talent pipeline for the future, with opportunities for graduates and apprentices.

"Burberry Business Services is a great example of our Operational Excellence programme in action. Agile and efficient, it is already contributing to our targeted annualised savings of £120m by FY 2019/20."

JULIE BROWN,
Chief Financial and Operational Officer

INSPIRED PEOPLE

DELIVERING THE ORGANISATIONAL AND PEOPLE ELEMENTS OF OUR STRATEGY

Our Inspired People programme is designed to deliver the organisational and people elements of our strategy. Work is underway to deliver on our commitments of fostering a dynamic and inclusive culture to engage employees, empower our leaders, strengthen capabilities, expand our talent plans, simplify how we work and drive positive sustainable change across every part of our footprint.

The People plan is founded on five initiatives:

CULTURE AND ENGAGEMENT

With more than 10,000 employees across 35 countries, creating shared purpose and unification around aligned values and behaviours are vital to the successful delivery of our vision. Our core values of Protect, Explore and Inspire continue to resonate with our teams globally and we have deepened our focus on our culture by identifying the behaviours we believe will support the delivery of our plans. These are:

- Put customers first
- Be bold and open to new ideas
- Be one team
- Be accountable and responsive

TALENT AND CAPABILITIES

Our strategy is predicated on building the skills and capabilities we need for now and the future, through attracting, retaining and developing the right talent across all our teams. Our work in this area includes targeted strengthening of capabilities in areas of strategic priority, the Company-wide evolution of our talent and career initiatives and strengthening our leadership talent.

With tailored approaches for different parts of the business, capability actions range from comprehensive training programmes supporting key strategic shifts to targeted coaching and mentoring. Expansion of our talent plans encompasses both improved programmes and processes and enhanced employee career support.

LEADERSHIP

The Burberry Leaders group is made up of 272 of the most senior people in the business, who drive the delivery of our strategy. We are committed to engaging, empowering and developing this critical population. Central to our plans is the introduction of a new leadership programme, while we continue to deepen the talent pool and widen our collective experience through attracting outstanding external talent and developing our own people.

Beyond this population, we believe in leadership at every level of the business, and are expanding the support available for line managers, following a successful first year of targeted training.

WAYS OF WORKING

We are committed to the continued improvement of our global operating model, and simplification of the ways we work, underpinned by open communication and cross-functional collaboration. We are working to simplify processes, streamline decision-making and remove duplication, focusing on the most critical areas of the business first.

RESPONSIBILITY

Burberry's Responsibility strategy, Creating Tomorrow's Heritage, is covered in more detail on pages 44 to 47. Announced in June 2017, it is a comprehensive programme that expands on our sector-leading work to date, focused on delivering positive change and building a more sustainable future through ambitious goals around our communities, products and Company operations. It is a source of great pride to our employees and everyone has an important part to play in delivering our goals, from working on specific product or Company targets, to using their three days volunteering allowance in support of local communities.

PROGRESS DURING THE YEAR

Over the last year we have delivered a comprehensive campaign around our strategy, with leaders engaging their teams through interactive sessions, supported by digital tools. To better understand what matters most to employees, we introduced a global employee engagement survey, using feedback to prioritise our investment across the Inspired People programme. Action plans and commitments were made at both a Company-wide and individual team level.

An example of our response is the first Burberry Disrupted event, described on page 43. Other significant moments in Culture and Engagement included the Burberry Icon Awards, celebrating employees and teams who have lived our values and our global summer Retail Conferences.

Leaders in priority areas of the business began work on strengthening critical capabilities, including a number of activities focused on our retail population. For example, we enhanced our retail training by introducing merchant-led product training; introduced an immediate global retail leaders initiative for those in priority stores; and supported our teams in pilot stores to transform customer experience.

Alongside this, we are also introducing a number of new career and talent programmes to develop our people, including new approaches to career development and performance management.

This year we began work on our new leadership programme. The programme is based on a combination of coaching and global workshops, led by our senior leadership team and shaped around our aligned purpose, values and behaviours, supporting leaders to perform at their best. This will build on the progress made this year through the Powerful Conversations programme, attended by more than 500 of our global line leaders and designed to equip leaders to coach their teams and drive performance.

Burberry also made significant progress this year on strengthening the leadership talent pool, putting in place the right experience and expertise. This included promoting internal candidates to critical senior roles and welcoming new joiners in vital areas including regional general management, analytics and operational excellence.

Burberry delivered a number of significant changes to its operating model in FY 2017/18, including the opening of the Burberry Business Services shared service centre in Leeds, realignment of our regional operating model and implementation of new leadership governance. Simplification work was focused on supporting the evolution of critical processes and teams.

In January 2018, we held the first Burberry Disrupted event at the Horseferry Campus in London, with all teams coming together for a day of cross-functional team problem solving, led by the Burberry Leaders group. Over 1,500 employees took part in this day. In recognition of the importance of our people, the focus of the event was on generating ideas to improve employee experience. Themes and ideas from the day have been embedded into our plans around careers and culture and we are now looking at how we bring to life the winning idea, and expand Disrupted for the wider business.

RESPONSIBILITY

BURBERRY'S RESPONSIBILITY AGENDA IS DESIGNED TO DRIVE POSITIVE CHANGE AND BUILD A MORE SUSTAINABLE FUTURE THROUGH INNOVATION. WE HAVE SET OURSELVES AMBITIOUS GOALS FOR 2022 THAT SIT ACROSS BURBERRY'S ENTIRE FOOTPRINT.

During the year, we launched our new five-year responsibility strategy called 'Creating Tomorrow's Heritage'. It sets out ambitious goals to address our most material social and environmental impacts, while supporting the Burberry Foundation (UK registered charity number 1154468) in creating long-term partnerships to fuel innovation and transform communities.

Developing this strategy has involved key functions across the business, from Supply Chain and Product Development to Retail. It has also been informed and guided by our Responsibility Advisory Committee, comprising external expert stakeholders from the NGO, social enterprise and academic sectors.

Goals for 2022 are owned by our senior leadership team and supported by cross-functional delivery groups. Progress is reviewed on a regular basis by our Inspired People Committee and Transformation Management Office and is assessed against key commitments and performance indicators covering three areas:

PRODUCT

DRIVING POSITIVE CHANGE THROUGH ALL OUR PRODUCTS

We create products using the highest-quality materials and involving many manufacturing communities from across the world. As part of our new responsibility strategy, we are committed to ensuring that all our products have more than one positive attribute by 2022.

Positive attributes relate to social and/or environmental improvements achieved at either the raw material sourcing or manufacturing stage. A product may, for example, carry a positive attribute if it is made from cotton sourced through the Better Cotton Initiative, or if it was manufactured in a facility with health and wellbeing initiatives for its workers. In the first year of our strategy, we have reached 28%^ of product with one positive attribute and a further 14%^ of product with more than one positive attribute.

Our supply chain activities have long been guided by our Responsible Business Principles, which are underpinned by the United Nations Universal Declaration of Human Rights, the Fundamental Conventions of the International Labour Organization and the Ethical Trading Initiative Base Code. With our new responsibility strategy, we are taking our supply chain programmes to the next level, focusing on:

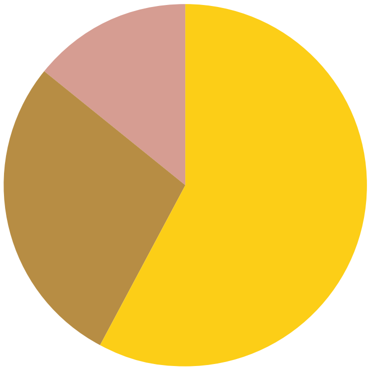
- **More sustainable raw materials:** Cotton, cashmere and leather are three of our key raw materials, representing approximately 30% of our overall greenhouse gas emissions. We are focused on improving the traceability and sourcing of these materials and have set two goals for 2022: to procure 100% of cotton through the Better Cotton Initiative (currently at 21%^) and source 100% of leather from tanneries with environmental, traceability and social compliance certifications. In 2015, we seed funded the establishment of the Sustainable Fibre Alliance and continue to support the organisation to help promote sustainable cashmere production in Mongolia. Beyond improving supply chain impacts, these programmes aim to stimulate system change and make sustainable materials more mainstream across the industry.

- **Worker wellbeing and livelihoods:** Our ethical trading teams based in London, Florence, Hong Kong and Tokyo visit supply chain partners on a regular basis, engaging with both management and workers to review performance and drive improvements. With our Ethical Trading Programme evolving year-on-year, we are increasingly focusing on how we can make the most meaningful, positive impacts on the lives of people throughout our supply chain. During FY 2017/18, we conducted 446 audits and assessments (477 in FY 2016/17) and completed 263 training and engagement visits (234 in FY 2016/17), to support partners in building stronger human resource management. Participation in our Vendor Ownership Programme has more than doubled, from 6 to 15 vendors, building our partners' capacity to set up their own ethical trading programmes and monitor working conditions in their upstream supply chain. We are now working with supply chain partners to help them move beyond compliance and drive long-term positive impacts for their workers. In collaboration with Oxfam, we have developed an innovative Worker Wellbeing Survey and piloted it with key supply chain partners in Europe.

- **Environmental sustainability:** We have continued our efforts to improve chemical management, reduce energy and water consumption and increase the use of renewable energy in our supply chain. Our chemical management programme is focused on control of hazardous substances and effluent treatment in our supply chain. Testing results and progress against our Project 2020 commitments are reported regularly on www.burberryplc.com. We work closely with

^ Please see page 47 for details on external assurance

% OF PRODUCTS WITH POSITIVE ATTRIBUTES



- 14%^ WITH MORE THAN ONE POSITIVE ATTRIBUTE
- 28%^ WITH ONE POSITIVE ATTRIBUTE
- 58% WITH POSITIVE ATTRIBUTES IN DEVELOPMENT

^ Please see page 47 for details on external assurance

our partners to improve chemical management practices and support research into new technologies, while taking steps to eliminate the use of chemicals that may have a negative impact on the environment, going above and beyond the required international environmental and safety standards. In partnership with the Natural Resource Defence Council (NRDC), we have continued to evolve our Energy & Water Reduction programme, which has been modelled on the NRDC "Clean by Design" principles. Currently, we have 28 supply chain partners participating in the programme, including 15 facilities with wet processing. In FY 2017/18, nine facilities achieved a 5% reduction in energy or water consumption, resulting in 15%^ of products with a positive attribute. We will continue to work with the NRDC to strengthen our programme and our monitoring and evaluation framework. We also started working with key supply chain partners, raising awareness and facilitating the transition to renewable energy sources wherever possible.

- **Materials innovation:** Ever since our founder, Thomas Burberry, invented gabardine in 1879, materials innovation has formed part of our heritage. In June 2017, we supported the Burberry Foundation in setting up a five-year partnership with the Royal College of Art, to establish the Burberry Material Futures Research Group, the first of its kind in the world, and expand the Burberry Design Scholarship Fund to benefit more than 30 students by 2022. The new Research Group is the first explicit 'STEAM' research centre at a traditional art and design university, applying radical thinking to invent more sustainable materials, advance manufacturing processes and transform user experiences. All research will be made publicly available for the benefit of our industry and the wider community.

Further details of our supply chain activities, including our ethical trading programme and human rights statement, are available at www.burberryplc.com.

COMPANY

BECOMING CARBON NEUTRAL AND REVALUING WASTE

In addition to driving environmental improvements in the supply chain, we are committed to addressing climate change impacts from our own operations, including offices, stores, manufacturing and distribution sites.

We have set two goals for 2022: to become carbon neutral in our own operations, with a focus on driving energy efficiencies and renewable energy procurement; and to revalue waste, by leading a makers' movement and creating innovative solutions to the endemic waste challenge facing the fashion industry. As members of the Prince of Wales Accounting for Sustainability (A4S) initiative, we have also signed a letter supporting the recommendations of the Financial Stability Board's Task Force for Climate-related Financial Disclosures.

- **Becoming carbon neutral:** We aim to achieve a zero-carbon footprint by improving energy efficiency, reducing absolute consumption and switching to renewable energy sources, before offsetting any remaining emissions. Our retail network is responsible for 74% of our direct carbon emissions. Over the year, new energy targets have been set for stores globally, which are owned by regional leadership and reinforced by a programme of awareness raising, training and technical support. During 2017/18 we have reduced our global, absolute energy consumption by 4%, mainly through behavioural changes and LED lighting. At the same time, we now procure 48%^ of our total energy (including 56%^ of our electricity) from renewable sources, an increase of 24% from last year. In June 2017, we joined RE100, committing to 100% renewable energy by 2022. We assess our progress towards carbon neutrality by looking at the reduction in our total market-based CO_2e emissions year on year.

- **Revaluing waste:** We are committed to reducing, reusing and recycling any waste we create. For example, during FY 2017/18 we have recycled 52 tonnes of damaged garments into geotextile materials and 51 tonnes of pre-consumer textile waste into regenerated yarns, fabrics and automotive insulation materials. Across key UK operations, comprising our internal manufacturing and distribution sites in Northern England and our head office and retail stores in London, during FY 2017/18 we sent

ENERGY AND GLOBAL GREENHOUSE GAS EMISSIONS

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

(Year to 31 March 2018)

EMISSIONS FROM:	FY 2017/18	FY 2016/17	FY 2015/16
Combustion of fuel and operation of facilities (Scope 1) (Kg CO_2e)	2,118,811^	2,128,334	2,141,106
Electricity, heat, steam and cooling purchased for own use (Scope 2) (Kg CO_2e)	32,224,933^	34,041,594	35,549,662
Total emissions location based (Scope 1 & 2) (Kg CO_2e)	34,343,744^	36,169,928	37,690,769
Electricity, heat, steam and cooling purchased for own use (Scope 2) (Kg CO_2e) MARKET-BASED APPROACH	18,103,416^	23,230,021	
Total emissions market-based (Scope 1 & 2) (Kg CO_2e)	20,222,227^	25,358,355	
Intensity measurement (Location based Kg CO_2e per £1,000 sales revenue)	13^	13	15
% of Energy (kWh) from renewable sources	48%^	37%	

Note:
Burberry applies an operational control approach to defining its organisational boundaries. Data is reported for sites where it is considered that Burberry has the ability to influence energy management. Data is not reported for sites where Burberry has a physical presence, but does not influence the energy management for those sites, such as a concession within a department store. Overall, the emissions inventory reported equates to 95% of our sq. ft. (net selling space). The Company uses the Greenhouse Gas Protocol (using a location and market-based approach to reporting Scope 2 emissions) to estimate emissions and applies conversion factors from Defra and IEA guidance. All material sources of emissions are reported. Refrigerant gases and fuels consumed in Company vehicles were deemed not material and are not reported. Burberry has updated greenhouse gas data for FY 2015/16 and FY 2016/17 to account for updated emission factors and improvements in data availability and estimation methods. Further detail is available within Burberry's basis of reporting at www.burberryplc.com.

^ Please see page 47 for details on external assurance

zero^ waste to landfill. A further, significant waste stream for the luxury fashion industry is leather. Even when product patterns are very carefully planned to maximise the use of a hide, the process inevitably creates a large amount of small offcuts, which are usually destroyed. In 2017, we started donating leather offcuts to Elvis & Kresse, a sustainable luxury company that creates lifestyle accessories by re-engineering waste material through innovative craftsmanship. This supports a broader, five-year partnership between the Burberry Foundation and Elvis & Kresse, which aims to transform at least 120 tonnes of Burberry leather offcuts into a range of new products, designed and sold by Elvis & Kresse, and by doing so affect real change in the leather goods industry. Half the profits from this range will be donated to charitable organisations promoting renewable energy, while the remaining half will be reinvested by Elvis & Kresse to expand their work and generate impactful apprenticeship and work experience opportunities.
In its first few months, the partnership has already rescued approximately two tonnes of waste and inspired over 1,000 potential 'makers' about waste revaluation.

COMMUNITIES

POSITIVELY IMPACTING ONE MILLION PEOPLE

We have a long history of investing in the communities in which we operate, enabling employees to dedicate up to three working days a year to support their local communities and donating each year 1% of adjusted Group profit before tax to charitable causes. These range from supporting disaster relief efforts, for example the London Grenfell fire, South Asia Floods, hurricanes Harvey and Irma and the Mexico earthquake, to nurturing emerging talent through scholarships at the Royal College of Art, with a significant proportion going to the Burberry Foundation. We aim to achieve our one million goal mainly by supporting Burberry Foundation-led community programmes and, during FY 2017/18, have helped to positively impact 23,000^ people.

Over the last year, the Burberry Foundation has evolved its agenda – taking a more strategic and long-term approach and partnering with leading organisations to support communities sustaining the luxury industry. Its efforts are specifically tailored to address local social and/or environmental priorities, with a view to tackling the causes as well as treating the symptoms:

- **Tackling educational inequality and enhancing career advice for young people in the UK:** In August 2017, the Burberry Foundation launched partnerships with three organisations, Teach First, the Careers & Enterprise Company and MyKindaFuture, to support young people in disadvantaged communities across Yorkshire and London. The aim is to inspire and prepare young people for the world of work and raise their awareness of the variety of career paths possible in the creative industries.
  In the first few months of the partnership, over 800 students have already been engaged through school workshops, inspiration days and work experience weeks at Burberry. In addition, three new Careers & Enterprise Coordinators have been appointed, improving access to local employers and career opportunities for more than 10,000 students this year.

- **Fostering community cohesion and supporting youth employability in Italy:** A further Burberry Foundation partnership was established with Oxfam to support community cohesion and youth employability in Tuscany, Italy. The Florentine area is renowned for its garment and luxury leather goods production, with a strong tradition of creativity and craftsmanship. However, in recent years the region has faced challenging levels of poverty, youth unemployment and economic migration. Together with Oxfam, the Burberry Foundation aims to foster cohesion between local and migrant communities through multi-cultural spaces and events, innovative youth employability programmes and a network of facilitators dedicated to improving access to community support services. Since the programme launched in October 2017, over 400 community members have benefitted from educational and recreational activities.

- **Supporting social and economic empowerment of rural communities in Afghanistan:** Despite persistent armed conflict and extreme poverty, Afghanistan remains the world's third-largest producer of cashmere fibre, behind Mongolia and China, and a key sourcing region for the luxury fashion industry. In partnership with Oxfam and PUR Projet, the Burberry Foundation has launched a five-year programme, the first of its kind in the country, to develop a more inclusive and sustainable cashmere industry and help herders enhance their livelihoods. The programme will facilitate the development of community-owned collective action organisations, pro-actively involving women in their design and management, and will provide herders with the knowledge, technical skills, tools and services to advance sustainable farming and economic development in the region.

^EXTERNAL ASSURANCE OF CORPORATE RESPONSIBILITY DISCLOSURES

Burberry has appointed PricewaterhouseCoopers LLP (PwC) to provide limited assurance over selected Company, Product and Community information for FY 2017/18. The information which forms part of the assurance scope is denoted with a ^ on pages 44 to 47. The assurance statement and Burberry's basis of reporting are available at www.burberryplc.com, as part of the Responsibility – Performance section.

FINANCIAL REVIEW

TOTAL REVENUE
£2.7bn (2017: £2.8bn)

Up 2% at CER and reported excluding Beauty wholesale revenue with growth led by retail comparable store sales +3%. Total revenue down 1% at CER and reported

ADJUSTED OPERATING PROFIT
£467m (2017: £459m)

Up 5% at CER, up 2% reported benefiting from positive retail performance, £44m incremental cost savings and improved Beauty profitability

REPORTED OPERATING PROFIT
£410m, (2017: £394m)

Up 4% after adjusting operating items of £57m (2017: £65m) principally relating to restructuring

YEAR-END NET CASH
£892m (2017: £809m)

After returning £524m cash to shareholders through a combination of dividends (£169m) and share buybacks (£355m). Free cash flow £484m (2017: £465m)

ADJUSTED DILUTED EPS
82.1p (2017: 77.4p)

Up 10% at CER, up 6% reported supported by the repurchase of 20m shares and a 70bps reduction in the effective tax rate. Reported diluted EPS 68.4p, up 5% reported

FULL YEAR DIVIDEND PER SHARE
41.3p, (2017: 38.9p)

Up 6% in line with our progressive dividend policy

SUMMARY INCOME STATEMENT

	Year to 31 March		% change	
£ MILLION	**2018**	**2017**	**reported FX**	**CER**
Revenue	2,733	2,766	(1)	(1)
Cost of sales	(836)	(833)	–	
Gross profit	1,897	1,933	(2)	
Gross margin%	69.4%	69.9%		
Operating expenses*	(1,430)	(1,474)	(3)	
Opex as a % of sales	52.3%	53.3%		
Adjusted operating profit*	**467**	**459**	**2**	**5**
Adjusted operating margin	17.1%	16.6%		
Adjusting operating items	(57)	(65)		
Operating profit	**410**	**394**	**4**	
Net finance credit**	3	1		
Profit before taxation	**413**	**395**	**5**	
Taxation~	(119)	(107)		
Non-controlling interest	–	(1)		
Attributable profit	**294**	**287**		
Adjusted profit before taxation	**471**	**462**	**2**	**5**
Adjusted EPS (pence)*^	**82.1**	**77.4**	**6**	**10**
EPS (pence)^	**68.4**	**64.9**	**5**	
Weighted average number of ordinary shares (millions)^	429.4	442.2		

Adjusted measures exclude adjusting items.
* Excludes adjusting items. For detail, see page 50
** Includes adjusting finance charge of £2m (2017: £3m)
~ Includes adjusting tax charge of £12m (2017: nil)
^ EPS is presented on a diluted basis

REVENUE ANALYSIS

REVENUE BY CHANNEL

£ MILLION	Year to 31 March 2018	2017	% change reported FX	CER
Retail	2,177	2,127	2	3
Retail comparable store sales	3%	1%		
Wholesale ex Beauty	453	443	2	-
Licensing	30	25	21	21
Revenue ex Beauty wholesale	**2,660**	**2,595**	**2**	**2**
Beauty wholesale	73	171	(57)	(59)
Group revenue	**2,733**	**2,766**	**(1)**	**(1)**

RETAIL

- Retail sales +3% at CER, +2% reported
- Comparable sales + 3% (H1: +4%; H2: +2%)
- No net space impact on revenue, as guided

Full year comparable store sales +3% with improved conversion in all regions supported by our retail excellence programme. By region:

- **Asia Pacific:** Mid-single digit percentage growth with stronger tourist trends in the second half
  - Mainland China delivered high single digit percentage growth, slowing to mid-single digits in the second half due to the annualisation of strong prior year trends
  - Hong Kong improved through the year, delivering high single digit percentage growth in the second half
  - Korea declined but showed improvement in the second half
- **EMEIA:** Broadly stable year-on-year with a decline in the second half with the annualisation of exceptional performance of the UK in the prior year
  - The UK delivered low single digit percentage growth, with growth in the first half offset by a decline in the second as expected
  - Continental Europe declined marginally with tourist spend softer in the second half
  - The Middle East remained challenging, impacted by the macro-environment
- **Americas:** Low single digit percentage growth with an improved performance in the second half
  - In the US, improved traffic trends coupled with increased year-on-year conversion underpinned a return to growth in the second half

By product, mainline store customers responded positively to seasonal updates and innovation

- A more complete wardrobe offer and full look merchandising drove strength in tops, skirts and trousers in the second half
- Innovation in core categories such as the car coat and tropical gabardine performed well
- Continued strength in small leather goods and new handbag launches started from Spring 2018

Store footprint: net closure of 20 stores (12 mainline, two concessions and six outlets) as started evolution of store network. Closures weighted towards the end of the year with seven in the final week of the year.

Digital: Direct-to-consumer continued to deliver good growth with particular strength in Asia

- Mobile transactions represented 40% of direct-to-consumer revenue
- Collaboration with Farfetch launched, extending our reach to more customers and over 150 countries

WHOLESALE

- Excluding Beauty, wholesale revenue was unchanged at CER (+2% reported), slightly better than our expectations due to higher in-season orders
  - Growth in Asia Pacific was offset by a high single digit percentage decline in the US as we initiated actions to shift customer perception in the market
  - In October, Beauty successfully transitioned to a strategic partnership with Coty, moving from a wholesale to licensed business model. Reflecting this change in operation in the second half, full year total wholesale revenue declined by 16% at CER (down 14% reported)

LICENSING

Licensing revenue of £30m, +21% at CER and reported, in line with guidance benefiting from Beauty transitioning from a wholesale to licensed business model, while other royalties declined.

OPERATING PROFIT ANALYSIS

ADJUSTED OPERATING PROFIT

£ MILLION	Year to 31 March 2018	Year to 31 March 2017	% change reported FX	% change CER
Retail/wholesale	441	437	1	4
Licensing	26	22	19	20
Adjusted operating profit	**467**	**459**	**2**	**5**
Adjusted operating margin	17.1%	16.6%		

Adjusted operating profit grew 5% and margin increased by 110 basis points at CER. This reflects retail growth, an incremental £44m of cost savings (ahead of plan of £40m) and improved Beauty profitability, partly offset by continued inflationary pressure on costs, strategic investments and inventory charges.

Including a £14m headwind from currency, adjusted operating profit grew 2% at reported rates and margin increased by 50 basis points.

After a net finance credit of £4m, adjusted profit before tax was £471m up 5% at CER and up 2% at reported rates.

ADJUSTING ITEMS*

£ MILLION	Year to 31 March 2018	Year to 31 March 2017
Beauty licence intangible charges	–	(26)
Disposal of Beauty business	–	(15)
Restructuring costs	(54)	(21)
Goodwill impairment	(7)	-
BME deferred consideration income/(charges)	4	(3)
Adjusting operating items	**(57)**	**(65)**
Adjusting financing items	(2)	(3)
Adjusting items	**(59)**	**(68)**

Disposal of Beauty business
As expected, directly attributable costs of £25m associated with the disposal of our Beauty business to Coty in October 2017 and £5m of costs relating to the Beauty transaction, were offset by £30m of the upfront payment, which was deemed as proceeds relating to the disposal.

Restructuring costs
Restructuring costs of £54m were incurred relating to our cost and efficiency programme, below original guidance for the year due to phasing. There is no change to the total estimated one-off costs of the programme of c.£110m.

Goodwill impairment
The £7m goodwill impairment charge relates to our Saudi Arabian business due to challenging macroeconomic conditions.

Burberry Middle East (BME) deferred consideration
The £4m income principally reflects foreign exchange rate movements for the BME transaction.

Adjusting finance charge
The £2m charge relates to the discount unwind on the deferred consideration for the BME transaction.

TAXATION

The effective tax rate on adjusted profit in FY 2017/18 reduced to 25.1% (2017: 25.8%), as we move towards a range of 23%-24% by FY 2019/20. This was below the effective tax rate on reported profit of 28.8% (2017: 27.1%), due to certain adjusting items which are not subject to tax and an adjusting tax charge of £12m* relating to the reduction of the US federal income tax rate (in line with guidance). (See note 7 of the Financial Statements.) The total tax charge was £119m (2017: £107m).

* For additional detail on adjusting items note 7 of the Financial Statements

TOTAL TAX CONTRIBUTION

The Group makes a significant economic contribution to the countries where it operates through taxation, either borne by the Group or collected on behalf of and paid to the relevant tax authorities. In FY 2017/18, the total taxes borne and collected by the Group in the UK and overseas amounted to £423m. In the UK, where the Group is headquartered and has significant operations, Burberry paid business taxes of £77m and collected a further £19m of taxes on behalf of the UK Exchequer. For further information see www.burberryplc.com

CASH FLOW

Free cash flow generated in FY 2017/18 grew 4% to £484m (2017: £465m) with strong cash conversion at 128% (2017: 129%). The free cash flow reflected the growth in adjusted operating profit, a cash inflow from working capital and re-phased capital expenditure.

- Inventory was down £94m year-on-year with about 60% of the reduction from Beauty. Fashion inventory was down 5% excluding the impact of foreign exchange on translation of inventory balances

- Working capital and free cash flow benefitted from a one-off inflow relating to Beauty receivables of £63m

- Capital expenditure of £106m (2017: £104m), was below original guidance due to phasing between FY 2017/18 and FY 2018/19

- Tax paid of £118m (2017: £132m)

Net cash at 31 March 2018 was £892m (2017: £809m) with a £150m net inflow from the Beauty transaction and £524m returned to shareholders (dividends of £169m and share buyback of £355m). Lease adjusted net debt at 31 March 2018 was £327m (2017: £388m).

SUMMARY OUTLOOK

There is no change to the guidance given at our strategic update in November 2017 of broadly stable revenue and operating profit margin at CER in FY 2018/19 and FY 2019/20.

We are focused on sharpening the positioning of our brand to deliver sustainable long-term value. Our financial ambition is to deliver high-single digit revenue growth coupled with meaningful operating margin expansion over time.

We expect to remain strongly cash generative and are committed to our progressive dividend policy and capital allocation framework. We will initiate a new share buyback programme of £150m to be completed in FY 2018/19.

DISCLOSURE

In line with its on-going simplification initiatives, Burberry is modifying its financial reporting periods to a retail calendar. This change aligns all functions across the business to a single calendar enabling more streamlined ways of working and improved performance analysis.

With effect from 1 April 2018, Burberry will prepare its full year consolidated financial statements to the Saturday nearest to the 31 March. For FY 2018/19, there will be no material difference between the comparability of the prior year and current year income statement

DETAILED OUTLOOK

In-line with the guidance given at our strategic update in November 2017, at constant exchange rates, we currently expect:

FY 2018/19

Broadly stable revenue and adjusted operating margin. This includes the impact of the Beauty transition.

- Retail: Net space reduction to impact retail revenue by -1%. Planning to continue our programme of store rationalisation and relocation

- Wholesale (excluding Beauty): Revenue down by a low single digit percentage due to anticipated growth from luxury accounts offsetting rationalisation activity (FY 2018: £526m of which £73m Beauty)

- Licensing: Revenue up £15m including Beauty partly offset by the non-renewal of the watch licence

- Cumulative cost savings: £100m, an incremental £36m on FY 2017/18

Currency: At 30 April spot rates, the expected impact of year-on-year exchange rate movements on reported adjusted operating profit is c.£40m adverse. This is an adverse movement of c.£15m due to Sterling appreciating since our guidance of a £25m headwind was given in January 2018. The headwind to revenue is expected to be c.£45m.

Currency sensitivity: In FY 2017/18, a +/-5% move in Sterling would have resulted in a -/+£45-£50m impact on the adjusted operating profit of £467m.

Adjusting items: No change to total expected one-off costs of c.£110m. In FY 2018/19 £35m of one-off restructuring costs expected due to phasing between FY 2017/18 and FY 2018/19.

£M YEAR ENDED MARCH	2017	2018	2019F	2020F	Total
Guidance November 2017	21	75	14	-	110
Change		(21)	21		-
Revised guidance	21	54	35	-	110
Cumulative cost savings	20	64	100	120*	

* annualised

Tax rate: A c.100bps reduction to about 24% as we move towards a range of 23%-24% by FY 2019/20

Capital expenditure: £160m-£170m, higher than originally guided due to phasing between FY 2017/18 and FY 2018/19

Buyback: £150m to be completed in FY 2018/19

FY 2019/20
Broadly stable revenue and adjusted operating margin

- Cumulative annualised cost savings: £120m

^ Guidance assumes constant exchange rates, a stable economic environment and current tax legislation unless otherwise stated

STORE PORTFOLIO

	Directly-operated stores				
	Stores	Concessions	Outlets	Total	Franchise stores
At 31 March 2017	252*	157*	60	469	48
Additions	5	8	1	14	-
Closures	(17)	(10)	(7)	(34)	(2)
At 31 March 2018	**240**	**155**	**54**	**449**	**46**

STORE PORTFOLIO BY REGION

	Directly-operated stores				
AT 31 MARCH 2018	Stores	Concessions	Outlets	Total	Franchise stores
Asia Pacific	99*	90*	15	204	6
EMEIA	70	59	21	150	40
Americas	71*	6*	18	95	-
Total	**240**	**155**	**54**	**449**	**46**

* 41 directly operated stores in Asia Pacific and 2 in the Americas reclassified as mainline from concession to better reflect the operations of the stores

Exchange rates: Spot rates at 30 April 2018: Euro 1.14, US dollar 1.38, Chinese Yuan Renminbi 8.71, Hong Kong Dollar 10.81, Korean Won 1,473

ALTERNATIVE PERFORMANCE MEASURES

The following alternative performance measures are used to describe the Group's financial performance. These non-GAAP measures are used for internal budgeting, performance monitoring, management remuneration and for external reporting purposes.

The definition of adjusting items is contained in Note 7 of the Financial Statements.

Constant Exchange Rates (CER) removes the effect of changes in exchange rates compared to the prior period. This takes into account both the impact of the movement in exchange rates on the translation of overseas subsidiaries' results and also on foreign currency procurement and sales through the Group's UK supply chain.

Comparable sales is the year-on-year change in sales from stores trading over equivalent time periods and measured at constant foreign exchange rates. It also includes online sales.

Revenue excluding Beauty wholesale is presented to exclude Beauty wholesale revenue of £73m (2017: £171m) from total revenue to provide an understanding of the revenue of the business following the disposal of the Beauty business in October 2017.

Cumulative cost savings are savings compared to FY 2015/16 operating expenses.

Free cash flow is defined as net cash generated from operating activities, £678m (2017: £561m), less capital expenditure plus cash inflows from disposal of fixed assets, £105m (2017: £96m) and excluding the one-off cash inflow for deferred income of £100m (2017: nil) arising from the Beauty licence and associated cash outflow for costs relating to the Beauty disposal of £11m (2017: £nil) (see notes 6 and 7 of the Financial Statements). FY 2017/18 free cash flow £484m (2017: £465m).

Cash conversion is defined as free cash flow pre tax/ adjusted profit before tax. Adjusted profit before tax £471m (2017: £462m).

Lease-adjusted net debt is defined as five times minimum lease payments, adjusted for charges and utilisation of onerous lease provisions, less net cash. This is considered to be a reasonable estimate of operating lease debt which is currently off balance sheet. See note 5 of the Financial Statements.

CAPITAL ALLOCATION FRAMEWORK

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

REINVEST FOR ORGANIC GROWTH

1

Store portfolio
- New space and renovation
- IT infrastructure, digital and supply chain

PROGRESSIVE DIVIDEND POLICY

2

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

STRATEGIC INVESTMENTS

3

- Investment in structural changes to business activities that typically tend to be infrequent
- In FY 2017/18 we had an inflow relating to Beauty transitioning to a strategic partnership with Coty

RETURN EXCESS CASH TO SHAREHOLDERS

4

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

Maintain strong balance sheet with solid investment grade credit metrics

- Review the principal risks of the Group and the relevant financial parameters, both historical and projected, including net cash, lease-adjusted net debt and measures covering balance sheet strength and fixed charge cover.
- These risks are considered by the Board when assessing the viability of the Group, as set out on page 67.

Capital structure metrics	**FY 2017/18**	FY 2016/17
Net cash	**£892m**	£809m
Lease-adjusted net debt	**(£327m)**	(£388m)

Burberry has applied its capital allocation framework during the year ended 31 March 2018, as follows:

- Reinvested £106m into the business as capital expenditure.
- Increased its full year dividend by 6% to 41.3p.
- Received a net inflow of £150m relating to the transition of Beauty to a strategic partnership with Coty.
- Returned a further £355m to shareholders via a share buyback programme.

RISK AND VIABILITY REPORT

OUR APPROACH TO RISK

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

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

The Audit Committee has been delegated the responsibility for reviewing the effectiveness of the Group's internal controls and risk management arrangements. Ongoing review of these controls is provided through internal governance processes and the work of the Group functions is overseen by executive management, particularly the work of our Group Risk and Assurance Team and the Management Risk Committee.

Our risk management process is an integral part of our business, which is coordinated by our Group Risk and Assurance Team, reporting to our Chief Operating and Financial Officer. Risk management activities include identifying risks, undertaking risk assessments and determining mitigating actions. These activities are reviewed by Internal Audit and other control functions, which provide assurance to our Management Risk Committee, and ultimately to our Board of Directors and Board Committees, as shown in the diagram below.

BOARD OF DIRECTORS AND BOARD COMMITTEES

Responsible for regular oversight of risk management, for annual strategic risk review and setting the Group's risk appetite	Monitors risks through Board processes (Strategy Review, Audit Committee), management reports and deep dives of selected risk areas	Audit Committee reviews effectiveness of risk management process with support from Internal Audit

↑

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

Reviews external and internal environment for emerging risks Performs deep dive reviews of principal risks Reviews risk register updates from risk owners	Meets at least three times per year and reports key findings to the Audit Committee Cross-functional attendees, encompassing senior management from IT, Finance, Legal, HR, Supply Chain and Retail	Identifies changes to significant risks and the effectiveness and adequacy of mitigating actions to achieve agreed risk tolerance levels

↑

GROUP RISK & ASSURANCE TEAM	FUNCTIONS AND BUSINESS RISK OWNERS	INTERNAL AUDIT AND COMPLIANCE FUNCTIONS
• Establishes risk management framework • Facilitates updates to risk registers • Provides resources and training to support process • Prepares Board and Management Risk Committee updates	• Carry out day-to-day risk management activities • Identify and assess risk and implement action to mitigate risk within their area • Assign owners to risks to update risk registers	• Review risk management process periodically • Functions provide independent assurance to management and Board on risk status (Health & Safety, Legal, Brand Protection, Quality, Asset and Profit Protection, Responsibility)

RISK APPETITE

This year, we have strengthened our definition of risk appetite and integrated this into our wider risk management framework to support better decision making. This exercise was reviewed and validated by the Board and, going forward, will be performed on an annual basis.

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

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

OUR PRINCIPAL RISKS

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

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

We have updated the descriptions and mitigating actions of several of our principal risks to reflect the new strategic priorities that have been announced. We have also reviewed whether the level of risk associated with each of the principal risks is increasing or decreasing compared to last year and noted new risks which do not have a comparison.

STRATEGIC AND FINANCIAL RISKS

EXECUTION OF STRATEGIC PLAN

Focused execution of the strategy through our six Strategic Pillars: Product, Communication, Distribution, Digital, Operational Excellence and Inspired People is key to sustainable shareholder value.

Success depends on the value and relevance of our brand to global luxury consumers around the world and our ability to innovate. Failure to execute these strategies successfully could result in under-delivery of the expected growth, productivity and efficiency targets. This could have a significant impact on the value of the business and market confidence that we can deliver the strategy.

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

Change from FY 2016/17: ↓ During the year we have focused on building the team to develop and deliver our strategy and detailed plans.

LINK TO STRATEGY

All strategic pillars.

RISK TOLERANCE

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

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

EXAMPLES OF RISKS

Firmly positioning the brand in luxury is dependent on creating new and innovative luxury products that excite our global customers. If we are unable to innovate effectively and introduce these new products to the market with speed, our sales or margins could be adversely affected.

Our development and deployment of content through communication channels does not create sufficient brand heat globally.

We do not achieve the required organisational alignment and enhance our capabilities and culture to compete and grow effectively at the pace required to deliver the targets.

Failure to sufficiently transform operational processes undermines our ability to deliver the required cost savings and margin improvements.

Failure to deliver the technology innovation required to empower changes in the Group's business model and to deliver the anticipated benefits from key investment strategies in Digital, Retail and Group operations.

ACTIONS TAKEN BY MANAGEMENT

- Throughout the year we have focused on building the capabilities to develop and deliver our strategy. The Executive Team is accountable for the conduct of these programmes and delivery of outcomes in accordance with our Board-approved plan.
- A Transformation Management Office coordinates delivery of the programme, monitoring risks of each of the major programmes and tracking progress and benefits.
- During FY 2017/18 we introduced a new assortment of products and full looks to inspire the new fashion consumer, launched our new line of leather goods and appointed a new Chief Creative Officer.
- We have increased our focus on digital and social channels. We started our content revolution in 2017 and re-launched our website, burberry.com, in early 2018.
- Our Inspired People initiative includes targeted programmes to inform and engage employees about the strategy, develop leadership capabilities and drive the right behaviours.
- Our Operational Excellence programme is in progress as demonstrated by the successful opening of Burberry Business Services in Leeds.
- There is a clear IT strategy prepared by the Chief Information Officer and IT Leadership Team comprised of a portfolio of IT projects linked to the Company's strategic objectives.

FOREIGN EXCHANGE

Volatility in foreign exchange rates could have a significant impact on the Group's reported results.
Burberry is exposed to uncertainty through foreign exchange movements.

Change from FY 2016/17: ←→ No change

LINK TO STRATEGY

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

RISK TOLERANCE

The Group does not currently seek to manage structural foreign exchange risk relating to intercompany transactions with its overseas retail operations.

EXAMPLES OF RISKS

The Group operates on a global basis and earns revenues, incurs costs and makes investments in a number of currencies. The Group's financial results are reported in Sterling. Most reported revenues are earned in non-Sterling currencies, with a significant proportion of costs in Sterling. Therefore, changes in exchange rates which are driven by several factors, such as global economic trends, Brexit or other developments, can impact the Group's revenues, margins, profits and cash flows.

ACTIONS TAKEN BY MANAGEMENT

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

OPERATIONAL RISKS

LOSS OF DATA OR CYBER ATTACK

A cyber attack results in a system outage, impacting core operations and/or results in a major data loss leading to reputational damage and financial loss.
The Group's technology environment is critical to success. A robust control environment helps decrease the risks to core business operations and/or major data loss.

Change from FY 2016/17: ←→ No change

LINK TO STRATEGY

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

RISK TOLERANCE

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

EXAMPLES OF RISKS

Denial of service resulting in disruption of business activities.
An external hacker exploits a security vulnerability resulting in a loss of system control and/or major data loss.
A malicious insider abuses privileged access to gain entry to sensitive information and/or conduct unauthorised activities.
Malware results in a loss of system control causing business disruption and/or major data loss.
Fines due to failure to prepare for the General Data Protection Regulations (GDPR).

ACTIONS TAKEN BY MANAGEMENT

- Established a cross-functional Cyber Security Steering Group with Executive membership and sponsorship.
- Continued investment in the cyber security programme and completion of independent risk assessments to validate the strategy and identify capabilities required to achieve the appropriate levels of security.
- Cyber security status reporting through monthly scorecards reported to Executive and IT Management.
- Security Monitoring, which provides monitoring of the network and computers 24/7, 365 days a year, supported by robust security incident response processes.
- Creation of an Information Security Advisory function to embed security in new projects and initiatives.
- Development of a Security Training and Awareness campaign rolled out to employees.
- GDPR and Social Media Privacy Steering Group, a cross-functional group that meets monthly to review data controls around existing systems as well as assess the potential data risks (from both a legal and reputational perspective) associated with new IT, Marketing, Retail and Digital initiatives across the Group.
- Creation of the Data Protection office to monitor internal processes and ensure policies are adhered to in respect of the collection, security, storage, retention and privacy of data.

PEOPLE

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

Change from FY 2016/17: ←→ No change

LINK TO STRATEGY

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

RISK TOLERANCE

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

EXAMPLES OF RISKS

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

ACTIONS TAKEN BY MANAGEMENT

- Our Board and Audit Committee regularly review key talent and resource risks.
- Global campaign, run by our leaders, to inform and engage our people around the strategy and behaviours.
- Codification and roll-out of aligned Burberry Behaviours, embedded in performance management and incorporated into strategy campaign.
- A global employee engagement survey was carried out this year with specific action plans now in progress to address the results. Focus on visible engagement moments including Burberry Disrupted pilot and global CEO Town Hall for strategy launch.
- Creation of, and execution against, capability maps including new hires to address immediate priority gaps.
- Introduction of simplified, more effective new performance management process across the business.
- Roll out of Powerful Conversations training to upskill line manager coaching capability and drive performance.
- A new leadership development programme has been built around Burberry Behaviours, to engage and equip leaders – first intervention Summer 2018.
- Our Executive Team ensures there is a competitive total reward offering, both financial and non-financial, to retain our people and to attract new hires.

IT OPERATIONS

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

Change from FY 2016/17: ←→ No change

LINK TO STRATEGY

All strategic pillars.

RISK TOLERANCE

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

EXAMPLES OF RISKS

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

ACTIONS TAKEN BY MANAGEMENT

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

SUSTAINABILITY AND CLIMATE CHANGE

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

To address long-term sustainability challenges and understand potential impacts of climate change on our business, in both operational and financial terms, an exercise is in progress, facilitated by a third party, to explore future trends and climate change scenarios and consider how they could affect our business model. This exercise will inform the development of cross-functional action plans to help mitigate long-term risks and future-proof our business.

Change from FY 2016/17: New

LINK TO STRATEGY

Our commitment to being an industry leader in responsible, sustainable luxury is embedded in our Product and Inspired People strategic pillars. This underpins and supports our strategic focus to establish ourselves firmly in luxury fashion and deliver sustainable, long-term value.

RISK TOLERANCE

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

EXAMPLES OF RISKS

Resource scarcity, coupled with increasing demand, could affect production, availability, quality and cost of raw materials.

Increased frequency of extreme weather events, from floods to droughts, could cause disruption in our supply chain and impact the sourcing of raw materials, as well as the production and distribution of finished goods.

Increased regulation and more stringent environmental standards could impact our business by affecting production costs and flexibility of operations.

Our industry is sustained by many agricultural and manufacturing communities around the world. Failure to support them in preserving key skills and building more sustainable livelihoods could cause social, economic and operational challenges, ranging from community tensions and disruption to production, to a reduced talent pool.

ACTIONS TAKEN BY MANAGEMENT

- Our Chief People, Strategy and Corporate Affairs Officer is responsible for ethical trading, community investment and environmental sustainability matters and regularly reports on these topics to the Management Risk Committee and the Board.
- A new responsibility strategy was launched in June 2017, setting ambitious five-year goals: to drive positive change through all products, to become carbon neutral, to revalue waste, and to positively impact one million people by 2022.
- Long-standing responsibility programmes are continuously reviewed and improved. Our Ethical Trading Programme focuses on ensuring labour and human rights standards are met, while our new strategy takes us beyond compliance to enhance worker wellbeing and livelihoods in our supply chain. Our Energy & Water Reduction Programme continues to drive resource efficiency in our direct and indirect operations, while our new strategy includes a commitment to switch to 100% renewable energy by 2022.
- Alternative, high quality and sustainable materials are being continuously explored and used in our product range. A new Burberry Foundation partnership with the Royal College of Art focuses on driving innovation and creating more sustainable materials and processes for our industry.
- As part of our new responsibility strategy for 2022, we aim to positively impact one million people in the communities sustaining our industry. To achieve this, we have supported the Burberry Foundation in setting up long-term community programmes with leading organisations, focused on enhancing youth employability, community cohesion and sustainable farming.

BUSINESS INTERRUPTION

A major incident at one of the Group's main locations, at its suppliers or affecting key products, which significantly interrupts the business.
This could be caused by a wide range of events including natural catastrophe, fire, terrorism, or quality control failures.

Change from FY 2016/17: ↑ This risk has increased due to the expansion at the Group's largest distribution centre.

LINK TO STRATEGY

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

RISK TOLERANCE

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

EXAMPLES OF RISKS

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

ACTIONS TAKEN BY MANAGEMENT

- We have policies and procedures designed to ensure the health and safety of our employees and products and to deal with major incidents, including business continuity and disaster recovery.
- The Group continues to evolve its supply chain organisational design to develop its manufacturing base, reducing dependence on key sites and vendors.
- A Group incident management framework is in place to ensure that incidents are reported and managed effectively. Across the Group, our Incident Management Teams managed 34 incidents in the year. Ten of these related to severe weather warnings, including Hurricanes Harvey and Irma in the USA. Nine related to potential terrorist incidents in cities where we have stores or employees and we moved quickly to ensure our customers, employees and assets remained safe and secure. The remainder covered a range of more minor issues including loss of utilities. In addition, our Group Incident Management Team took part in training and incident management exercises involving large parts of the Group, our customers, shareholders and media relations function. Our plans as tested during the year were found to be effective.
- Our product suppliers and vendors are subject to a quality control programme which includes regular site inspections and independent product testing.
- Robust security arrangements are in place across our store network to protect people and products in case of security incidents.
- Full business continuity plans are in place for our ten main sites including the three major distribution centres and our two factories. Business continuity plans have been established and tested at Burberry Business Services in Leeds. The Group's key IT systems are protected to prevent and minimise any potential interruption. This includes resilient design and the provision of disaster recovery services to continue operating within pre-agreed times in case of a major incident. Our plans as tested during the year were found to be effective.
- Management regularly review and manage business continuity and disaster recovery risks recognising that these plans cannot always ensure the uninterrupted operation of the business, particularly in the short term.
- A comprehensive insurance programme is in place to offset the financial consequences of insured events, including fire, flood, natural catastrophes and product liabilities.

COMPLIANCE RISKS

REGULATORY RISK & ETHICAL/ENVIRONMENTAL STANDARDS

The Group's operations are subject to a broad spectrum of national and regional laws and regulations in the various jurisdictions in which we operate.
These include product safety, trademarks, competition, employee and customer health & safety, data, corporate governance, employment and tax. Changes to laws and regulations or a major compliance breach could have a material impact on the business.

Change from FY 2016/17: ↑ This risk has increased due to the increasing regulatory requirements in the year, e.g. General Data Protection Regulations (GDPR).

LINK TO STRATEGY

Compliance with applicable laws and regulations and doing the right thing underlie all our strategic pillars.

RISK TOLERANCE

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

EXAMPLES OF RISKS

Regulatory non-compliance.
Failure by the Group or associated third parties to act in an ethical manner consistent with our code of conduct and our responsibility strategy, for example with regard to model wellbeing.
Non-compliance with labour, human rights and environmental standards across our own operations and extended supply chain would go against our Responsible Business Principles and could result in financial penalties, disruption in production and reputational damage to our business.
Failure to prepare for the GDPR.
Tax is a complex area where laws and their interpretations are changing regularly leading to the risk of unexpected tax and financial loss exposures.

ACTIONS TAKEN BY MANAGEMENT

- The Group monitors and seeks to continuously improve processes to gain assurance that its licensees, suppliers, franchisees, distributors and agents comply with the Group's contractual terms and conditions, its ethical and business policies and relevant legislation.
- Specialist teams at corporate and regional level, supported by third-party specialists where required, are responsible for ensuring employees are aware of regulations relevant to their roles.
- Assurance processes are in place to monitor compliance in a number of key risk areas, with results being reported to our Ethics Committee, Management Risk Committee and Audit Committee.
- We have an established framework of policies that aim to drive best practice across our direct and indirect operations, including our Responsible Business Principles and Global Environmental Policy. Policies are available at www.burberryplc.com, are owned by senior leadership, issued to all supply chain partners and implementation monitored on a regular basis.
- We have established a GDPR Steering Committee to oversee compliance with GDPR legislation.
- International tax reform is a key focus of attention.
- Roll out of annual mandatory training to all employees and to targeted functions to ensure awareness and compliance with our policies governing anti-bribery and anti-corruption (ABAC), insider dealing, annual conflict declarations, including, anti-bribery and anti-corruption training, insider dealing, annual conflict declarations, criminal finances, anti-money laundering and privacy.
- Our culture and policies encourage employees to speak up and report any issues without fear of retribution. A global confidential employee helpline is in place in substantially all countries where we have retail and corporate locations, and where it is legally permitted. All calls and emails are logged and independently reviewed and followed up. During the year 110 cases were received and the results and themes are reviewed at the Ethics Committee. No significant issues were identified from these cases during the year.
- In accordance with our ABAC policy, annual training is required to be performed. This year the annual e-learning module was rolled out to all corporate staff and manufacturing and retail employees of manager level and above, a total of 2,978 employees. The training reached a 99% completion rate. Any incidents or potential areas of concern are investigated by highly experienced investigators in our Asset Profit and Protection team and ABAC risks are covered as part of the scope of Internal Audit reviews. During the year there were no material ABAC related issues.

INTELLECTUAL PROPERTY

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

Change from FY 2016/17: ←→ No change

LINK TO STRATEGY

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

RISK TOLERANCE

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

EXAMPLES OF RISKS

Counterfeiting, parallel trade, copyright, trademark and design infringement in the marketplace can reduce the demand for genuine Burberry merchandise and impact on revenues.
Unauthorised use of trademarks and other IP, as well as the unauthorised sale of Burberry products and distribution of counterfeit products, damages the Burberry brand image and profits.
Allegations from third parties of IP infringement by Burberry could result in significant damages claims, financial loss through withdrawing infringing products and negatively impact Burberry's reputation.

ACTIONS TAKEN BY MANAGEMENT

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

EXTERNAL RISKS

MACRO-ECONOMIC AND POLITICAL INSTABILITY

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

Change from FY 2016/17: ←→ No change

LINK TO STRATEGY

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

RISK TOLERANCE

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

EXAMPLES OF RISKS

The strategy does not address the changes created by macro-economic trends and uncertainty in the outlook for the luxury sector globally or within significant consumer groups, e.g. Chinese consumers.
Increased political instability and tension caused by the situation in North Korea may cause increased operational costs.

ACTIONS TAKEN BY MANAGEMENT

- Our global reach helps to mitigate reliance on particular consumer groups. We continue to focus on engaging with the Chinese luxury consumer, both in China and while travelling abroad. In addition, our brand has wide appeal across multiple consumer segments, including a broad set of ages and preferences.
- The risk associated with North Korea is outside our control. Korea is a key region for the overall business and the situation is being monitored by the Group Incident Management Team.

BREXIT

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

Change from FY 2016/17: New

LINK TO STRATEGY

Volatility caused by Brexit uncertainty may impact our overall financial performance.

RISK TOLERANCE

Although we have a low tolerance for risk caused by Brexit there is still uncertainty about the long-term impact.

EXAMPLES OF RISKS

Additional customs duty from the cessation of existing free trade agreements and VAT cash flow costs at the new UK trade border.
Impact on some current business roadmaps.
Extended supply lead times increasing working capital.
Uncertainty over the rights of EU nationals which has increased the risk of losing talent. Exchange and interest rate volatility impacting Group revenues, margins, profits and cash flow.

ACTIONS TAKEN BY MANAGEMENT

- A transitional arrangement potentially offers some temporary relief to December 2020 and, assuming agreement, should provide 18 months' more time for mitigation planning and implementation.
- Our Brexit Steering Committee continually monitors the evolving impact of Brexit and oversees our response.
- AEO accreditation would mitigate supply chain risks and continues to be pursued.
- Engagement with UK government departments to ensure they are fully informed of our circumstances and concerns, through appropriate representation.

RISK MANAGEMENT ACTIVITIES IN FY 2017/18 & PLANS FOR FY 2018/19

THE BOARD AND ITS COMMITTEES UNDERTOOK A NUMBER OF RISK MANAGEMENT ACTIVITIES THROUGHOUT THE YEAR AS FOLLOWS:

IDENTIFICATION OF RISKS

We identify and review risk through two processes:

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

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

STRATEGIC RISK

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

RISK APPETITE

The Group's risk appetite and tolerance levels were presented to the Board and approved in March 2018. These will be used to set tolerance limits and target risks for each of the principal risks and refine mitigation plans.

MANAGEMENT ACTIONS & DEEP DIVES

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

Our Internal Audit function also periodically reviews the risk management process.

We have undertaken a number of 'deep dives' at Board and Audit Committee level into the management of certain risks:

- **IT/Cyber**: Report to each Audit Committee on IT and cyber security.
- **Compliance and Legal**: Regular reports on compliance matters and risks to the Management Risk Committee, including updates on intellectual property and litigation, and compliance with GDPR.
- **Talent Management**: Annual discussion on succession planning by the Board, presentation on culture and values at the Strategy Review.
- **Operational**: Presentations to the Audit Committee on inventory, the supply chain, and reports on quality risks.
- **Financial**: Presentations to the Audit Committee on the Group's hedging policy.
- **Change Programmes**: Presentation to the Board on Burberry Business Services and site visit to the new office in Leeds.

OUR VIABILITY STATEMENT

ASSESSMENT OF PROSPECTS

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

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

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

The Group's strategy is set out on pages 24 to 43.
Key factors affecting the Group's prospects over the period of viability assessment and the longer term are:

- Our brand, Burberry, supports the Group's performance and provides a platform for future growth.

- The performance of our products. We are reshaping our offer and increasing and invigorating the fashion content. We will create compelling luxury leather goods and accessories to attract new customers. We will build on the strength of our apparel and re-energise it. We will build our offer to provide a complete look for our customers, while continuing to simplify our ranges.

- The success of our communications. We will put products at the centre of our communications. We will leverage our extensive digital reach to convey new energy. We will be bold in the way we engage luxury consumers, reinventing our editorial content and experiences.

- The customer's experience when interacting with the brand. We will transform our in-store experience by refurbishing our stores and enhancing our luxury service. We will continue to lead innovation in digital, delivering personalised experiences and true omnichannel services.

- Our financial discipline. We will continue to focus on productivity, simplification and financial discipline and maintain our commitment to the capital allocation framework.

VIABILITY ASSESSMENT

During the year, our Directors have carried out a robust assessment of the Principal Risks of the Group, which is set out on pages 56 to 65. The directors have also identified the nature and potential impact of those risks on the viability of the Group, together with the likelihood of them materialising.

This analysis has then been used to carry out an assessment of the ability of the Group to continue in operation and meet its obligations. The assessment covers the three-year period from April 2018 to March 2021. This was considered appropriate by the Directors because:

- It is sufficient to complete almost all currently approved capital expenditure projects.

- As the Group does not have significant amounts of contracted income, and as most current projects will be completed in the three-year period, any projections beyond March 2021 will only vary as a result of estimates of sales growth and cost growth assumptions.

The assessment process consisted of stress testing, combined with considering potentially significant one-off impacts. The stress testing involved estimating the impact of revenue sensitivities on profitability and cash generation over the three year period, together with reverse stress testing to identify the theoretical revenue sensitivity that the Group could absorb, without impacting its viability.

Potential one-off impacts modelled were a major breach in cyber systems or information security, a major incident at a key location or supplier and a significant change in sterling foreign exchange rates.

The sensitivities took account of the likely mitigating actions available to the Directors through adjustments to the operating plan in the normal course of business, including a reduction in variable costs related to sales. They also took account of the impact of changes in performance on returns to shareholders, while adhering to our dividend policy.

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

Based on this assessment, our Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities over the period to March 2021.

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

GOVERNANCE REPORT

CHAIRMAN'S INTRODUCTION

SIR JOHN PEACE
Chairman

DEAR SHAREHOLDER,

On behalf of the Board, I am pleased to present the corporate governance report for the year ended 31 March 2018.

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

As Chairman, I am responsible for leading and ensuring an effective Board. In an important year of change for Burberry, as highlighted in my letter, I am pleased to report that the Board operated effectively during the year. In particular, the Board has contributed significantly in providing constructive challenge in support of the review and approval of and subsequent monitoring of the implementation of the Company's new strategy. The Board also played an important role in the search for and appointment of the new Chief Creative Officer and in the search for my successor as Chairman.

Also highlighted is the outcome from our annual Board effectiveness review. This external review confirmed that the Board has a relevant mix of skills and experience, and its agenda has the right focus. It highlighted some areas where our effectiveness can be enhanced in preparation for the future. I would like to thank Board members for their dedication and hard work during the year.

The principal corporate governance rules applying to Burberry, as a UK company listed on the London Stock Exchange, for the year ended 31 March 2018 are contained in the UK Corporate Governance Code, as updated and published by the Financial Reporting Council (FRC) in April 2016 (the Code), and the UK Financial Conduct Authority (FCA) Listing Rules. These require companies to describe in the Annual Report their corporate governance from two points of view: the first dealing generally with our application of the Code's main principles and the second dealing specifically with non-compliance with any of the Code's provisions. On the following pages, we have provided the appropriate descriptions of our governance arrangements in relation to the Code and confirm that, throughout the year, the Directors consider Burberry has complied with all relevant provisions.

More recently, the FRC published a consultation paper on proposed revisions to the UK Corporate Governance Code. The FRC is aiming to publish a final version of the Code by early summer 2018, and the new Code requirements will apply to accounting periods beginning on or after 1 January 2019.

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

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

During the coming year, the Board will continue to focus on the progress against our strategic goals and performance, as Burberry embarks on a new chapter.

SIR JOHN PEACE
Chairman

BOARD OF DIRECTORS

CHAIRMAN

SIR JOHN PEACE (69) †
Chairman
Sir John Peace became Chairman of the Board in June 2002 and is also Chairman of the Nomination Committee. Previously he was Chairman of Standard Chartered PLC from 2009 to 2016, Chairman of Experian plc from 2006 to 2014, and Group Chief Executive of GUS plc from 2000 to 2006. Sir John is Lord-Lieutenant of Nottinghamshire and was knighted in 2011 for services to business and the voluntary sector.

EXECUTIVE DIRECTORS

MARCO GOBBETTI (59)
Chief Executive Officer
Marco Gobbetti became Chief Executive Officer in July 2017. Marco joined Burberry from French luxury brand Céline, where he was Chairman and CEO from 2008 to 2016. Prior to this, he served as Chairman and CEO of Givenchy and CEO of Moschino. He has also worked at Bottega Veneta and Valextra.

JULIE BROWN (56)
Chief Operating and Financial Officer
Julie Brown became Chief Operating and Financial Officer in January 2017. Julie was CFO of Smith & Nephew from 2013 to 2017. Prior to this, she worked at ICI and AstraZeneca plc from 1987, where she held the positions of Interim Group CFO, Vice President Group Finance, Vice President Corporate Strategy and Regional Vice President Latin America. She is also a non-executive director and Audit Committee Chair of Roche Holding Ltd.

NON-EXECUTIVE DIRECTORS

FABIOLA ARREDONDO (51) †‡
Non-executive director
Fabiola Arredondo was appointed as a non-executive director in March 2015. Fabiola is currently the Managing Partner of Siempre Holdings, a private investment firm based in the US. She is also a non-executive director of Campbell Soup Company, National Public Radio (NPR), and a National Council Member of the World Wildlife Fund and Member of the Council on Foreign Relations. Prior to Siempre Holdings, Fabiola held senior operating roles at Yahoo! Inc., the BBC and Bertelsmann AG. She has also previously served as a non-executive director of Rodale Inc., Experian plc, Saks Incorporated, Intelsat Inc., BOC Group plc, Bankinter S.A., Sesame Workshop and the World Wildlife Fund UK and US.

IAN CARTER (56) †‡
Non-executive director
Ian Carter was appointed as a non-executive director in April 2007. Ian is President of Hilton Global Development and Chairman of Del Frisco's Restaurant Group, Inc. Previously, he was CEO of Hilton International Company and Executive Vice President of Hilton Hotels Corporation. He was a director of Hilton Group plc until the acquisition of Hilton International by Hilton Hotels Corporation in February 2006. Ian previously served as an Officer and President of Black & Decker Corporation.

JEREMY DARROCH (55) *†
Senior Independent Director
Jeremy Darroch was appointed as a non-executive director in February 2014 and is Chairman of the Audit Committee. He is also the Senior Independent Director. He is CEO of Sky plc, a position he has held since 2007, having joined the company as CFO in 2004. Prior to Sky, Jeremy was Group Finance Director of DSG International plc (formerly Dixons Group plc) and spent 12 years at Procter & Gamble in a variety of roles in the UK and Europe. Jeremy also previously served as a non-executive director and Chairman of the Audit Committee of Marks and Spencer Group plc.

RON FRASCH (69) †‡
Non-executive director
Ron Frasch was appointed as a non-executive director in September 2017. Ron is currently CEO of Ron Frasch Associates LLC, an Operating Partner of Castanea Partners Inc., and is also a non-executive director of Crocs Inc. Ron previously held positions of President and Chief Merchandising Officer, and Vice Chairman of Saks Fifth Avenue Inc., between 2004 and 2013, and was Chief Executive of Bergdorf Goodman Inc., between 2000 and 2004.

STEPHANIE GEORGE (61) †‡
Non-executive director
Stephanie George was appointed as a non-executive director in March 2006. She is an adviser to Penske Media Corporation and was recently Vice Chairman of Fairchild Fashion Media Inc. (parent of Women's Wear Daily). Stephanie also sits on the Board of Lincoln Center. Previously, she was Executive Vice President and Chief Marketing Officer at Time Inc., and spent 12 years at Fairchild Publications.

MATTHEW KEY (55) *†
Non-executive director
Matthew Key was appointed as a non-executive director in September 2013. Matthew was a non-executive director of OSN (a leading pay TV operator across the Middle East) between 2015 and 2018 and a member of the advisory board of Samsung Europe between 2015 and 2017. Previously, Matthew was Chairman and CEO of Telefónica Digital, the global innovation arm of Telefónica. He also previously served as Chairman and CEO of Telefónica Europe plc (formerly O2 plc), CEO and CFO of O2 UK and CFO for Vodafone UK. Prior to this, he held various financial positions at Kingfisher plc, Coca-Cola & Schweppes Beverages Limited and Grand Metropolitan Plc. Matthew has been Chairman of the Dallaglio Foundation, which is a charity focused on disengaged youth, since 2014.

DAME CAROLYN McCALL (56) *†
Non-executive director
Dame Carolyn McCall was appointed as a non-executive director in September 2014. Carolyn is Chief Executive of ITV plc, a position she has held since January 2018. Prior to ITV, she was Chief Executive of easyJet plc and held a number of roles at Guardian Media Group plc, including Chief Executive from 2006 to 2010. She has also previously served as a non-executive director of Lloyds TSB, Tesco PLC and New Look plc. Carolyn was awarded the OBE for services to women in business in June 2008, and a Damehood for services to the aviation industry in January 2016.

ORNA NiCHIONNA (62) †‡
Non-executive director
Orna NiChionna was appointed as a non-executive director in January 2018 and is Chair of the Remuneration Committee. Orna is currently Senior Independent Director at Saga plc and Royal Mail plc, where she also chairs the Remuneration Committee, as well as Deputy Chairman at the National Trust. She is also Chair of Client Service at Eden McCallum. Orna has previously served on the Boards of Bupa, HMV, Northern Foods and Bank of Ireland UK, and has been advisor to Apax Partners LLP. She spent 18 years at McKinsey & Company, where she co-led their European Retail Practice.

Key to membership of Committees
* Audit Committee
† Nomination Committee
‡ Remuneration Committee

Philip Bowman and Christopher Bailey stepped down from the Board on 31 October 2017 and 31 March 2018, respectively.

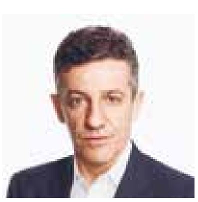
EXECUTIVE TEAM

MARCO GOBBETTI
Chief Executive Officer

JULIE BROWN
Chief Operating and Financial Officer

ROBERTO CANEVARI
Chief Supply Chain Officer

JUDY COLLINSON
Chief Merchandising Officer



GIANLUCA FLORE
President of Americas & Global Retail Excellence

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

GAVIN HAIG
Chief Commercial Officer

SARAH MANLEY
Chief Marketing Officer

PASCAL PERRIER*
Chief Executive Officer, Asia Pacific

LEANNE WOOD
Chief People, Strategy & Corporate Affairs Officer

*Pascal Perrier is leaving Burberry on 31 May 2018

CORPORATE GOVERNANCE REPORT

GOVERNANCE

This report sets out the Board's approach and work during FY 2017/18. Together with the Directors' Remuneration Report on pages 96 to 121, it includes details of how the Company has applied and complied with the principles and provisions of the Code.

OUR BOARD

Our Board currently consists of 11 members – the Chairman, Chief Executive Officer, Chief Operating and Financial Officer and eight independent, non-executive directors. A list of directors and their biographies is set out on pages 72 and 73.

Our Chairman, Sir John Peace, has led the Board as Chairman since 2002. Sir John is responsible for leading and managing the business of the Board and ensuring its overall effectiveness and governance. He also ensures the effective communication between the Board, management, shareholders and the Group's wider stakeholders.

Sir John works collaboratively with our Chief Executive Officer, Marco Gobbetti, in setting the Board agenda and ensuring that any actions agreed by the Board are effectively implemented.

During the year, the Chairman maintained regular contact and met with our Senior Independent Director and other non-executive directors outside formal Board meetings. He also met with our non-executive directors without the executive directors being present.

The Chairman is responsible to shareholders for the Company's performance and Sir John makes himself available to meet with the Company's main institutional shareholders. The major commitments of the Chairman are detailed in his biography on page 72.

Our Senior Independent Director, Jeremy Darroch, supports Sir John in his role, and leads the non-executive directors in the oversight of the Chairman. He is also available as an additional point of contact for shareholders.

The non-executive directors provide strong experience, an independent perspective and constructive challenge. They monitor the performance and delivery of the strategy within the risk parameters set by the Board.

Our Chief Executive Officer, Marco Gobbetti, is responsible for all commercial, operational and financial elements of managing the business. He is responsible for management, developing the Group's strategic direction for consideration and approval by the Board, and implementing the agreed strategy. He is assisted by members of his Executive Team (identified on page 74), who meet regularly.

Until his resignation from the Board on 31 March 2018, Christopher Bailey was President and Chief Creative Officer. He was responsible for all elements of brand and design, and shared responsibility for people and strategy with Marco, reporting directly to the Chairman.

The Company Secretary, Paul Tunnacliffe, joined the Company in September 2017 and acts as Secretary to the Board and all the Board's Committees. He is responsible for supporting the Chairman in delivering our corporate governance agenda.

THE ROLE OF THE BOARD

It is the responsibility of the Board to support management in its strategic aims to enable the Company to continue to perform successfully and sustainably for our shareholders and wider stakeholders.

The Board is ultimately responsible for promoting the long-term success of the Group. It leads and provides direction by setting strategy and overseeing its implementation by management. The Board is also responsible for oversight of the Group's systems of governance, internal control and risk management. Specific key decisions and matters have been reserved for approval by the Board. These include decisions on the Group's strategy, the annual budget and operating plans, major capital expenditure and transactions, and approval of financial results. They also include the dividend and other capital returns, approval of the Group's risk appetite and other governance issues. Matters reserved for the Board's decision are available on the Company's website at www.burberryplc.com under Corporate Governance.

ROLE OF THE BOARD COMMITTEES

The Board is supported in its activities by a number of Committees, including the Audit Committee, the Nomination Committee and the Remuneration Committee. The terms of reference of each of these principal Committees can be viewed at www.burberryplc.com under Corporate Governance.

The Committees can engage third-party consultants and independent professional advisers. They can also call upon other resources of the Group to assist them in discharging their respective responsibilities.

In addition to the Committee members and the Company Secretary, external advisers and, on occasion, other directors and members of our senior management team attend Committee meetings at the invitation of the Chair of the relevant Committee.

Set out on pages 90 to 94 is a report from the Audit Committee. The Directors’ Remuneration Report can be read on pages 96 to 121 and the section on the role and details of the Nomination Committee's role can be found on page 82.

HIGHLIGHTS OF BOARD ACTIVITIES DURING FY 2017/18

During the financial year, the Board met for six scheduled meetings, including an in-depth two-day session on strategy held in Chicago and a meeting held at the offices of Burberry Business Services in Leeds. Additional meetings were also held to further consider our strategy and the appointment of our new Chief Creative Officer. Further time was spent, including outside scheduled meetings, on the search for a Chairman successor and in relation to the appointments of non-executive directors.

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

Set out below and over the page is a more detailed breakdown of the principal areas of focus for the Board during the last financial year.

	TOPIC	ACTIVITY	OUTCOME
STRATEGY	Strategic review	• Assess insights gained from luxury consumer deep dive, including extensive primary quantitative and qualitative research • Review and debate the proposal to reposition the brand • For each region and function, discuss the roadmap, key milestones, priorities, risks and mitigating actions underpinning the long-term strategic plan • Review the plans for investor and external communications	• Throughout the process the Board provided feedback, questions and challenge • Following months of evaluation and refinement there was unanimous support for the strategic plan together with approval of next steps
MAJOR PROJECTS	Beauty and BBS	• Understand status of transaction with Coty for our Beauty business • Assess the ongoing business case in relation to Burberry Business Services (BBS). The Board visited BBS in March 2018, during which they engaged with various functions and met with key stakeholders of the project	• Continued support for the BBS project and future plans

	TOPIC	ACTIVITY	OUTCOME
FINANCE	Budget and capital allocation	• Review of the sector context and consideration of the FY 2018/19 indicative budget and financial plan • Consider the indicative capital allocation proposals	• Support in principle with final approval of the FY 2018/19 budget, the financial plan and the capital allocation proposals at the May 2018 meeting • Prior year (March & May 2017) budget and capital allocation agreed and delivered to plan
GOVERNANCE & RISK	Proposals for new UK Corporate Governance Code	• Discuss implications of the proposed new UK Corporate Governance Code such as workforce and stakeholder engagement	• Establishment of plans to address the key implications and the decision to have the items brought forward within the Board agenda planning for FY 2018/19
	Risk appetite	• Consider the Board's appetite for risk	• Approval of a Group risk appetite framework to apply to each of the Group's principal risks • Refer to pages 54 to 67 covering the Risk and Viability Report for further detail
PEOPLE, CULTURE & VALUES	Culture and engagement	• Review the Company-wide engagement plans, behaviours and other core initiatives in the context of the annual employee engagement survey results	• Support for the immediate strategic priorities and long-term roadmap
	Talent, capabilities and leadership	• Discuss core initiatives such as career development, the leadership programme and enhancing capabilities	• Ongoing support for programmes in place, and for the need to maintain momentum in this area
	Responsibility	• Discuss our charitable activities, including donations to the Burberry Foundation	• Approval to donate approximately 1% of FY 2017/18 adjusted profit before tax to social and community causes worldwide
SHAREHOLDER ENGAGEMENT	Shareholder feedback including activist themes	• Review updates from the Investor Relations team on share price, performance matters, register activity and analyst sentiment • Discuss specific issues raised by shareholders	• Board receives investor feedback monthly and an investor perception survey is captured externally periodically • Approval of the Investor Relations long-term plan • Inclusion of activist themes within the Board's strategic and/or other considerations
BOARD EFFECTIVENESS	Board evaluation	• Discuss the results of the externally facilitated Board evaluation and reflect on the effectiveness of the Board and its Committees	• Refer to pages 78 covering the Board evaluation for further detail

EVALUATING OUR PERFORMANCE IN FY 2017/18

Our Board undertakes a formal review of its performance and that of its Committees each financial year. We are also required to conduct an external evaluation once every three years. This year's review of the Board's and Committees' effectiveness was conducted in conjunction with Dr Tracy Long at Boardroom Review Limited. Neither Dr Long nor Boardroom Review Limited has any other connection with the Company.

The process included a briefing with the Chairman and Company Secretary; review of Board information; observation at Board and Committee meetings, including private sessions, a selection of interviews, and a short questionnaire in advance of a Board discussion, for which the themes covered Board and Committee objectives, the work and contribution of the Board and Board basics.

Recognising that the Company and the Board is in a period of transformation and change, the objectives for the Board discussion focussed on the Board's current strengths; its future challenges; and recommended areas of focus to prepare for the future.

The overall view arising from the evaluation and discussion was that the Board and its Committees had operated effectively during a year of significant change. The contribution of the Board and its Committees was illustrated by an open and supportive environment, a blend of different voices and leadership from the Chairman and the CEO. Throughout the year there had been an increasingly effective balance of time, with a sensible rhythm of meetings across the year, an improved balance of presentation versus debate during the meetings, the benefit of non-executive director only sessions and a higher quality of information. Strategic clarity was also recognised with a shared perspective of the strategic objectives, as was an increased attention to the risk and control framework. Additionally, in terms of people, the Board felt it had a good understanding of the corporate culture, with close attention to remuneration and the remuneration landscape.

In terms of developing the roadmap for the future, in addition to an ongoing focus on progress against our strategic goals and performance, the priority areas for the Board in the coming year are:

	AREAS OF FOCUS
An evolving internal and external landscape	• The development of KPIs to measure the implementation of the strategy • Enhanced horizon scanning, to ensure understanding of the implications for the Company • Optimising the value of site visits, and effective interaction with employees and stakeholders
Risk management	• Further development of the Company's appetite for risk, with risk management on the agenda at each meeting
Developing culture and talent	• Ensuring corporate culture and employee engagement remains on the Board's agenda • Executive succession planning, with more senior leadership engagement and a focus on longer term talent development
Optimisation of the Board composition and contribution	• Planning for the future composition of the Board, recognising its expected further evolution
Shareholder engagement	• Ensuring effective communication and consultation with shareholders

The Chairman and the Company Secretary will have the responsibility for monitoring progress against the areas of focus identified.

In terms of key themes from the previous year's evaluation, as outlined throughout this governance report, the Board's succession plan continued to be a priority and the aim of appointing additional non-executive directors to enable longer-serving members to step down was achieved. Additionally, the Board retained a focus on important strategic matters and tracked progress of the Company's productivity and efficiency programme.

DIRECTORS' PERFORMANCE

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

CHAIRMAN'S PERFORMANCE

Our non-executive directors consider that the Chairman has done an invaluable job in leading the Board during a year of significant change for the Company, and his leadership provided important stability in the context of Executive Team changes and the development and approval of our new strategy.

EXTERNAL DIRECTORSHIPS

Our Board's executive directors are permitted to hold only one external non-executive directorship. Details of the Directors' other directorships can be found in their biographies on pages 72 and 73.

TIME ALLOCATION

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

The Chairman and Senior Independent Director are expected to spend additional time over and above this to carry out their extra responsibilities. The Board considers that the Chairman and all non-executive directors fulfilled their time required commitments.

The table below gives details of Directors' attendance at Board and Committee meetings during the year ended 31 March 2018. This is expressed as the number of meetings attended out of the number that each Director was eligible to attend.

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

1. Where non-executive directors were unable to attend a meeting due to prior commitments or illness, where possible, they gave their views to the Chairman of that respective meeting ahead of the meetings being held
2. Philip Bowman stepped down from the Board on 31 October 2017
3. Marco Gobbetti was appointed to the Board and as Chief Executive Officer on 5 July 2017
4. Ron Frasch and Orna NiChionna joined the Board on 1 September 2017 and 3 January 2018, respectively
5. Christopher Bailey stepped down from the Board on 31 March 2018

MEMBERSHIP OF THE BOARD, INDEPENDENCE AND SUCCESSION

In relation to our non-executive directors, the Board continued to focus on building relevant skills and competencies for the future under its succession plan. The aim is to continue to refresh the Board while ensuring stability and continuity, particularly in the context of significant management change. The composition of the Board has evolved considerably over the past few years.

Our Board determined that all the current non-executive directors are independent (see below). The Board considers them to be experienced and influential individuals drawn from a wide range of industries and backgrounds. No one individual or group dominates the Board's decision-making. Biographical details of our current Directors can be found on pages 72 and 73.

At the time of the 2018 Annual General Meeting, Stephanie George will have served on the Board for 12 years, and Ian Carter for 11 years. The performance of both Stephanie and Ian has been subject to a rigorous review, including with regard to their independence. Their in-depth knowledge of the Group, combined with the consistency they provide through their continued service, remains invaluable to ensure a smooth transition of the Board and its Committees. They both continue to demonstrate the attributes of an independent non-executive director, including contributing to constructive challenge and debate at meetings, and no evidence was found that their tenure has impacted on their independence.

The Board is satisfied that Stephanie and Ian, and all of its non-executive directors, bring robust, independent oversight and continue to remain independent.

In anticipation of the retirement of Philip Bowman from the Board on 31 October 2017, Jeremy Darroch was appointed as Senior Independent Director on 1 July 2017. Ron Frasch and Orna NiChionna also joined the Board on 1 September 2017 and 3 January 2018, respectively.

On 13 April 2018, it was announced that Dr Gerry Murphy would be appointed to the Board on 17 May 2018 as Chairman Designate, and succeed Sir John Peace as Chairman at the conclusion of the Annual General Meeting to be held on 12 July 2018.

DIVERSITY

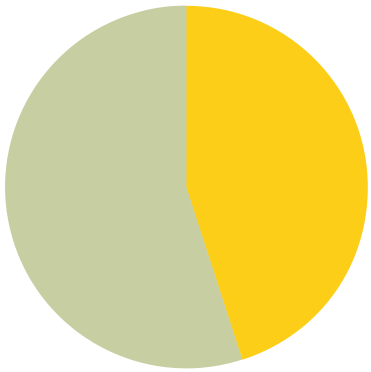
Board succession planning is focused on ensuring the right mix of skills and experience for the Board. All new appointments are based on merit, keeping in mind the Board composition principles. These principles are to:

- maintain current core competencies;
- add new competencies which reflect the evolution of the Group's business;
- ensure compatibility with Burberry's culture and values; and
- promote diversity, including in terms of gender.

The section on the role and activities of the Nomination Committee on page 82 provides more information on our appointment process.

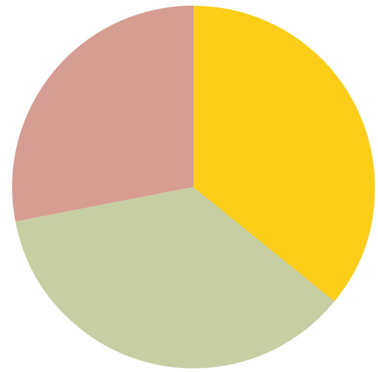
We believe in the importance of diverse Board membership, including in relation to gender, tenure and relevant experience. The Board is supportive of the Lord Davies Report and the Hampton-Alexander review target for women to represent 33% of boards by 2020.

GENDER



MALE N=6, 55%
FEMALE N=5, 45%

TENURE



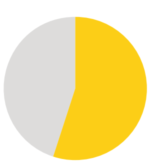
0-3 YEARS N=4, 36%
3-6 YEARS N=4, 36%
9+ YEARS N=3, 28%

Currently, five out of our 11 Board members are female (including our Chief Operating and Financial Officer), comprising 45% of our Board membership.

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

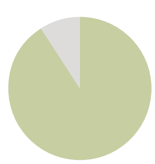
KNOWLEDGE AND EXPERIENCE

LUXURY GOODS



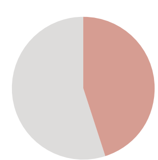
N=6, 55%

RETAIL, SALES & MARKETING



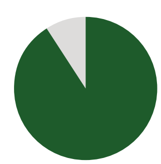
N=10, 91%

DIGITAL & MEDIA



N=5, 45%

OPERATIONAL EXCELLENCE



N=10, 91%

Our 11 Board members bring diverse experience which ensures we have the appropriate skills and knowledge to deliver against our strategic objectives.

Our Board will continue to monitor diversity and take appropriate steps to maintain our position as a meritocratic and diverse business.

INFORMATION FLOW AND PROFESSIONAL DEVELOPMENT

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

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

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

For the appointments of Ron Frasch and Orna NiChionna, the induction programme as outlined has been followed, with a specific focus in the case of Orna on an understanding of the Company's remuneration arrangements ahead of her becoming Chair of the Remuneration Committee. This additionally involved meetings with shareholders.

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

ROLE AND ACTIVITIES OF THE NOMINATION COMMITTEE

The Committee is responsible for keeping under review the composition of our Board and succession planning for senior leadership positions. The main roles and responsibilities of our Nomination Committee are set out in written terms of reference, which are available on the Company’s website at www.burberryplc.com. The Committee reviews its terms of reference annually.

The Committee continues to work diligently to assist the Board with building on its relevant skills and competencies, according to our Board succession plan. The composition of our Board has evolved significantly over the past few years, and this continued during the past financial year, with the retirement of Philip Bowman and the appointments of Ron Frasch and Orna NiChionna. As announced on 13 April 2018, Dr Gerry Murphy was appointed to the Board on 17 May 2018 and will succeed the Chairman at the conclusion of the AGM on 12 July 2018.

The principal activities of the Committee during the year were the consideration of potential new non-executive directors, in light of the review of the structure and composition of our Board, and the search for a successor for the Chairman. It also assisted the Board in the search for our new Chief Creative Officer.

In respect of the searches undertaken prior to the appointments of Ron Frasch and Orna NiChionna, having developed candidate profiles, Burberry was advised by board search firm Lygon Group, which has no other connection with the Company and which specialises in the recruitment of high-calibre non-executive directors, chairmen and chairwomen and executive directors. Lygon Group is a signatory to the Voluntary Code of Conduct for Executive Search Firms. A similar but more focused search was undertaken by Lygon Group for a successor for our Chairman. This search was led by Jeremy Darroch, Senior Independent Director, and resulted in the Committee meeting on a number of separate occasions before making a recommendation to the Board.

Our Chairman and all the non-executive directors served as members of the Committee during the year ended 31 March 2018. In addition to the Committee members, other regular attendees at the Committee meetings during the year included the Chief Executive Officer, the Chief People, Strategy and Corporate Affairs Officer and the Company Secretary.

MANAGING CONFLICTS OF INTEREST

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

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

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

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

EVALUATION OF INTERNAL CONTROLS

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

- Determining the nature and extent of the principal risks it is willing to accept in achieving the Group's strategic objectives (the Board's risk appetite).

- Challenging management's implementation of effective systems of risk identification, assessment and mitigation.

Our Audit Committee is responsible for reviewing the effectiveness of the Group's internal controls and risk management arrangements. Details of the Group's risk management process and the management and mitigation of each principal risk together with the Group's viability statement can be found in our Risk and Viability Report on pages 54 to 67.

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

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

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

CONTROL ENVIRONMENT

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

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

- First line of defence: management owns and manages risk and is also responsible for implementing corrective actions to address process and control deficiencies.

- Second line of defence: to help ensure the first line is properly designed, established and operating effectively, management has also established various risk management and compliance functions to help build and/or monitor the first line of defence. These include, but are not limited to, functions such as Group Risk and Assurance, Finance, Health and Safety, Asset and Profit Protection and Business Continuity.

- Third line of defence: Internal Audit provides the Audit Committee and management with independent and objective assurance on the effectiveness of governance, risk management and internal controls. This includes the way in which the first and second lines of defence achieve risk management and control objectives.

INTERNAL AUDIT

The structures of our Internal Audit and risk management functions were realigned under the leadership of a newly appointed Senior Vice President – Risk Management and Internal Audit in April 2017. The Senior Vice President reports to the Chief Operating and Financial Officer but has an independent reporting line to the Chairman of the Audit Committee.

The scope of Internal Audit work is considered for each operating company and Group function. This takes account of risk assessments, input from senior management and the Audit Committee and previous audit findings. For example, this year there was an emphasis on progress with the Group's productivity and efficiency programme, with core financial activities transferring to the BBS in Leeds. There was also a focus on inventory and information security, including the General Data Protection Regulation and cyber security. Changes to the Group's risk profile are considered on an ongoing basis and amendments are made to the audit plan as necessary during the year. Any proposed changes to the plan are discussed with the Chief Operating and Financial Officer and reported to the Audit Committee. The effectiveness of Internal Audit is assessed by performing an independent review of the function at least every five years. The Committee has assessed the effectiveness of Internal Audit and is satisfied that the quality, experience and expertise of the function are appropriate for the business.

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

FINANCIAL REPORTING

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

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

In relation to the preparation of Group financial statements, the controls in place include:

- A centre of expertise responsible for reviewing new developments in reporting requirements and standards to ensure that these are reflected in Group accounting policies

- A global finance structure consisting of employees with the appropriate expertise to ensure that Group policies and procedures are correctly applied. Effective management and control of the finance structure is achieved through our finance leadership team, consisting of key finance employees from the regions, BBS and London headquarters

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

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

FAIR, BALANCED AND UNDERSTANDABLE

As a whole, the Annual Report and Accounts is required to be fair, balanced and understandable and to provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy. The Audit Committee considered, on behalf of the Board, whether the fair, balanced and understandable statement could properly be given on behalf of the directors. The processes followed to provide the Committee with assurance were considered and the Committee provided a recommendation to the Board that the fair, balanced and understandable statement could be given on behalf of the directors. Based on this recommendation, our Board is satisfied that it has met this obligation. A summary of the Directors' responsibilities in relation to the Financial Statements is set out on page 128. The report of the external auditors on page 129 includes a statement concerning their reporting responsibilities.

ANNUAL GENERAL MEETING AND ANNUAL RE-ELECTION OF DIRECTORS

As required by the UK Corporate Governance Code, the Notice of the 2017 Annual General Meeting (AGM) was sent to shareholders at least 20 working days before the meeting. A poll vote was taken on each of the resolutions put before shareholders. Apart from Stephanie George, who was unavailable due to illness, all other Directors serving at the time of the 2017 AGM attended. The Chairman of the Board and Chairs of each of our Committees were available to answer shareholders' questions.

Voting at the upcoming 2018 AGM will be by way of poll. The results will be announced, and details of the votes will be available to view on the Group's website at www.burberryplc.com as soon as possible after the meeting.

It is the intention that all Directors, including the Chairs of the Audit, Remuneration and Nomination Committees, will attend the 2018 AGM and will be available to answer shareholders' questions.

Since the AGM in 2011, all Directors have offered themselves for annual re-election in accordance with the UK Corporate Governance Code. At the 2018 AGM, other than the Chairman who will step down at the conclusion of the meeting, all the Directors will again retire and will offer themselves for re-election. Newly appointed directors, Ron Frasch, Orna NiChionna and Dr Gerry Murphy, will offer themselves for election.

The biographical details of the current Directors can be found on pages 72 and 73 of this Annual Report. The Chairman confirms that, following the evaluation conducted during the year and the review of individual Director roles and performance led by the Chairman, the performance of each of the Directors standing for election continues to be effective and demonstrates commitment to their roles. This includes committing time for Board and Committee meetings and any other duties. Accordingly, the Board recommends that shareholders approve the resolutions to be proposed at the 2018 AGM relating to the re-election or election of the Directors.

The terms and conditions of appointment of the Directors, including the expected time commitment, are available for inspection at the Company's registered office.

OTHER GOVERNANCE DISCLOSURES

Tax strategy

The Group is committed to complying with global tax regulations in a responsible manner, with due regard to governments and shareholders. We are also committed to engaging in open and constructive relationships with tax authorities in the territories in which we operate. The Group's tax planning is consistent with this responsible approach, and we will not enter into arrangements to achieve a tax advantage. The Group tax strategy is implemented through the Group's tax policy. This directs and aligns the activities of the various functions within the Group in order to achieve the strategic objectives. Further information regarding the Group tax strategy is provided on the Group's website at www.burberryplc.com.

Tax governance framework

Our Chief Operating and Financial Officer is responsible for the Group's tax policy, which is implemented with the assistance of the finance leadership team. This is reviewed on an ongoing basis as part of the regular financial planning cycle. In addition, the Group's tax status is reported regularly to the Management Risk and Audit Committees. The Audit Committee is responsible for monitoring all significant tax matters, including the Group's tax policy. Audit Committee meetings are attended by a number of Group officers and employees as outlined on page 92.

Share capital

Further information about the Company's share capital, including substantial shareholdings, can be found in the Directors' Report on page 123.

ENGAGEMENT WITH SHAREHOLDERS

The Board recognises the importance of regular, open and constructive dialogue with shareholders, not just ahead of the AGM, but throughout the year.

Our Investor Relations team participated in over 350 investor meetings and events during the year. A combination of the Chairman, Senior Independent Director, Chair of the Remuneration Committee, executive directors and other members of senior management participated in over 100 of these meetings. This engagement included presentations to institutional shareholders and analysts following the release of the Group's Interim and Full Year results (available on the Group's website at www.burberryplc.com), as well as meetings with the Group's 20 largest investors. A key part of investor engagement this year was the introduction of Marco Gobbetti, following his appointment as Chief Executive Officer, to our investors and also communicating our new strategy announced in November 2017.

Topics discussed in investor meetings included, but were not limited to, luxury sector growth dynamics and the Group's strategic plans in that context, business performance and the Directors' Remuneration Policy.

Our Investor Relations and Company Secretariat departments act as the centre for ongoing communication with shareholders, investors and analysts. The Board receives regular updates on the views of the Group's major shareholders and stakeholders from this engagement or direct contacts.

We also conduct independent investor audits of our major investors through Makinson Cowell, a capital markets advisory firm, to assess investor perception. An audit is anticipated in FY 2018/19 and the findings will be discussed with the Board.

ENGAGEMENT WITH KEY STAKEHOLDERS

On the following pages, we show how Burberry listens to and engages with its key stakeholders. The highlights of Board activities during FY 2017/18 give further detail of the Board's engagement and involvement.

HOW WE LISTEN TO AND ENGAGE WITH OUR KEY STAKEHOLDERS

UNDERSTANDING THE VIEWS, VALUES AND IDEAS OF ALL OUR STAKEHOLDERS IS CRITICAL TO OUR SUCCESS. AT BURBERRY, WE SEEK TO FOSTER OPEN AND CONSTRUCTIVE DIALOGUE WITH OUR CUSTOMERS, EMPLOYEES, PARTNERS, SHAREHOLDERS AND COMMUNITIES IN WHICH WE OPERATE, DRAWING ON A RANGE OF TECHNIQUES AND MEDIA TO DO SO. THE BOARD RECEIVES UPDATES AND PROVIDES INPUT ON THESE ACTIVITIES WHERE RELEVANT, SUPPORTED BY DEEP DIVES ON SIGNIFICANT PROJECTS.

CUSTOMERS

Consumer insights: we undertake extensive qualitative and quantitative research into the luxury fashion consumer to ensure we continue to inspire and excite them

Customer service: we provide customer assistance 24 hours, seven days a week in 14 languages across many mediums, including phone, email, social media and live online chat

Personalised services: we offer customised omnichannel services across the Burberry app, website, email and in stores, enriching how our customers experience our brand

Customer analytics: using data from our own customer feedback and text analytics, we build a comprehensive understanding of our customer needs and demands, ensuring that our decisions are data-informed and customer-centric

EMPLOYEES

Engagement survey: our first global annual survey took place in FY 2017/18 with a 88% response rate. This was supported by Company-wide engagement on results, sharing of priorities, action-planning and the opportunity to feedback on plans

Retail: we send weekly updates to our sales associates on operational and business critical information, and deliver monthly drops of inspiring product-related content

Innovative programmes: in 2018 we launched new engagement programmes including Burberry Disrupted, a cross-functional problem-solving day, and B Innovative, a programme of inspiring talks given by industry experts

Recognition: we celebrate exceptional employee contributions, nominated and voted for by employees at our annual internal Icon Awards

Strategy: we communicate our strategy and progress regularly through bi-weekly updates, monthly drop-in sessions with leaders, and quarterly Q&A sessions with the CEO, as well as videos from our senior leadership team and podcasts about our people

Burberry World: we use our Company-wide online social, interactive platform to share news, key information, significant brand events, Company announcements and support for day-to-day working

SHAREHOLDERS

Ongoing engagement: members of our senior management and Investor Relations team held over 350 meetings with investors in FY 2017/18

Board engagement: the Board receives monthly updates on Investor Relations and our Chairman, Senior Independent Director and Chair of the Remuneration Committee maintain regular dialogue with our investors

Reporting to shareholders: we endeavour to provide a holistic and engaging review of the performance of the business and our strategy within all of our communications

Perception gauge: the Board engages an independent third party to audit our major shareholders and gauge investor perception

Webcasts: we broadcast live webcasts of our Preliminary and Interim results presentations and audiocast our trading update

Annual General Meeting (AGM): our 2017 AGM was well attended with all resolutions passed

PARTNERS

Sustainability collaborations: together with industry peers, NGOs and business partners, we seek to establish long-term solutions and promote wider industry change; examples include our partnerships with the Zero Discharge of Hazardous Chemicals (ZDHC) Foundation, the Ethical Trading Initiative (ETI), the Leather Working Group (LWG), the Better Cotton Initiative (BCI) and the Sustainable Fibre Alliance (SFA)

Government: where pertinent, we collaborate with the UK government on key initiatives – for example as a founding member of the Business Against Slavery forum, chaired by the Home Secretary

Wholesalers: we maintain close working relationships through monthly and weekly updates to understand product performance, evaluate stock levels, review order books and address any questions or concerns

Licensees: we hold regular meetings and reviews with our licence partners, covering financial results, brand direction, marketing strategy and merchandising development

Burberry's Responsibility Advisory Committee: in 2013, we set up a group of external, independent experts from the NGO, social enterprise and academic sectors to hear progress updates, comment on draft strategies and generally challenge and support Burberry's responsibility agenda four times a year

Supply chain partners: we collaborate with members of our supply chain to drive social and environmental improvements at the raw material sourcing and manufacturing stages, supporting our 2022 Responsibility goal of driving positive change through 100% of our product

COMMUNITIES

Burberry apprentices: we offer young people training opportunities in traditional craftsmanship, luxury retailing and business operations, helping them to develop key skills, confidence and experience to build careers in the creative industries and beyond

Career inspiration: we work with schools in Greater London and Yorkshire to increase access to the creative industries and inspire young people through in-school workshops, inspiration days and work experience weeks at Burberry

Employee volunteering: we encourage employees to dedicate up to three working days a year to volunteering in their local community

Financial support: each year we donate 1% of Group adjusted profit before tax to charitable causes worldwide, including disaster relief support, scholarships and sponsorships, with a significant proportion going to the Burberry Foundation

Burberry Foundation partnerships: we support the Burberry Foundation (UK registered charity number 1154468) in creating long-term partnerships that fuel innovation and transform communities, addressing key social and environmental priorities while focusing on tackling the causes as well as treating the symptoms

In-kind donations: our donations range from raw materials used to assist young people on creative courses, to gifts of smart business clothing for people enrolled in employability programmes

REPORT OF THE AUDIT COMMITTEE

JEREMY DARROCH
Chairman, Audit Committee

DEAR SHAREHOLDER,
I am pleased to present the FY 2017/18 report of the Audit Committee. The purpose of this report is to describe how we have carried out our responsibilities during the year.

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

Over the course of the year, we continued to focus on our usual work as set out on page 92. We paid particular attention to the Group's risk management, its risk reporting framework and risk mitigation. The Committee conducted more detailed reviews focused on its principal risks, as set out earlier in the Annual Report. We intend to continue this work, to cover each principal risk on a regular basis. Some of the more in-depth areas of focus included the following:

- A rolling programme of risk topics including information security, cyber resilience, supply chain, quality and the establishment of the control environment at Burberry Business Services

- With heightened global technology and information security risks, we continued to spend a significant amount of time on the Group's progress with its information security improvement programme to ensure that the Group continues to prioritise appropriately its focus and resources on this critical area of risk

During the year, the Group received an enquiry letter from the Conduct Committee of the FRC, relating to the 2016/17 Annual Report. Details of the enquiry raised by the FRC and the Group's proposed response were discussed with the Committee prior to issuing the response. The response included the commitment to make some limited modifications and enhancements to disclosures relating to inventory and significant estimates and judgements. The FRC subsequently closed their enquiry with no further action. We have reviewed the adoption of these modifications and enhancements in the 2017/18 Annual Report. The review of the 2016/17 Annual Report by the FRC does not provide any additional assurance regarding its accuracy and the FRC does not accept any liability in relation to their review.

The Committee also considered the significant matters set out in the table on page 93. Where these related to the financial statements for the year, the Committee requested papers from management setting out its approach, the key estimates and judgements applied, as well as management's recommendations. The Committee reviewed and challenged these papers, together with the findings of the external auditors, in order to conclude on the appropriateness of the treatment in the financial statements. All matters reviewed were concluded to the satisfaction of the Committee.

The Committee confirms that during FY 2017/18, the Company has complied with the mandatory audit processes and audit committee responsibilities provisions of the Competition and Markets Authority Statutory Audit Services Order 2014, as outlined in this report, which describes the work of the Committee in discharging its responsibilities.

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

JEREMY DARROCH
Chairman, Audit Committee

AUDIT COMMITTEE MEMBERSHIP

Jeremy Darroch, Matthew Key and Dame Carolyn McCall served as members of the Committee during the year ending 31 March 2018.

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

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

The Board is satisfied that Jeremy Darroch, as Chairman, has recent and relevant financial experience, and that all other Committee members have past employment experience in either finance or accounting roles, or broad consumer experience and knowledge of financial reporting and/or international businesses and as a whole the Board is satisfied that the Audit Committee has the competence relevant to the business sector. Details of their experience can be found in their biographies on pages 72 and 73.

ROLE OF THE COMMITTEE

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

- Financial Reports: the integrity of the Group's financial statements and formal announcements of the Group's performance

- Risk and Internal Controls: the Group's internal financial, operational and compliance controls and risk identification and management systems. Review of Group policies for identifying and assessing risks and arrangements for employees to raise concerns (in confidence) about possible improprieties

- Viability: consideration of the Group's viability statement as set out on page 67

- Internal Audit: review of the annual internal audit programme and the consideration of findings of any internal investigations and management's response. Review of effectiveness of the Internal Audit function

- External Auditors: recommending the appointment of external auditors, approving their remuneration and overseeing their work. Policies on the engagement of the external auditors for the supply of non-audit services.

SIGNIFICANT MATTERS FOR THE YEAR ENDED 31 MARCH 2018	HOW THE AUDIT COMMITTEE ADDRESSED THESE MATTERS
Transaction for the disposal of Beauty operations	During the year, the Group disposed of its Beauty operations business to Coty and entered into a licence with them. The Committee reviewed management's proposal on how these transactions should be accounted for, including the estimates applied to provisions which were not finalised at the end of the period, the allocation of cash received to the different elements of the transaction and the disclosure of the transactions in the Financial Statements, as set out in note 6.
Impairment assessment of property, plant and equipment and onerous lease provisions	The Committee considered management's assessment of the recoverability of the carrying value of retail assets held in property, plant and equipment, and, where applicable, the potential need for provisions relating to onerous lease contracts. The Committee considered the approach applied by management to review for potential indicators of impairment and the assumptions applied in this review. Where impairments were identified, the Committee considered the reasons for the impairment and management's quantification of the impairment.
The recoverability of the cost of inventory and the resulting amount of provisioning required	The Committee considered the Group's current provisioning policy, the historic loss rates incurred on inventory held at the balance sheet date, the nature and condition of current inventory and assumptions regarding the future usage of inventory. During the year, management carried out a detailed review of inventory and provisioning. Movements in inventory provisioning are set out in note 17 of the Financial Statements.
Assessment of the carrying value of goodwill	The Committee considered management's assessment of the recoverability of goodwill relating to cash generating units. The Committee considered the assumptions applied by management to assess the recoverable value of goodwill and the sensitivities in relation to any significant balances. During the year, the goodwill relating to the Saudi cash generating unit was impaired. The Committee considered the reasons for this impairment arising, the sensitivities relating to the measurement of the impairment and the disclosure in the Financial Statements, as set out in note 13.
Fair, balanced and understandable reporting	The Committee considered the Annual Report and Interim Report, on behalf of the Board, to ensure that they were fair, balanced and understandable, in accordance with requirements of the UK Corporate Governance Code. As part of this review, the Committee reviewed the report from the Strategic Report Drafting Team, highlighting key considerations. The Committee considered comments arising from the review of accounts by the executive directors. The Committee also considered the use of alternative performance measures by the Group, including the appropriateness of their current use and their disclosure in the Financial Statements and Strategic Report. The Committee concluded that their current use was fair, balanced and understandable.
Other matters	At the May and November meetings, the Committee also considered management's papers on the following subjects: • Impairment assessments of trade receivables; • The Group's tax strategy, developments relating to discussions with tax authorities, the status of any ongoing tax audits and their impact on the Financial Statements; • Recognition and measurement of adjusting items for restructuring costs; and • Consideration of the matters raised in the enquiry by the FRC and the Group's response to these matters.

EXTERNAL AUDITORS

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

Appointment and fees

The Committee's primary responsibility is to make a recommendation on the appointment, reappointment and removal of the external auditors. Every year, the Committee assesses the qualifications, expertise, resources and independence of the external auditors, and the effectiveness of the previous audit process. Over the course of the year, the Committee has reviewed the audit process and the quality and experience of the audit partners engaged in the audit. The Committee also reviewed the proposed audit fee and terms of engagement for FY 2017/18. Details of the fees paid to the external auditors during the financial year can be found in note 8 in the Financial Statements.

PwC have remained in place as auditors since prior to the IPO of the Company in 2002. They were reappointed with a new lead audit partner following a formal tender process undertaken by the Group for the FY 2010/11. As the external auditors are required to rotate the audit engagement partner every five years, a new engagement partner, Paul Cragg, began his appointment from FY 2015/16. As a result of the UK's implementation of the EU's mandatory firm rotation requirements, the Company is required to replace PwC with another firm of auditors no later than for the financial year commencing 1 April 2020. The Committee consider the most practical and business-driven approach to be to conduct a competitive tender no later than the first half of calendar year 2019.

In 2017, the Committee approved the reappointment, remuneration and terms of engagement of PwC as the Group's external auditor. The Committee recommended that the Board proposes to shareholders that PwC be reappointed as the Group's external auditors at the Group's forthcoming Annual General Meeting.

Non-audit services

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

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

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

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

During FY 2017/18 Burberry's external auditors have not undertake non-audit work which exceeded this threshold.

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

During the year, the Group spent £552,000 on non-audit services provided by PwC (25% of the average of Group audit fees received over the last three years). Further details can be found in note 8 of the Financial Statements.

DIRECTORS' REMUNERATION REPORT

ORNA NiCHIONNA
Chair, Remuneration Committee

Contents

DEAR SHAREHOLDER,
I am pleased to present to you the Directors' Remuneration Report (DRR) for the year ended 31 March 2018, which has been approved by both the Remuneration Committee (the 'Committee') and the Board.

COMMITTEE MEMBERSHIP CHANGES
I am delighted to have joined the Burberry Board and to have been given the opportunity to lead the Committee during this period of evolution at the Group. I would like to extend my thanks to Fabiola Arredondo, who has provided strong leadership as Chair of the Committee, and also to Philip Bowman, who stepped down on 31 October 2017 after 13 years of membership of the Committee. Ron Frasch joined the Committee in September and brings broad experience of working with a number of luxury brands.

During the year, the Committee has had a number of areas to consider both in connection with Board changes and legacy arrangements and in establishing targets for incentives in light of the new strategy. We have been mindful of the commitment made to you as our shareholders to set executive remuneration structures and targets such that they support delivery of the strategy, motivate talent, drive performance and align with the generation of long-term shareholder value.

LEADERSHIP AND STRATEGIC CHANGES
We have entered a period of leadership and strategic change. As set out in last year's annual report, Marco Gobbetti joined the Board as Chief Executive Officer on 5 July 2017, having commenced employment with Burberry earlier in the year as Executive Chairman, Asia Pacific and Middle East. We announced Christopher Bailey's departure in October 2017 after 17 years with Burberry and he stepped down from the Board on 31 March 2018. Christopher agreed to remain with Burberry in an advisory capacity until December 2018, which provides valuable continuity and helps ensure a smooth transition. As noted by the Chairman elsewhere in this Annual Report, Christopher has played a pivotal role in transforming Burberry and creating a trajectory of success, which has benefitted both long term shareholders and other stakeholders. Page 110 sets out details of Christopher's leaving arrangements, including his decision to surrender a total of 830,550 shares

awarded to him under Burberry's share plans, which represents a face value in excess of £14 million based on the share price at his date of departure from the Board.

In November 2017, we announced a multi-year strategy to establish Burberry's position firmly in luxury fashion. As set out in the Strategic Report on pages 4 to 67, the transformation will have two phases: a two-year period of investment to strengthen our brand positioning; and the period beyond, when we expect growth to accelerate. Re-energising our product and customer experience will enable us to drive sustainable growth and meaningful operating margin expansion over time, thereby continuing to deliver attractive returns to our shareholders. However, during the initial period of transition, revenues and operating margin are expected to be broadly stable, and we have set the targets for our Annual Bonus and Executive Share Plan (ESP) in this context.

ENGAGEMENT WITH SHAREHOLDERS

Over the past year many of you have invested significant time in considering and providing views to us on Burberry's executive remuneration. At our 2017 AGM we were extremely pleased to receive strong support for our new Remuneration Policy, but the vote on our Annual Report on Remuneration was lower than we would have wished for. Following the AGM, we contacted shareholders who had voted against the report to understand their perspectives in depth, and considered their and our overall shareholder feedback carefully in our decision making.

I am keen to build on this constructive dialogue with investors and so since February I have written to and met with many of our larger shareholders to understand their views on executive remuneration at Burberry. The conversations have helped to inform my perspectives and I have shared all feedback with the Committee.

Against this backdrop and in recognition of the timing of my appointment as Chair of the Committee, the Committee is making no changes to the Remuneration Policy for FY 2018/19. However, it is highly likely that we will consult with shareholders on a new policy towards the end of 2018 and into early 2019, to further reflect the strategic changes and shareholder feedback. Any new policy would be put to the vote at the 2019 AGM.

BROADER EMPLOYEE REWARD

In addition to setting the remuneration of executive board members, the Committee continues to directly oversee the remuneration arrangements for the Executive Committee. The Committee also now has a remit to take into account remuneration throughout the Group when considering executive arrangements. With this in mind we intend to make sure that we are seeing the right information to enable us to perform our role effectively, both by focusing on specific issues where appropriate, as well as considering overall data and information. For example, during the year we spent time debating an important review of employee reward and engagement across three key markets in which Burberry operates (the UK, the US and China), and as an ongoing matter of course the Committee will continue to take into account broader reward across Burberry when considering remuneration for senior management. During the year we also discussed our approach to, and results of, Burberry's gender pay gap reporting.

Looking ahead, the Committee notes and welcomes the UK Financial Reporting Council's review of the UK Corporate Governance Code (Code), which along with broader matters, includes proposals arising from the Government's consultation during 2017 on executive pay, directors' duties and board composition. The Committee has closely monitored the development of these proposals and will explain in next year's Annual Report and Accounts what changes were ultimately made to the Code and how the Company has responded to them.

The Committee recognises that the aim of these changes is to ensure that good governance goes deeper than simply 'box ticking'. As such, we will ensure that any initiatives that we implement drive meaningful change and provide shareholders, employees and all of our stakeholders with assurance that Burberry is being managed appropriately and with their best interests firmly in mind.

REMUNERATION REPORTING

To improve accessibility and highlight key pieces of information, we have made some changes to the format of our Directors' Remuneration Report. This includes, for example, our new 'At a Glance' section which immediately follows this letter. We hope you find the changes helpful and that they provide greater clarity and increased transparency around our executive remuneration and the linkage with our strategy and performance.

The following sections set out a summary of remuneration outcomes for FY 2017/18 and also our approach for FY 2018/19.

FY 2017/18 PERFORMANCE AND REMUNERATION OUTCOMES

Burberry delivered FY 2017/18 revenues of £2,733m (down 1% at constant exchange rates, CER), and Adjusted PBT of £471m (up 5% at CER). We also delivered the planned £44m of incremental cost savings in FY 2017/18. Our results represent strong execution through a period of transition.

In this context, the annual bonus paid out at 51% of maximum (102% of target) as Adjusted PBT for the year was just ahead of the target level set by the Committee. Growth in Adjusted PBT and Group revenue over the last three years at CER has been -9.4% and 0% per annum respectively and the 3-year average ROIC was 15.8%. These levels of financial performance will result in an overall vesting of ESP awards granted in 2015 of 10% of maximum (20% of target).

FY 2018/19 REMUNERATION APPROACH

The Committee's intended approach to the operation of the remuneration policy for FY 2018/19 is set out in detail in the Annual Report on Remuneration. I would draw to your attention the following points:

- Following careful consideration, the Committee came to the view that a salary increase of 2% for both Marco Gobbetti and Julie Brown is appropriate. For Marco Gobbetti, this reflects the fact that Burberry has to compete in the global luxury goods market, where pay levels for experienced leaders continue to rise, and also recognises that the CEO role has not seen an increase in salary for a number of years. For Julie Brown, a 2% increase is considered to fairly recognise the contribution she has made to the business since her appointment.

- Maximum annual bonus awards will remain at 200% of salary for Marco Gobbetti and Julie Brown.

- The annual bonus will continue to be 100% based on Adjusted PBT in line with policy. As in previous years, targets will be disclosed retrospectively due to commercial sensitivity. The targets have been set against a backdrop of profit growth for FY 2018/19 that is anticipated to be broadly stable and are considered by the Committee to be at least as stretching as those set in prior years.

- There are no changes to the level of ESP awards for the executive directors, which will remain at 325% of salary for Marco Gobbetti and 300% for Julie Brown.

- There are also no changes to the performance measures or their weightings for the ESP, which will continue to be focused on profitability, revenue, and the efficient use of capital.

- In considering the 2018 targets for these ESP measures, the Committee has aimed to set a performance range which is stretching to achieve, yet realistic in the context of our business plan for the next three years. As highlighted above, we recently announced a multi-year strategy to establish Burberry's position firmly in luxury fashion, the consequences of which will see a two-year period of investment to strengthen our brand positioning, during which time revenues and operating margin are expected to be broadly stable, followed by an expected acceleration of growth in subsequent years. Given this financial plan profile, on an absolute basis, PBT and ROIC targets for the 2018 ESP awards are lower than those under the 2017 ESP. However, the Committee firmly believes that in the context of our new multi-year strategy the targets are at least as stretching as those set in previous years. Further detail is provided on page 108.

The Committee will continue to engage with shareholders to ensure an open dialogue and improved transparency around executive remuneration arrangements at Burberry and especially around any new policy. Once again, I would like to personally thank shareholders for all the feedback this year and I look forward to gaining your support on the remuneration report when it is put to the vote at the Annual General Meeting in July.

ORNA NiCHIONNA
Chair, Remuneration Committee

EXECUTIVE DIRECTORS' REMUNERATION AT A GLANCE

The following graphic summarises our Remuneration Policy in action and illustrates the alignment between Burberry's strategy and performance and remuneration outcomes for FY 2017/18. For further information on our strategy, KPIs and FY 2017/18 Company performance, refer to pages 4 to 67.

THE BURBERRY VISION: FIRMLY ESTABLISH OUR POSITION IN LUXURY FASHION.

OUR STRATEGY WILL BE DELIVERED THROUGH SIX STRATEGIC PILLARS:

FOUR REVENUE DRIVERS:

PRODUCT | COMMUNICATION | DISTRIBUTION | DIGITAL

TWO ENABLERS:

OPERATIONAL EXCELLENCE | INSPIRED PEOPLE

FINANCIAL KPIS THAT MEASURE PERFORMANCE AGAINST OUR KEY STRATEGIES:

ADJUSTED PROFIT BEFORE TAX (PBT)

A key profitability measure to assess underlying performance of the Company

£471M
2017/18
=
51%
of maximum

-9.4%
3-year growth (p.a)
=
0%
of PBT element vesting

REVENUE

Measures the appeal of the Burberry brand to customers through all sales channels

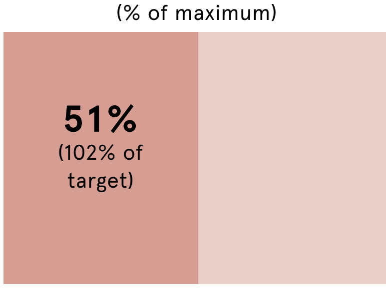
0%
3-year growth (p.a)
=
0%
of revenue element vesting

ADJUSTED RETAIL/WHOLESALE RETURN ON INVESTED CAPITAL (ROIC)

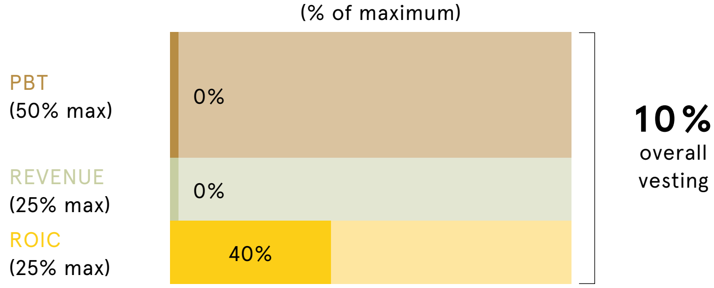
Measures the efficient use of capital to ensure returns on future investments are attractive

15.8%
3-year average
=
40%
of ROIC element vesting

FY 2017/18 BONUS PAYOUT
(% of maximum)



EXECUTIVE SHARE PLAN (ESP) VESTING
(% of maximum)



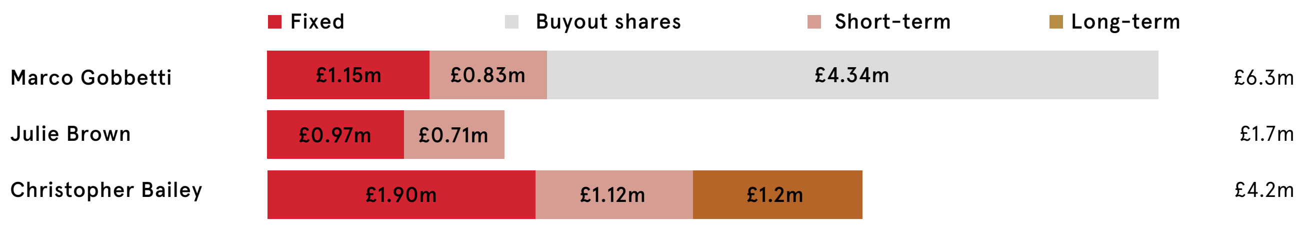
SUMMARY FY 2017/18 SINGLE FIGURE EXECUTIVE DIRECTOR REMUNERATION

The charts below show the 'single-figure' total remuneration received or receivable by the executive directors in respect of FY 2017/18.

Fixed pay includes salary, pension, non-cash benefits and cash allowances. The annual bonus paid out at 51% of maximum (102% of target) and the 2015 ESP vested at 10% of maximum award (20% of target).

Remuneration for Marco Gobbetti is for the period from when he became CEO (from 5 July 2017) to the end of the year and the 'Buyout shares' element is the value at grant of the share buyout awarded on 8 February 2018 as compensation for the share awards he forfeited at his previous employer.

More information on the incentive outcomes, Marco's share buyout award and detailed single figure remuneration is set out later in the Annual Report on Remuneration starting on page 103.



Notes

The 'Long-term' element included for Christopher Bailey is the value of the 2015 ESP award that will vest in July 2018 and the pro-rated portion of the second tranche of his 2014 exceptional award which will also vest in July 2018 (based on his performance for the period of FY 2017/18 up to 5 July 2017 when he ceased to be CEO). More information on Christopher's leaving arrangements is included on page 110.

2015 ESP awards were granted prior to the appointment of Marco Gobbetti and Julie Brown.

REMUNERATION POLICY SUMMARY

The table below includes an extract of the key elements of the Remuneration Policy for executive directors. The complete Remuneration Policy, approved by shareholders at the 2017 AGM, is set out in the 2016/17 Directors' Remuneration Report (which can be found in the 2016/17 Annual Report on the Burberry plc website at www.burberryplc.com).

ELEMENT	MAXIMUM ANNUAL OPPORTUNITY AND LINK TO PERFORMANCE	OPERATION	IMPLEMENTATION OF POLICY FOR FY 2018/19
Base salary	The maximum annual increase (per individual executive director) is 10% of base salary; however, annual increases will not normally exceed the average increase for the broader employee population.	Salary levels and any increases for executive directors are set within the same framework and ranges as those for all other employees, taking into account individual performance and overall contribution to the business during the year, cost to the Company, the external economic climate and positioning against peers. The Committee considers the impact of any base salary increase on the total remuneration package.	In line with the budgeted increase across other UK based employees, executive directors will be awarded salary increases of 2% with effect from 1 July 2018. Salaries are therefore: • CEO – £1,122,000 • CO & FO – £714,000
Annual bonus	Maximum awards are: • 200% of salary Performance measure: • 100% linked to adjusted profit performance Percentage of maximum bonus payable at each level of performance: • 25% at threshold • 50% at target • 100% at maximum	The Committee recognises that strong financial performance is key to delivering superior shareholder returns and that annual profitability is a key measure of this. Targets are set each year by reference to a range of factors including budget, the strategic plan and long-term financial goals. The Board considers the forward-looking Adjusted PBT bonus targets to be commercially sensitive as they are linked to the Company's financial and strategic plans. Targets will therefore be disclosed retrospectively. Executives are required to invest 50% of any net bonus earned in Burberry shares until executive shareholding guidelines are met.	No changes from FY 2017/18 Based 100% on Annual Adjusted PBT – a KPI and key profitability measure to assess underlying performance of the Company Maximum bonus (% of salary): • CEO – 200% • CO & FO – 200%

ELEMENT	MAXIMUM ANNUAL OPPORTUNITY AND LINK TO PERFORMANCE	OPERATION	IMPLEMENTATION OF POLICY FOR FY 2018/19
Executive Share Plan ('ESP')	Maximum awards are: • 325% of salary (in normal circumstances) • 375% of salary (in exceptional circumstances) Performance measures measured over three financial years: • 20% to 40% on growth in revenue • 40% to 60% on growth in adjusted profit • 20% to 30% on a measure to incentivise the efficient use of capital Vesting profile for each measure: • No more than 15% vesting for threshold performance • 100% vesting for maximum performance Vesting: 50% after three years, 50% after four years. Holding period: while executive directors are employed by Burberry, normally no ESP shares may be sold, except to cover any tax liabilities arising out of the award, until five years from the date of grant.	Burberry's long-term strategy continues to aim to deliver both profit and revenue growth and therefore, to align with strategy, a measure based on revenue growth is included as a transparent and quantifiable indicator of performance. Growth in adjusted profit has been chosen as the Committee believes strong growth in adjusted profit is key to delivering superior shareholder returns. The efficient use of capital measure is intended to incentivise management to combine superior growth in profit and revenue with attractive returns on future investment but not to act as a disincentive to invest. Targets for the measures will be calibrated ahead of each annual grant by reference to a range of factors including the latest strategic plan, long-term financial goals, latest three-year projections and broker earnings estimates for Burberry and its competitors. The threshold targets will be calibrated to be of median difficulty, and the maximum targets will be of upper quartile difficulty as determined by the Committee. Targets will be disclosed ahead of each annual grant and, for completed cycles, detail on the performance achieved against the targets will be disclosed.	No changes from FY 2017/18 ESP awards vest subject to our financial KPIs that measure performance against our key strategy. 2018 ESP awards will be based: • 50% on three-year growth in Adjusted PBT targets – a key profitability measure to assess underlying performance of the Company • 25% on three-year growth in revenue targets – measures the appeal of the Burberry brand to customers through all sales channels • 25% on three-year average ROIC targets – measures the efficient use of capital to ensure returns on future investments are attractive Detailed information on 2018 ESP targets is provided on page 108 Maximum 2018 awards (% of salary): • CEO – 325% • CO & FO – 300%
Pensions	Maximum Company contribution: • 30% of salary per annum for the current executive directors. • For any new external executive director appointments, the maximum Company contribution will be no more than 20% of salary per annum.	Executive directors participate in defined contribution arrangements. Participants may elect to receive some or all of their entitlement as a cash allowance.	Contributions will continue to be 30% of base salary for current executive directors
Other benefits and allowances	• Executive directors receive a cash allowance and non-cash benefits. The aggregate maximum value of benefits would not normally exceed £100,000 per individual per annum.	Benefit levels are reviewed on an annual basis and, while the Committee does not intend to increase the level of provision above the maximum value, the cost to the Company of providing benefits can vary due to a number of factors outside the Company's control.	No change to annual cash allowances: • CEO – £80,000 • CO & FO – £30,000 No change to other benefits

ANNUAL REPORT ON REMUNERATION

FY 2017/18 TOTAL SINGLE FIGURE REMUNERATION FOR EXECUTIVE DIRECTORS (AUDITED)

The table below sets out the single figure of total remuneration received or receivable by the executive directors in respect of FY 2017/18. The single figures of total remuneration are also included for the prior (2016/17) financial year where appropriate.

	Salary/ fees £'000	Benefits/ allowances £'000	Pension £'000	Bonus £'000	ESP/ RSP £'000	2014 Exceptional award £'000	**LTI total £'000**	**Total £'000**	Prior company bonus buyout £'000	Prior company shares buyout £'000	**Total £'000**
Executive directors											
Marco Gobbetti[1]											
Year to 31 March 2018	816	91	245	833	–	–	**–**	**1,985**	–	4,345	**6,330**
Julie Brown[2]											
Year to 31 March 2018	700	56	210	714	–	–	**–**	**1,680**	–	–	**1,680**
Year to 31 March 2017	143	13	43	–	–	–	**–**	**199**	550	3,203	**3,952**
Former executive directors											
Christopher Bailey[3]											
Year to 31 March 2018	1,100	469	330	1,122	211	995	**1,206**	**4,227**	–	–	**4,227**
Year to 31 March 2017	1,100	469	330	–	187	1,422	**1,609**	**3,508**	–	–	**3,508**

Notes:
1. Marco Gobbetti – FY 2017/18 remuneration for Marco Gobbetti relates to the period from 5 July 2017, when he became CEO, to 31 March 2018. As compensation for the incentives he forfeited on leaving his previous employer, Marco Gobbetti was granted nil-cost options over 279,412 shares (included in 'Prior company shares buyout') at a grant price of £15.55 (the average share price over the 3 days prior to grant) used to calculate the value of the grant shown above. More information on Marco's buyout awards is included on page 112. No 2015 ESP awards vested for Marco as the awards were granted prior to his appointment.
2. Julie Brown – FY 2016/17 remuneration for Julie Brown relates to the period 18 January 2017 to 31 March 2017. As compensation for the incentives she forfeited on leaving her previous employer, Julie Brown received a cash bonus of £550,000 (included in 'Prior company bonus buyout') and was granted nil-cost options over 240,000 shares (included in 'Prior company shares buyout') at a grant price of £16.60 (the average share price over the 3 days prior to grant). On 26 June 2017 Julie waived 47,099 shares of this award – the amount disclosed in respect of 2016/17 has been adjusted to reflect the amount waived. Further detail on the buyout awards is included on page 113. No 2015 ESP awards vested for Julie as the awards were granted prior to her appointment.
3. Christopher Bailey – Remuneration for Christopher Bailey is for the full FY 2017/18 as he stepped down from the Board on 31 March 2018. Christopher has agreed to remain with Burberry in an advisory capacity until December 2018, which provides valuable continuity and helps ensure a smooth transition.
   The figures shown in the table above reflect the impact of his departure on his outstanding share awards, including (where relevant) his decision to surrender a total of 830,550 shares awarded to him under Burberry's share plans, which represents a face value in excess of £14m based on the share price at his date of departure from the Board. Further details on his leaving arrangements can be found on page 110.

- The amount shown for the 2015 ESP award vesting for Christopher Bailey (for year to 31 March 2018) is based on a share price of £16.34 (average share price over the three months to 31 March 2018) as this award has not yet vested and includes an estimated payment in lieu of dividends of £14,157. The amount shown reflects Christopher's waiver of the second tranche of the award (over 120,791 shares).
- The amount of £240,000 in respect of the 2014 RSP award vesting for Christopher Bailey (for year to 31 March 2017) shown in the 2016/17 report assumed a share price of £16.721, based on the average share price over the three months to 31 March 2017 (because this award had not vested). The first tranche of this award vested on 12 June 2017 at a share price of £17.34, and Christopher waived the final tranche (over 3,590 shares) in full on 31 October 2018. The amount shown in the table above has been updated to reflect these details.
- The amount shown as '2014 Exceptional award' for Christopher Bailey (for year to 31 March 2018) reflects Christopher's leaving arrangements and his waiver of part of the second tranche of the award for period from 5 July 2017 (the date he stepped down as CEO) and the performance assessment for the period to 5 July 2017. His waiver and the performance assessment will result in 55,010 shares (out of a maximum 125,000 shares) vesting on 31 July 2018. As this award has not yet vested the value is based on a share price of £16.34 (the average share price over the 3 months to 31 March 2018) and includes an estimated payment of £96,598 in lieu of dividends. Christopher has waived the third tranche of this award in full.
- The amount of £1,392,000 in respect of '2014 Exceptional award' for Christopher Bailey (for year to 31 March 2017) shown in the 2016/17 report related to vesting of the first tranche of his 2014 exceptional share award and assumed a share price of £16.721, based on the average share price over the 3 months to 31 March 2017 (because this award had not vested). This award vested on 31 July 2017 at a share price of £17.11 and the amount shown in the table above has been updated to reflect these details, and includes a payment in lieu of dividends of £103,523.

The following sections detail additional information for each element of remuneration set out above in the single figure remuneration table. In addition, the Remuneration Policy summary table (on pages 101 to 102) sets out how these remuneration elements are operated and (in the final column) how they will be implemented in the FY 2018/19 year.

SALARY, PENSION AND BENEFITS (AUDITED)

The table below details salaries as at 31 March 2018 and those that will apply from 1 July 2018.

When setting FY 2018/19 salaries for the executive directors, the Committee took into account a number of factors, including the approach for our wider employee population, individual performance and overall contribution to the business during the year, cost to the Company, the external economic climate, and market positioning, which included a review of equivalent roles in global luxury competitors* where publicly available and FTSE100 (excluding financial services) companies.

Following careful consideration, the Committee determined that a salary increase of 2% for both Marco Gobbetti and Julie Brown was appropriate. For Marco Gobbetti, this reflects the fact that Burberry has to compete in the global luxury goods market, where pay levels for highly experienced leaders continue to rise, and also recognises that the CEO role has not seen an increase in salary for a number of years. For Julie Brown, a 2% increase is considered to fairly recognise the contribution she has made to the business since appointment.

* Hermes, Hugo Boss, Jimmy Choo, Kate Spade, Kering, LVMH, Michael Kors Holdings, Mulberry, Pandora, PVH, Ralph Lauren, Richemont, Salvatore Ferragamo, Tapestry (formerly Coach), Tiffany & Co and Tod's.

(£'000)	As at 31 March 2018	As at 1 July 2018	% increase
Marco Gobbetti	£1,100	£1,122	2%
Julie Brown	£700	£714	2%
Christopher Bailey	£1,100	n/a	n/a

Each executive director receives an annual pension contribution or pension allowance equal to 30% of base salary. No director has a prospective entitlement to receive a defined benefit pension.

The table below details the non-cash benefits and cash allowances received by the executive directors during FY 2017/18.

2017/18 benefits/allowances (£'000)	Cash allowance	Car allowance	Clothing allowance	Private medical insurance	Life assurance	Long-term disability insurance	Other*	Total £'000
Executive directors								
Marco Gobbetti	60	–	–	5	18	3	5	91
Julie Brown	–	15	15	4	5	15	2	56
Christopher Bailey	440	–	–	18	6	5	–	469

* 'Other' includes for: Marco Gobbetti – tax advice of £4,886; Julie Brown – tax advice of £1,986

ANNUAL BONUS

This section sets out details of bonuses paid in respect of FY 2017/18 performance and details of bonuses for FY 2018/19.

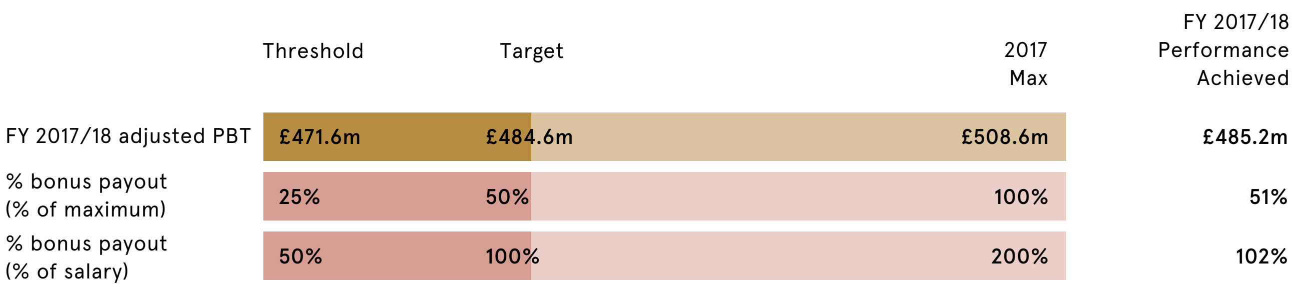
ANNUAL BONUS OUTCOMES FOR FY 2017/18 (AUDITED)

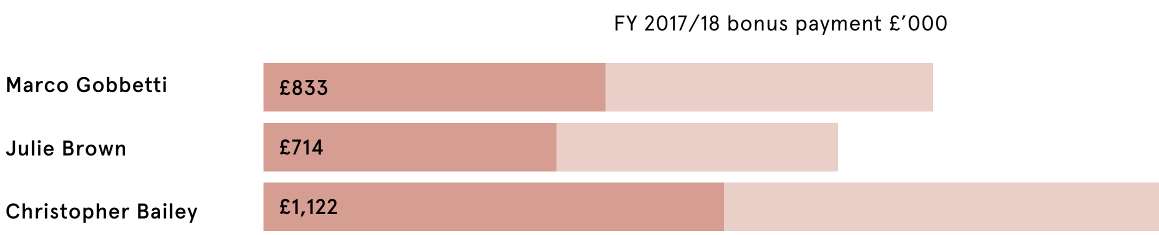
Annual bonuses for FY 2017/18 were based entirely on Adjusted PBT in line with the Remuneration Policy for executive directors. For the year to 31 March 2018, the FY 2017/18 Adjusted PBT achieved was just ahead of the target level set by the Committee, which resulted in bonuses for the executive directors of 51% of maximum (or 102% of target). The Committee applied no discretion. The bonus payment for Marco Gobbetti is for the period from when he became CEO (from 5 July 2017).

The table below sets out the targets and actual performance for FY 2017/18.

Annual bonus for FY 2017/18	Maximum bonus opportunity (% of salary)	FY 2017/18 Adjusted PBT target (£m)	Level of FY 2017/18 Adjusted PBT achieved* (£m)	FY 2017/18 bonus payment (% of maximum)	FY 2017/18 bonus payment (% of salary)	FY 2017/18 bonus payment (£'000)
Marco Gobbetti	200%	Threshold: 471.6			102%	£833
Julie Brown	200%	Target: 484.6	485.2	51%	102%	£714
Christopher Bailey	200%	Maximum: 508.6			102%	£1,122

* The bonus outcome is calculated using the average exchange rates of FY 2016/17. The level of Adjusted PBT achieved for bonus purposes is therefore higher than the reported FY 2017/18 Adjusted PBT (at £471m) to reflect constant exchange rates





Note: Darker shading shows actual achieved

ANNUAL BONUS FOR FY 2018/19

No changes are proposed to the bonus approach for executive directors for FY 2018/19. The maximum bonus award for executive directors will remain at 200% of base salary, and will continue to be based fully on adjusted PBT in line with Policy. The Board considers the forward-looking Adjusted PBT bonus targets to be commercially sensitive as they are linked to the Company's financial and strategic plans, and as such targets will be disclosed retrospectively. Targets have been set to reflect the period of transition where operating margins and adjusted PBT are expected to be broadly stable and are considered by the Committee to be of an equivalent stretch to those set in prior years.

EXECUTIVE SHARE PLAN

The following section sets out details of:

- 2015 ESP awards vesting during FY 2017/18
- 2017 ESP awards granted during FY 2017/18
- 2018 ESP awards to be granted in FY 2018/19

2015 ESP AWARDS VESTING IN FY 2017/18 (AUDITED)

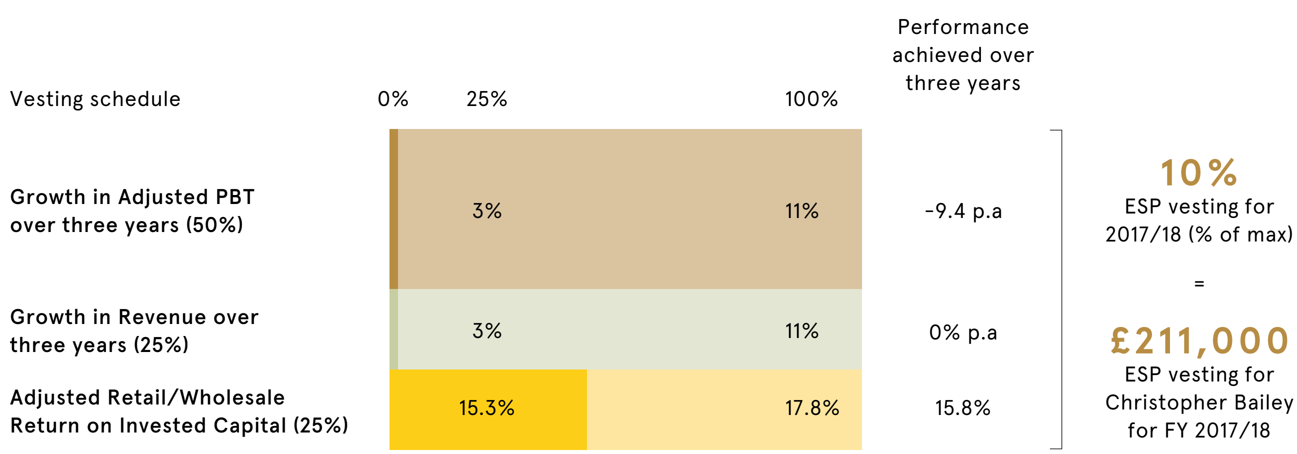
On 22 July 2015, Christopher Bailey was granted an ESP award with vesting subject to performance from 1 April 2015 to 31 March 2018. 50% of this award is due to vest on 22 July 2018 with the remaining 50% due to vest on 22 July 2019. As set out on page 110, as part of his leaving arrangements, Christopher has waived the 50% of the award that was due to vest in July 2019.

The table below sets out the performance conditions, targets and actual performance achieved against these. Over the three-year period to 31 March 2018, Adjusted PBT declined at CER and so none of this element (50%) of the award will vest. Revenue growth at CER over the three-year period to 31 March 2018 was below the threshold growth required of 3% p.a and so none of this element (25%) of the award will vest. The company's average ROIC over the three-year period was 15.8% which is above the threshold level of performance resulting in a vesting of 24,158 shares, being 10% of Christopher's maximum award. However, given Christopher's waiver of the second tranche of the award, only 12,079 shares (5% of the shares underlying the original award), being 10% of the reduced award, will vest in July 2018. The Committee applied no discretion.

ESP outcomes for FY 2017/18	2015 ESP award (no. of shares outstanding)		Vesting schedule	Level of performance achieved over three years	FY 2017/18 ESP vesting (% of maximum)	FY 2017/18 ESP vesting (£'000)*
Christopher Bailey	241,581 (reduced to 120,790)	Growth in Adjusted PBT over three years (50% weighting)	25% for 3% p.a. 100% for 11% p.a. or above	-9.4% p.a.#	10%	£211
		Growth in Revenue over three years (25% weighting)	25% for 3% p.a. 100% for 11% p.a. or above	0% p.a.#		
		Adjusted Retail/Wholesale Return on Invested Capital (25% weighting)	25% for 15.3% 100% for 17.8%	15.8%		

\# The ESP outcome is calculated using the average exchange rates of the year on which the targets were based, as set out in the performance conditions to awards (at the start of the performance period)

* The amount shown for the 2015 ESP award vesting for Christopher Bailey (for year to 31 March 2018) is based on a share price of £16.34 (average share price over the three months to 31 March 2018) as this award has not yet vested and includes an estimated payment in lieu of dividends of £14,157



Note: Darker shading shows actual achieved

2017 ESP AWARDS GRANTED IN FY 2017/18 (AUDITED)

The table below summarises the ESP share awards granted to executive directors during FY 2017/18.

SUMMARY OF CONDITIONAL SHARE AWARDS GRANTED IN FY 2017/18

Type of award	Performance measure	Vesting schedule	Performance period end	Director	Basis of award	Number of shares awarded	Face value at grant[2]
ESP share awards[1]	Growth in Adjusted PBT over three years[5] (50% weighting)	15% for 2.0% p.a. 100% for 10.0% p.a. or above	31/3/2020	Marco Gobbetti	325% of salary	207,687	£3,575,000
				Julie Brown	300% of salary	121,998	£2,100,000
				Christopher Bailey[4]	325% of salary	207,687	£3,575,000
	Growth in Revenue over three years[3,5] (25% weighting)	15% for 1.0% p.a. 100% for 5.5% p.a. or above					
	Adjusted Retail/ Wholesale Return on Invested Capital[6] (25% weighting)	15% for 16.2% 100% for 18.2% or above					

1. The ESP shares were granted on 31 July 2017 and will vest 50% after three years and 50% after four years from grant date, subject to the performance conditions outlined above. No shares may be sold until five years from grant date.
2. The face value of each award has been calculated using the three-day average price prior to the date of grant (£17.21p) which was the price used to determine the number of shares awarded. As receipt of these is conditional on performance, the actual value of these awards may be nil. Vesting outcomes will be disclosed in the 2019/20 Directors' Remuneration Report.
3. On 3 April 2017, it was announced that Burberry had entered into an agreement with Coty Inc. under which Coty Inc. acquire the exclusive long-term global licence rights for Burberry Beauty luxury fragrances, cosmetics and skincare. For the purpose of assessing Revenue growth performance for the ESP awards granted in 2015 and 2017, revenue for the 'base year' has been re-calculated on the assumption that this agreement had applied in that year to ensure revenue growth is being calculated on a like-for-like basis with the way targets have been set.
4. On 31 October 2017, it was announced that Christopher Bailey would be leaving Burberry and had therefore decided to surrender his 2017 ESP award in full. Further information on Christopher's leaving arrangements is included on page 110.
5. The vesting outcomes based on each of three-year revenue and three-year Adjusted PBT growth are calculated using revenue and Adjusted PBT as disclosed in the annual accounts, subject to any adjustments (down or up) made by the Committee to reflect constant exchange rates and any other items deemed to be outside management's control.
6. Adjusted retail/wholesale ROIC measures the efficient use of capital to ensure that returns on future investment are attractive. Group ROIC includes the contribution from the high-return licensing business. Given the licensing business is not capital-intensive, ROIC will continue to be measured on Burberry's retail/wholesale business only. Retail/wholesale ROIC, for the purposes of the ESP performance measure, is calculated as the retail/wholesale post-tax adjusted operating profit divided by the average retail/wholesale operating assets, measured over the three-year period, on a reported currency basis. A calculation of adjusted retail/wholesale ROIC is included in the five-year summary on page 182.

2018 ESP AWARDS TO BE GRANTED IN FY 2018/19

As set out in the table on page 102, 2018 ESP awards for the executive directors will continue to be based on Adjusted PBT, Group revenue and ROIC performance, calculated on the same basis as set out above for FY 2017/18 awards. 2018 ESP awards will vest 50% after three years and 50% after four years from the grant date, subject to the performance conditions (see below). Other than to meet tax liabilities, no shares may be sold until five years from grant date.

The table below sets out the performance measures, targets and award levels for the 2018 ESP.

SUMMARY OF CONDITIONAL SHARE AWARDS TO BE GRANTED IN FY 2018/19

Type of award	Performance measure	Vesting schedule		Maximum award
ESP share awards	Growth in Adjusted PBT over three years[1] (50% weighting)	15% for 0% p.a.	Marco Gobbetti:	325% of salary
		100% for 7.5% p.a. or above	Julie Brown:	300% of salary
	Growth in Revenue over three years[1] (25% weighting)	15% for 1.0% p.a.		
		100% for 5.5% p.a. or above		
	Adjusted Retail/ Wholesale Return[2] on Invested Capital (25% weighting)	15% for 13.5%		
		100% for 17.0% or above		

1. The vesting outcomes based on each of three-year revenue and three-year Adjusted PBT growth will be calculated using revenue and Adjusted PBT as disclosed in the annual accounts, subject to any adjustments (down or up) made by the Committee to reflect constant exchange rates and any other items deemed to be outside management's control.
2. Adjusted retail/wholesale ROIC measures the efficient use of capital to ensure that returns on future investment are attractive. Group ROIC includes the contribution from the high-return licensing business. Given the licensing business is not capital-intensive, ROIC will continue to be measured on Burberry's retail/wholesale business only. Retail/wholesale ROIC, for the purposes of the ESP performance measure, is calculated as the retail/wholesale post-tax adjusted operating profit divided by the average retail/wholesale operating assets, measured over the three-year period, on a reported currency basis. A calculation of adjusted retail/wholesale ROIC is included in the five-year summary on page 182.

In considering the targets under these measures, the Committee has aimed to set a performance range which is stretching to achieve, yet realistic in the context of our business plan for the next three years. In November 2017, we announced a multi-year strategy to establish Burberry's position firmly in luxury fashion, the consequences of which will see a two-year period of investment to strengthen our brand positioning, during which time revenues and operating margin are expected to be broadly stable, followed by an expected acceleration of growth in subsequent years. Given this financial profile, the Committee recognises that on an absolute basis, the three-year adjusted PBT and ROIC targets for the 2018 ESP awards are lower than those under the 2017 ESP. However, the Committee firmly believes that in the context of our new multi-year strategy the targets are at least as stretching as those in previous years.

Additionally, the Committee was also mindful that the ROIC measure is very sensitive to exchange rate movements, such that continued exchange rate volatility relative to sterling may have a significant impact on vesting if the target range were to be overly narrow. Given this, the target range has been widened from that used in previous years to ensure that outcomes are not unduly influenced by exchange rate movements. In broadening the range, the Committee has ensured that proportionally more of the additional width has been incorporated at the upper end of the range, further increasing the overall stretch of the profile.

OUTSTANDING SHARE INTERESTS (AUDITED)

The table below sets out the total interests of the executive directors in ordinary shares of Burberry Group plc as at 31 March 2018. There have been no changes in the period up to and including 15 May 2018 for Marco Gobbetti or Julie Brown (who continue to be executive directors). These include beneficial and conditional interests and the interests of their connected persons in shares.

Director	Type of award	Date of grant	Conditional (with performance)	Conditional (continued employment)	Unconditional but unexercised	Number of shares owned	Total
Marco Gobbetti[2]	ESP[1]	30-Jan-17	215,318	–	–		
	ESP[1]	31-Jul-17	207,687	–	–		
	NCO	08-Feb-18	–	34,696	–		
	Total		**423,005**	**34,696**	**–**	**129,477**	**587,178**
Julie Brown[3]	ESP[1]	30-Jan-17	31,620	–	–		
	ESP[1]	31-Jul-17	121,998	–	–		
	NCO	30-Jan-17	–	129,000	–		
	NCO	30-Jan-17	–	16,750	8,250		
	SAYE	15-Jun-17	–	1,294	–		
	SIP	31-Jul-17	–	30	–		
	Total		**153,618**	**147,074**	**8,250**	**30,102**	**339,044**
Former directors							
Christopher Bailey[4]	RSP	12-Jun-14	–	3,590	7,181		
	ESP[1]	22-Jul-15	–	12,079	–		
	NCO	14-Jun-13	–	400,000	425,950		
	NCO	12-Jun-14	–	55,010	77,084		
	SAYE	20-Jun-13	–	1,229	–		
	SAYE	18-Jul-15	–	1,099	–		
	SIP	20-Aug-04	–	–	800		
	Total		**–**	**473,007**	**511,015**	**566,399**	**1,550,421**

1. ESP awards are awarded as nil-cost options. The awards granted in FY 2017/18 and FY 2015/16 are subject to the performance conditions as outlined on pages 107 and 106 respectively. The awards granted in FY 2016/17 are subject to the following performance conditions: 25% on three-year revenue growth of between 1% and 5.5% p.a., 50% on three-year growth in Adjusted PBT of between 1% and 6% p.a., 25% on three-year average ROIC of between 13.9% and 15.2%.
   ESP awards vest 50% after three years and 50% after four years from date of grant, no vested shares may be sold until five years from date of grant, other than to meet tax liabilities.
   On 3 April 2017, it was announced that Burberry had entered into an agreement with Coty Inc under which they acquire the exclusive long-term global licence rights for Burberry Beauty luxury fragrances, cosmetics and skincare. For the purpose of assessing Revenue growth performance for the ESP awards granted in 2015 and 2017, revenue for the 'base year' has been re-calculated on the assumption that this agreement had applied in that year to ensure revenue growth is being calculated on a like-for-like basis with the way targets have been set.
2. NCO denotes 'Nil-Cost Option' awards granted to Marco Gobbetti on 8 February 2018. Full details of these awards are shown on page 112.
   Marco Gobbetti exercised the following awards during the year: 244,716 shares under his NCO granted on 8 February 2018. The market value of Burberry shares on the date of exercise (8 February 2018) was 1544p. Marco retained these shares (post tax liabilities).
3. NCO denotes 'Nil-Cost Option' awards granted to Julie Brown on 30 January 2017. Full details of these awards are shown on page 113.
   Julie Brown exercised the following awards during the year: 38,901 shares under her NCO granted on 30 January 2017. The market value of Burberry shares on the date of exercise (7 February 2018) was 1570p. Julie retained these shares (post tax liabilities).
4. NCO denotes 'Nil-Cost Option' awards granted to Christopher Bailey in 2013 and 2014. Full details of these awards are shown on pages 110 and 111. Christopher Bailey exercised the following awards during the year: 174,050 shares under his NCO granted on 14 June 2013. The market value of Burberry shares on the date of exercise (7 August 2017) was 1809p.

SHAREHOLDING GUIDELINES

The minimum shareholding guidelines for our senior executives were increased last year and are now set at the following levels:

- three times base salary for executive directors
- one times base salary for other senior executives

There is no specific timeline in which shareholding guidelines must be achieved. However, there is an expectation that executives make annual progress towards their guideline, regardless of any annual bonus paid or shares vesting. Only shares that are owned outright count towards the shareholding requirement. The shareholding guidelines apply whilst executive directors and senior executives are employed by Burberry.

Christopher Bailey's shareholding guideline was set at 500,000 shares. As at 31 March 2018 Christopher owned 566,399 shares (with a value of c.8.7 times salary based on the share price at 31 March 2018) and had therefore achieved his shareholding guideline.

As at 31 March 2018, Marco Gobbetti and Julie Brown have both made progress towards their shareholding guidelines with shareholdings of 200% and 73% of their respective salaries. Both Marco and Julie will invest 50% of their net FY 2017/18 annual bonuses in Burberry shares, subject to the shareholding guideline not having been met.

This information on the achievement of shareholding guidelines has been audited.

FURTHER INFORMATION ON REMUNERATION FOR EXECUTIVE DIRECTORS (AUDITED)

CHRISTOPHER BAILEY

In October 2017 we announced Christopher's planned departure and associated leaving arrangements, which are summarised below. It was agreed that Christopher would step down from the Board on 31 March 2018. In addition to agreeing to remain with Burberry in an advisory capacity until December 2018, providing valuable continuity and helping to ensure a smooth transition, Christopher also agreed to surrender a total of 830,550 shares awarded to him under Burberry's share plans. This represents a face value in excess of £14 million based on the share price at his date of departure from the Board.

The remuneration implications of Christopher's departure are as follows:

Salary and benefits: For the period of continued employment up to 31 December 2018, in accordance with his service agreement, Christopher will receive salary, pension and contractual cash and non-cash benefits.

Bonus: Christopher will receive a bonus for the year ended 31 March 2018, as set out on page 105, payable in July 2018. No bonus will be paid in respect of the period April to December 2018.

Executive Share Plan (ESP): As set out on page 106, 12,079 shares of the first tranche of the 2015 ESP will vest in July 2018. Christopher has waived all other ESP awards (215,318 shares granted for the 2016 ESP award and 207,687 shares granted for the 2017 ESP award).

Restricted Share Plan (RSP): The second tranche of the 2014 RSP award (3,590 shares) will vest in July 2018, as the three-year performance period for this award was completed on 31 March 2017. Christopher has waived all other 2014 RSP awards (3,591 shares).

2013 exceptional award: The final tranche of the 2013 exceptional award which had no performance conditions (400,000 shares) will vest in accordance with its terms in July 2018.

2014 exceptional performance based award: To reflect that during FY 2017/18 he served as CEO of the Company from 1 April to 5 July 2017 only, Christopher has waived the pro-rated portion of the second tranche of the award from 5 July 2017 (33,163 shares) and the whole of the third tranche of the award (250,000 shares). The pro-rated portion of the second tranche of the award is subject to performance for the period up to 5 July 2017 and will vest in accordance with its terms in July 2018. Details of the performance assessment and outcome are set out on the following page.

Legal fees of £40,000 have been paid directly to Christopher's legal advisers (including, securing intellectual property rights).

To recognise his extraordinary contribution to the transformation of Burberry since 2001, the Company gave gifts to Christopher to the value of £28,000, on a net of tax basis.

No other payments will be made.

The Committee assessed performance for the 2014 exceptional award for the period 1 April to 5 July 2017 and determined that 40% of maximum should vest to reflect performance during this period. Further detail on this performance assessment is set out in the table below.

PERFORMANCE ELEMENT (WEIGHTED EQUALLY, 25% EACH)	COMMENTARY	PERFORMANCE ASSESSMENT 1 APRIL 2017 TO 5 JULY 2017 (OF MAXIMUM FOR EACH ELEMENT)
1. Strategic development	In the 2016/17 DRR we set out details of Burberry's strategic development to 31 March 2017. This included the plans outlined in May 2016 to accelerate our productivity and efficiency agenda, including a programme of action to deliver significant cost savings. We also described the substantial progress that had been made embedding the five key strategies in the business and delivering on these objectives. As Chief Creative Officer and CEO Christopher continued to lead the development of this strategy and its expected implementation in the period to 5 July 2017 and therefore the Committee determined that this element of the criteria was fully delivered during the period.	25/25 (100%)
2. Financial performance	To 5 July 2017 the business made good progress on delivering financial performance during FY 2017/18. Notwithstanding this, given that the adjusted PBT performance over the period from 1 April 2014 was below the level of the CIP performance condition threshold of 5% growth (the benchmark set at the time of grant), the Committee determined that no portion of this element of the award should vest.	0/25 (0%)
3. Personal contribution	Christopher continued to drive the business through this transitional period, whilst evolving the key strategies. He ensured that the senior executive team remained focused on both the delivery of the key strategies and the management of the business in a challenging economic climate. Furthermore, Christopher oversaw significant change across the senior team and embedded new executives and retained existing talent. Notwithstanding Christopher's personal commitment in the period to 5 July 2017, the Committee determined a 60% outcome to this measure, again noting the level of financial performance.	15/25 (60%)
4. Shareholder value	The share price increased by 10.4% between 1 May 2014 (the date of Christopher's appointment to Chief Creative and Chief Executive Officer) and 5 July 2017. Overall Total Shareholder Return ('TSR') for Burberry for the period from 1 April 2014 to 5 July 2017 was 28.2% (as confirmed by Deloitte), which compared to an average TSR of 30.6% for our core luxury peers* and 27.2% for the FTSE 100. The Committee determined that, as our performance was behind that of our luxury peers, no portion of this award should vest.	0/25 (0%)
	Overall outcome	**40/100 (40%)**

* Boss, Ferragamo, Hermes, Kering, LVMH, Prada, Ralph Lauren, Richemont, Swatch, Tapestry (formerly Coach), Tiffany, Tod's

This outcome, when combined with the outcomes for previous years (FY 2014/15: 85%; FY 2015/16: 50%; FY 2016/17: 50%), gives an overall vesting for the second tranche of the award of 59.9% of maximum. This will result in 55,010 shares vesting on 31 July 2018 (out of a maximum of 125,000), including pro-rating to 5 July 2017.

MARCO GOBBETTI

Marco Gobbetti joined the Board in the role of CEO on 5 July 2017. As set out in last year's Directors' Remuneration Report, in order to secure his appointment and to allow him to join Burberry at the earliest opportunity, the Committee agreed to buy out awards forfeited on leaving his previous employer.

The buyout awards were made on 8 February 2018 and comprise the following two parts:

Award 1

The aim of this award was to make whole a one-off long-term incentive plan with Marco's previous employer, which would have paid out in early 2018 based on performance delivered for the four years to 31 December 2017. We originally agreed with Marco that this would vest in November 2017.

After further deliberation, the Committee changed the timing of the buyout award to February 2018 to more accurately reflect the vesting timeframe of the original award. The Committee also reviewed the value of the buyout (€4m) and remained satisfied that the value of the award was significantly less than he would otherwise have received if remaining at his previous employer.

Accordingly, a share award over 227,627 nil-cost options with a value of €4m (£3.54m based on the three-day average share price prior to award of £15.55) was made to Marco on 8 February 2018. The award was immediately exercisable from this date. Marco exercised his award on the same date and, other than selling to cover taxes, retained all the shares.

Award 2

On leaving his previous employer, Marco also forfeited a series of annual long-term performance share awards granted to him in July 2013 (due to vest in July 2017), in October 2014 (due to vest in October 2018) and in October 2015 (due to vest in October 2019).

To replace these awards, Marco was granted a share award over 51,785 nil-cost options with a value of €910,000 (£805,000 based on the three-day average share price prior to award of £15.55) on 8 February 2018. 33% of the buyout award vested and was exercisable immediately, reflecting that the original performance conditions had already been fully achieved and this element of the award would have already vested. Marco exercised this portion of the award and retained all the shares, other than those sold to cover taxes. A further 33% of this award will vest in October 2018, reflecting the vesting schedule of the original award. The original performance conditions have already been fully achieved and therefore the vesting of the award is subject to continued employment only.

The remaining 34% of the award remained subject to the achievement of the original performance conditions at the date of the award with 17% due to vest in October 2019 and the final 17% vesting in October 2020. Since the date of the award, the Committee has satisfied itself that the performance conditions attached to this portion of the award are fully met and so the award will vest in full on the dates set out above. Whilst the original 2015 award was due to vest in full in October 2019, the Committee decided to apply a longer vesting period to support Marco's alignment with shareholder interests over an extended period of time.

JULIE BROWN
As set out in the 2016/17 DRR, in order to secure Julie Brown's appointment and to allow her to join Burberry at the earliest opportunity, the Committee agreed to buy out incentives that she forfeited on leaving her previous employer. The 2016/17 DRR also set out that Julie had been granted an award under the ESP on 30 January 2017.

On 26 June 2017, the Company announced that Julie Brown had decided to waive:

- nil-cost options over 94,860 shares (75%) of the ESP award she had been granted on 30 January 2017 due to overlap of the 2016/17 performance period

- nil cost options over 47,099 shares she was granted on 30 January 2017 (her buyout award) in the light of the vesting outcome of her 2014 award from her former employer

The Remuneration Committee welcomed and agreed with Julie Brown's decision. The surrender caused:

- the 2016/17 ESP nil-cost options to immediately lapse in respect of 94,860 shares; Julie continues to hold nil-cost options over the balance, being 31,620 shares under the 2016/17 ESP

- the buyout award nil-cost options to immediately lapse in respect of 47,099 shares; the balance of nil-cost options over 167,901 shares vest (subject to continued employment) as per the following schedule:

  - 38,901 shares vested on 22 July 2017;

  - 64,500 shares due to vest on 22 July 2018;

  - 64,500 shares due to vest on 22 July 2019.

These changes to Julie's share awards are reflected in the information set out in the table of total interests in shares (on page 109). Other aspects of Julie's buyout arrangements are unaffected and are as set out in the 2016/17 DRR.

In March 2018 Julie's previous employer published the level of vesting of the award relating to the second tranche of her buy-out (64,500 shares). The Committee noted that this vesting outcome at her prior Company was higher than the value at which Burberry had bought it out.

The following sections are not subject to audit.

SERVICE AGREEMENTS
The table below sets out information on service agreements for the current executive directors.

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

EXTERNAL APPOINTMENTS

Julie Brown serves as a non-executive director of Roche Holdings and it was agreed that fees earned in connection with this appointment can be retained by her. For the period 1 April 2017 to 31 March 2018, Julie's fees for this appointment were CHF360,000 (c. £267,000).

Neither Marco Gobbetti nor Christopher Bailey held any external appointments during the year ended 31 March 2018.

CHANGE IN THE CHIEF EXECUTIVE OFFICER'S REMUNERATION RELATIVE TO ALL EMPLOYEES

The table below sets out Marco Gobbetti's base salary, benefits and bonus received as CEO for FY 2017/18. As Marco was appointed to the role of Chief Executive Officer on 5 July 2017, the year-on-year change reported compares his actual salary, benefits and bonus received to that received by Christopher Bailey for the same pro-rated period of FY 2016/17. The year-on-year change (FY 2017/18 vs. FY 2016/17) of salary, benefits and annual bonus received for a comparator group of UK-based employees is also shown.

		Salary	Benefits	Bonus
CEO	£'000s	£816	£90	£833
	Year-on-year change (%)	0%	-74%	n/a**
Employees*	Year-on-year change (%)	2%	0%	11%

* The comparator group includes all employees in corporate roles based in the UK. This group has been chosen as these employees most closely reflect the economic environment in which the Chief Executive Officer operates.
For the comparator group of employees, the salary and bonus year-on-year changes include the annual salary review but exclude any additional changes made in the year, for example on promotion.
In FY 2017/18, the bonus outturn based on Adjusted PBT performance was 51% of maximum, compared to 46% of maximum in FY 2016/17.
The 0% increase for benefits for the comparator group of employees reflects no change to benefits policies or levels during the year. It does not reflect any changes to the level of benefits an individual may have received as a result of a change in role, for example on promotion.
A meaningful year-on-year change for benefits and bonus for all Group employees cannot be provided due to the variation in structure of these pay elements across roles and regions.

** Christopher Bailey received no annual bonus in respect of FY 2016/17 and therefore a percentage comparison is not possible.

RELATIVE IMPORTANCE OF SPEND ON PAY FOR FY 2017/18

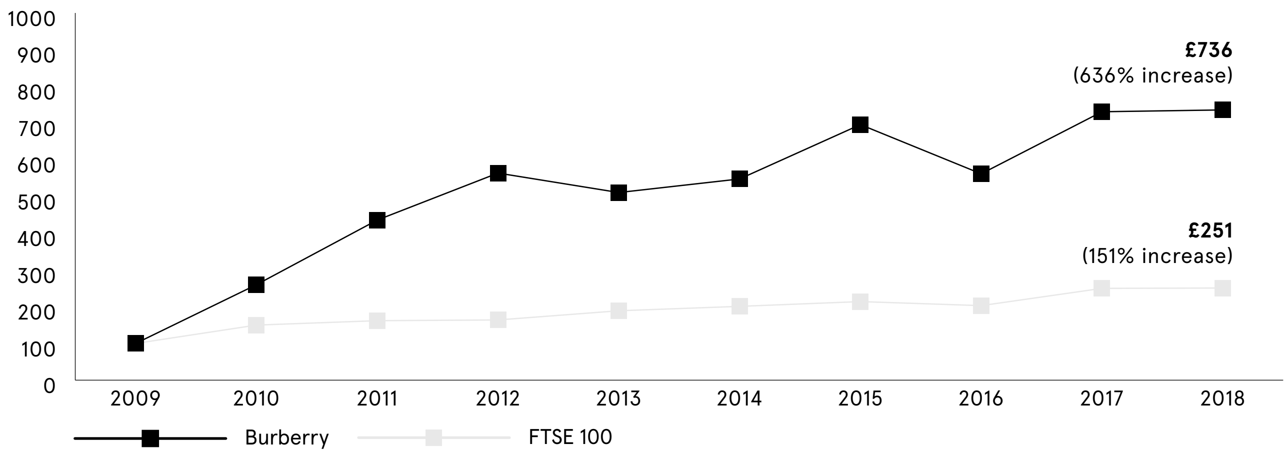
The table below sets out the total payroll costs for all employees over FY 2017/18 compared to total dividends payable for the year and amounts paid to buy back shares during the year. The average number of full-time equivalent employees is also shown for context.

The Committee is mindful of the likelihood of new regulations that will require UK companies to publish their Chief Executive Officer's pay relative to that for all employees. The Committee awaits the final draft of the regulations and further Government guidance on the method of calculation, but the current intention is to publish this information in the 2018/19 Directors' Remuneration Report.

Relative importance of spend on pay		**FY 2017/18**	FY 2016/17
Dividends paid during the year (total)	£m	**169.4**	164.4
	% change	**3.0%**	
Amounts paid to buy back shares during the year	£m	**355**	97.2
	% change	**265%**	
Payroll costs for all employees	£m	**515.2**	494.4
	% change	**4.2%**	
Average number of full-time equivalent employees		**9,752**	9,828
	% change	**-0.8%**	

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

The following graph shows the Total Shareholder Return (TSR) for Burberry Group plc compared to the companies in the FTSE 100 index assuming £100 was invested on 31 March 2009. Burberry became a constituent of the FTSE 100 index on 10 September 2009 and prior to that had a market capitalisation close to that of companies at the lower end of the FTSE 100 index. Data is presented on a spot basis and sourced from DataStream.



The table below shows the total remuneration earned by the incumbent Chief Executive Officer over the same nine-year period, along with the percentage of maximum opportunity earned in relation to each type of incentive. The total amounts are based on the same methodology as used for the table on page 103 (Single figure of total remuneration for FY 2017/18.)

Angela Ahrendts (AA, CEO to 30 April 2014), Christopher Bailey (CB, Chief Creative Officer and CEO from 1 May 2014 to 4 July 2017), Marco Gobbetti (MG, CEO from 5 July 2017)

FY	2009/10 (AA)	2010/11 (AA)	2011/12 (AA)	2012/13 (AA)	2013/14 (AA)	2014/15 (AA)	2014/15 (CB)	2015/16 (CB)	2016/17 (CB)	2017/18 (CB)	2017/18 (MG)
Total remuneration (£'000)	7,362	16,003	9,574	10,901	8,007	157	7,508	1,894	3,508	1,091	6,330
Bonus (% of maximum)	100%	100%	100%	75%	70%	–	81%	0%	0%	51%	51%
CIP* (% of maximum)	100%	100%	–	100%	100%	–	75%	0%	0%	–	–
RSP (% of maximum)	42.50%	–	100%	–	–	–	–	0%	19.30%	–	–
ESP (% of maximum)	–	–	–	–	–	–	–	–	–	5%	–
EPP** (% of maximum)	15%	50%	–	–	–	–	–	–	–	–	–
Exceptional award*** (% of maximum)	–	–	–	–	–	–	–	–	61.70%	59.9%	–

* The 'CIP' was the Burberry Co-Investment Plan, a long-term incentive plan under which the final performance-based awards were granted in 2014. Details of this plan can be found in the relevant Directors' Remuneration Reports.

** The 'EPP' was the Burberry Exceptional Performance Share Plan, a one-off long-term incentive plan under which performance-based awards were granted in 2007 only. Details of this plan can be found in the relevant Directors' Remuneration Reports.

***The 'Exceptional award' for Christopher Bailey relates to vesting of the first tranche of his 2014 exceptional share award, for which 55,010 of a maximum 125,000 shares will vest on 31 July 2018 for FY 2017/18.

NON-EXECUTIVE DIRECTORS' REMUNERATION (AUDITED)

The policy on remuneration for non-executive directors is set out in the 2016/17 Directors' Remuneration Report (which can be found in the 2016/17 Annual Report on the Burberry Group plc website at www.burberryplc.com).

The table below sets out the single figure of total remuneration received or receivable by the non-executive directors in respect of FY 2017/18. The single figures of total remuneration are also included for the prior (2016/17) financial year where appropriate.

	Fees £'000	Cash allowances[1] £'000	Expenses[2] £'000s	Tax on expenses[2] £'000s	Benefits/allowances (total allowances, expenses and tax on expenses)[2] £'000	**Total £'000**
Non-executive directors						
Sir John Peace						
Year to 31 March 2018	400	2	71	58	131	531
Year to 31 March 2017	400	–	2	1	3	403
Fabiola Arredondo						
Year to 31 March 2018	110	10	77	63	150	260
Year to 31 March 2017	103	10	80	54	144	247
Ian Carter						
Year to 31 March 2018	80	8	26	21	55	135
Year to 31 March 2017	92	12	67	55	134	226
Jeremy Darroch						
Year to 31 March 2018	130	2	–	–	2	132
Year to 31 March 2017	103	–	–	–	–	103
Ron Frasch[3]						
Year to 31 March 2018	47	4	19	2	25	72
Stephanie George						
Year to 31 March 2018	80	8	34	22	64	144
Year to 31 March 2017	80	10	58	38	106	186
Matthew Key						
Year to 31 March 2018	80	2	1	1	4	84
Year to 31 March 2017	80	–	2	1	3	83
Dame Carolyn McCall[4]						
Year to 31 March 2018	80	2	–	–	3	83
Year to 31 March 2017	80	–	2	1	3	83
Orna NiChionna[5]						
Year to 31 March 2018	25	–	–	–	–	25
Former non-executive directors						
Philip Bowman[6]						
Year to 31 March 2018	52	6	–	–	6	58
Year to 31 March 2017	112	6	17	13	36	148

Notes:
1. Cash allowances are attendance allowances of £2,000 for each meeting attended outside the non-executive director's country of residence.
2. The reimbursement of certain expenses incurred by non-executive directors in the performance of their duties is deemed by HM Revenue & Customs to be subject to UK income tax. The table above includes figures for 'Benefits/allowances', including costs in respect of air travel and other incidental costs incurred in attending regular Board and Committee meetings. Any tax liabilities arising on the reimbursement of these costs will be settled by the Company. Amounts disclosed have been estimated and have been 'grossed up' at a tax rate of 45% where necessary. Note that expenses for Fabiola Arredondo, Ian Carter, Ron Frasch and Stephanie George include travel expenses from the USA. Expenses for Sir John Peace include healthcare cover and a car and driver, in line with policy.
3. Fees for Ron Frasch relate to the period 1 September 2017 to 31 March 2018. Ron is currently exempt from tax on the reimbursement of the cost of his flights to and from the UK to attend Board meetings.
4. Expenses and associated tax for Dame Carolyn McCall were £446 and £365 respectively, totalling £811 and shown in table above as £1,000.
5. Fees for Orna NiChionna relate to the period 3 January to 31 March 2018.
6. Fees for Philip Bowman relate to the period 1 April 2017 to 31 October 2017, when he stepped down from the Board.

SUMMARY OF CHAIRMAN AND NON-EXECUTIVE DIRECTOR FEES FOR FY 2018/19

The fee structure for the Chairman and non-executive directors for FY 2018/19 is set out in the table below. As announced on 13 April 2018, Gerry Murphy was appointed as Chairman designate on 17 May 2018 and will succeed Sir John Peace as Burberry Chairman after the AGM on 12 July 2018. The table below sets out Gerry's agreed fee level of £425,000. Sir John will continue to receive his current fee level (of £400,000 per annum) until 12 July 2018.

Summary of Chairman and NED fees for FY 2018/19	**Fee level £'000**
Chairman[1]	425
Non-executive director	80
Senior Independent Director	20
Audit Committee Chair	35
Remuneration Committee Chair	35
Attendance allowance[2]	2

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

CHAIRMAN AND NON-EXECUTIVE DIRECTOR SHAREHOLDINGS (AUDITED)

The shareholding guideline for the Chairman and non-executive directors is to hold shares with a market value of £6,000 for each year of their appointment.

The table below summarises the total interests of the Chairman and non-executive directors in ordinary shares of Burberry Group plc as at 31 March 2018. As at 31 March 2018, all of the non-executive directors had fulfilled this guideline, with the exception of Jeremy Darroch. Jeremy intends to purchase shares in the near future to fulfil his guideline. There have been no changes in the period up to and including 15 May 2018. These include beneficial and conditional interests and the interests of their connected persons in shares.

Director	**Total number of shares owned**
Sir John Peace	195,738
Fabiola Arredondo	7,500
Ian Carter	37,701
Jeremy Darroch	1,000
Ron Frasch	885
Stephanie George	41,600
Matthew Key	2,420
Dame Carolyn McCall	2,600
Orna NiChionna	3,067
Former non-executive director	
Philip Bowman (as at 31 October 2017)	75,000

REMUNERATION COMMITTEE IN FY 2017/18

Committee membership

Following the review of the Remuneration Committee membership in FY 2016/17, the following directors served as members of the Committee during FY 2017/18:

- Orna NiChionna (Chair from 6 February 2018)
- Fabiola Arredondo (Chair until 5 February 2018)
- Philip Bowman (until 31 October 2017)
- Ian Carter
- Ron Frasch (from 1 September 2017)
- Stephanie George

Committee remit

During FY 2017/18 the Committee reviewed its Terms of Reference ('ToR') and formally adopted an updated ToR on 6 February 2018. The rationale for the review was to provide greater clarity of the Committee's remit and responsibility given the increasing external focus on executive remuneration and the internal changes to the structure of the senior executive team. The updated Terms of Reference are published on the Burberry Group plc website at www.burberryplc.com.

In addition to setting the remuneration of the executive directors, the Committee continues to directly oversee the remuneration arrangements for the Executive Committee. The Committee also now has a remit to take into account remuneration throughout the Group when considering executive arrangements, and to this end is presented with appropriate information to perform this role effectively. During the year we also discussed our approach to, and results of, Burberry's gender pay gap reporting.

Looking ahead, the Committee notes and welcomes the UK Financial Reporting Council's review of the UK Corporate Governance Code, which along with broader matters, includes proposals arising from the Government's consultation during 2017 on executive pay, directors' duties and board composition. We look forward to explaining in next year's Annual Report and Accounts what changes were ultimately made to the Code and how the Company has responded to them.

SUMMARY OF MEETINGS

The Committee typically meets four to six times a year. During FY 2017/18, the Committee met four times and the agenda items discussed at these meetings and the meeting in May 2018 are summarised below.

MAY 2017

- FY 2016/17 incentive outcomes
- FY 2017/18 performance targets and incentive awards
- FY 2017/18 senior executive remuneration
- 2016/17 Directors' Remuneration Report

NOVEMBER 2017

- Update on external environment (from Deloitte)
- Shareholder/advisory body feedback
- Review of Committee terms of reference
- Incentives performance update

FEBRUARY 2018

- Update on external environment (from Deloitte)
- 2017/18 Directors' Remuneration Report
- FY 2017/18 incentives approach and incentives performance update
- FY 2018/19 all-employee share awards
- Update on gender pay gap reporting

MARCH 2018

- Expected FY 2016/17 incentive outcomes and target-setting
- 2017/18 Directors' Remuneration Report
- Review of broader Company reward, including discussion of reward by band and gender, and level of satisfaction with reward, in three key markets (the UK, the US and China)

MAY 2018

- FY 2017/18 incentives outcomes
- FY 2018/19 performance targets and incentive awards
- FY 2018/19 senior executive remuneration
- 2017/18 Directors' Remuneration Report

In addition, the Committee met on an ad-hoc basis during the year when members considered and made decisions on the following items:

- Leaving arrangements for Christopher Bailey
- Buyout awards for Marco Gobbetti
- Recruitment and termination arrangements for other senior executives

KEY

Implementation of executive and senior management Remuneration Policy	Communication with shareholders	Executive Remuneration Policy, including market awareness	Committee governance	Broader employee reward and all-employee share plans

ADVISERS TO THE COMMITTEE

At the invitation of the Committee, except where their own remuneration was being discussed, the following people attended meetings and provided advice to the Committee: Sir John Peace (Chairman), Marco Gobbetti (Chief Executive Officer), Christopher Bailey (President and Chief Creative Officer), Julie Brown (Chief Operating and Financial Officer), Leanne Wood (Chief People, Strategy and Corporate Affairs Officer), Louise Baker (Senior Vice President – Reward), Paul Tunnacliffe (Company Secretary), Edward Rash (General Counsel) and Catherine Sukmonowski (former Company Secretary).

Following a formal review of advisers, Deloitte were appointed as primary independent advisers to the Committee in July 2017. Prior to this date the Committee was advised by Willis Towers Watson (WTW). Both Deloitte and WTW are members of the Remuneration Consultants' Group (RCG), which is responsible for the development and maintenance of the voluntary Code of Conduct that clearly sets out the role of executive remuneration consultants and the professional standards by which they advise their clients. The Committee is satisfied that advice received from both Deloitte and WTW during the year was objective and independent and that all individuals who provided remuneration advice to the Committee have no connections with Burberry that may impair their independence. The Committee reviewed the potential for conflicts of interest and judged that there were appropriate safeguards against such conflicts.

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

ADVISERS	SERVICES PROVIDED TO THE COMMITTEE	OTHER SERVICES PROVIDED TO THE COMPANY	FEES FOR COMMITTEE ASSISTANCE
Deloitte LLP	Appointed by the Committee to provide advice on executive remuneration	During the year Deloitte has also provided other consulting services (including strategy, technology implementation and analytics), tax compliance and advisory and transfer pricing services.	£307,550 Fees charged on a time and expense basis
Willis Towers Watson ('WTW')	Appointed by the Committee to provide advice on executive remuneration	A term of the engagement between the Committee and WTW is that any additional consulting services provided by WTW to management are reported on a regular basis to the Committee. Where an actual or potential conflict may occur, such work is agreed by the Chair of the Committee prior to commencement.	£23,393 Fees charged on a time and expense basis
		WTW provides market benchmarking information to management in relation to a small number of roles which fall below the remit of Committee review.	Fees charged on a time and expense basis

REMUNERATION REPORT VOTING RESULTS

The table below shows the results of the remuneration-related shareholder votes from the 2017 AGM, which included a vote on Directors' Remuneration Policy.

As mentioned earlier in this report, the Committee takes shareholder feedback very seriously. As detailed in the Committee Chair's introductory letter to this Directors' Remuneration Report, although the Committee was extremely pleased to receive 93.4% of votes in favour of our new Remuneration Policy, we have reflected carefully on the results of the 2017 AGM in connection with the Annual Report on Remuneration and have fully considered the feedback received in our decision-making in relation to the application of policy during the year.

We have continued to engage with and listen to our shareholders in early 2018 as part of our commitment to build on the constructive dialogue we have established and the Committee and I would like to thank all of you who have invested time with us, as it has helped to inform our thoughts on executive remuneration at Burberry going forward. Further information on our understanding of the issues raised and how the Committee responded is set out in the table below.

AGM VOTING RESULTS

Vote (2017 AGM)	Votes for	Votes against	Votes withheld	Any issues raised and Company response
To approve the Directors' Remuneration Report for the year ended 31 March 2017 (advisory)	226,928,117 (68.52%)	104,241,135 (31.48%)	7,945,162	We have fully considered shareholder feedback in our decision making in relation to policy and its application. Following continued engagement with shareholders in 2017: • On 26 June 2017, we announced that Julie Brown decided to waive a portion of each of her ESP award and buyout share award granted on 30 January 2017 (as detailed on page 113). • At this time, we also provided additional information on our website on the assessment of performance for the 2014 Exceptional performance-based share award granted to Christopher Bailey. • On 31 October 2017, we announced the remuneration implications of Christopher Bailey's transition from Burberry, including surrender of pro-rated portions of certain outstanding share awards (as detailed on page 110). Early in 2018 we: • Continued to engage with our investors as part of our commitment to build on the constructive dialogue we have established. • Met with shareholders who voted against the report to understand their perspectives in depth. • Considered the feedback carefully in our decision-making in relation to the application of policy during the year.
To approve the Directors' Remuneration Policy (binding)	315,538,767 (93.40%)	22,283,872 (6.60%)	1,291,775	Not applicable

Approval

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

ORNA NiCHIONNA
Chair, Remuneration Committee
15 May 2018

DIRECTORS' REPORT

THE DIRECTORS PRESENT THEIR ANNUAL REPORT AND THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY FOR THE YEAR TO 31 MARCH 2018.

STRATEGIC REPORT

Burberry Group plc is required by the Companies Act 2006 to prepare a Strategic Report that includes a fair review of the Company's business, the development and performance of the Company's business during the year, the position of the Company at the end of the financial year to 31 March 2018, and a description of the principal risks and uncertainties faced by the Company. The following are incorporated by reference and shall be deemed to form part of this Directors' Report:

- Strategic Report on pages 3 to 67;
- Governance Report (which includes the Board, the Corporate Governance Report and the Directors' Remuneration Report) on pages 69 to 121; and
- Energy and global greenhouse gas emissions disclosure on page 46.

OTHER GOVERNANCE DISCLOSURES

Revenue and profit

Revenue from the continuing business during the period amounted to £2,732.8m (2017: £2,766.0m). The profit for the year attributable to equity holders of the Company was £293.5m (2017: £286.8m)

Going concern

The going concern statements for the Group and Company are set out on pages 142 and 188 of the Financial Statements and are incorporated by reference and shall be deemed to be part of this report.

Independent auditors

In accordance with section 418(2) of the Companies Act 2006, each of the Company's Directors in office at the date of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- he or she has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information, and to establish that the Company's auditors are aware of that information.

The Group's auditors are PricewaterhouseCoopers LLP. A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the forthcoming Annual General Meeting. Note 8 of the Financial Statements states the auditors' fees both for audit and non-audit work.

The Independent Auditors' Report starting on page 129 sets out the information contained in the Annual Report which has been audited by them.

Disclosures required under Listing Rule 9.8.4

The information required by Listing Rule 9.8.4, where applicable, is included in this Directors' Report.

Political donations

The Company made no political donations during the year in line with its policy (2017: £nil). In keeping with the Company's approach in prior years, shareholder approval is being sought at the forthcoming Annual General Meeting, as a precautionary measure, for the Company and its subsidiaries to make donations and/or incur expenditure which may be construed as 'political' by the wide definition of that term included in the relevant legislation. Further details are provided in the Notice of this year's Annual General Meeting.

Financial instruments

The Group's financial risk management objectives and policies are set out within note 26 of the Financial Statements. Note 26 also details the Group's exposure to foreign exchange, share price, interest, credit, capital and liquidity risks. This note is incorporated by reference and deemed to form part of this report.

Annual General Meeting

The Annual General Meeting (AGM) of the Company will be held at the Conrad London St. James, 22-28 Broadway, London, SW1H 0BH on Thursday, 12 July 2018. The Notice of this year's AGM will be available to view on the Company's website at www.burberryplc.com.

The Directors consider that each of the proposed resolutions to be considered at the AGM are in the best interests of the Company and its shareholders, and are most likely to promote the success of the Company for the benefit of its shareholders as a whole. The Directors unanimously recommend that shareholders vote in favour of each of the proposed resolutions, as the directors intend to do in respect of their own shareholdings.

Directors

The names and biographical details of the Directors as at the date of this report are set out on pages 72 and 73 and are incorporated by reference into this report.

At the 2018 AGM, other than the Chairman who will step down at the conclusion of the AGM, all of the current Directors will offer themselves for election or re-election. The Notice of this year's AGM sets out why the Board believes the Directors should be elected or re-elected. Details of the Directors' service agreements and letters of appointment are given in the Directors' Remuneration Report on pages 96 to 121.

Directors' insurance and indemnities
The Company maintains directors' and officers' liability insurance, which gives cover for legal actions brought against its Directors and officers. In accordance with section 236 of the Companies Act 2006, qualifying third-party indemnity provisions are in place for the Directors in respect of liabilities incurred as a result of their office, to the extent permitted by law. Both the insurance and indemnities applied throughout the financial year ended 31 March 2018 and through to the date of this report.

Directors' share interests
The interests of the Directors holding office at 31 March 2018 in the shares of the Company are shown within the Directors' Remuneration Report on page 96 to 121. There were no changes to the beneficial interests of the Directors between the period 31 March 2018 and 15 May 2018.

Substantial shareholdings
As at 31 March 2018, the Company had been notified under Rule 5 of the Disclosure and Transparency Rules of the following major interests in its issued ordinary share capital:

	Number of ordinary shares	% of total voting rights[1]
GBL Energy Sarl	25,667,299	6.01
BlackRock, Inc.	25,036,087	5.70
Lindsell Train Limited	21,928,267	5.00
FMR LLC[2]	21,867,513	4.98
Schroders plc[2]	21,666,352	4.99
Ameriprise Financial, Inc.[2]	21,664,800	4.97
The Capital Group Companies, Inc[2]	20,783,178	4.67
Massachusetts Financial Services Company[2]	20,073,645	4.61

1. As at the date in the notification to the Company
2. Notification was made over 12 months ago, as permitted under Rule 5, shareholders are not required to notify us of subsequent changes within certain ranges

Since 31 March 2018, the Company was notified on 10 May 2018 by BlackRock, Inc that it holds 27,729,908 shares representing 6.62% of the total voting rights.

Additionally, the Company was notified on 9 May 2018 that GBL Energy Sarl holds under 3% of the total voting rights.

Interests in own shares
Details of the Company's interests in its own shares are set out in note 23 to the Financial Statements.

Share capital
Details of the issued share capital, together with details of movements in the issued share capital of Burberry Group plc during the year, are shown in note 23. This is incorporated by reference and deemed to be part of this report.

The Company has one class of ordinary share which carries no right to fixed income. Each share carries the right to one vote at general meetings of the Company. The ordinary shares are listed on the Official List and traded on the London Stock Exchange. As at 31 March 2018, the Company had 418,275,123 ordinary shares in issue. The Company does not hold any shares in treasury.

In order to retain maximum flexibility, the Company proposes to renew the authority granted by ordinary shareholders at the Annual General Meeting (AGM) in 2017, to repurchase up to just under 10% of its issued share capital. From July 2017 to February 2018, the Company completed a buyback programme of £355m. A further share buyback of £150m will be completed in FY 2018/19. Further details are provided in the Notice of this year's AGM, which is available on the Company's website at www.burberryplc.com.

At the AGM in 2017, shareholders approved resolutions to allot shares up to an aggregate nominal value of £72,330, and to allot shares for cash other than pro rata to existing shareholders. Resolutions will be proposed at this year's AGM to renew these authorities.

No person has any special rights of control over the Company's share capital and all issued shares are fully paid. There are no specific restrictions on the size of holding or on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or voting rights. The Directors have no current plans to issue shares other than in connection with employee share schemes.

Details of employee share schemes are set out in note 27. The Burberry Group plc ESOP Trust has waived all dividends payable by the Company in respect of the ordinary shares held by it. In addition, the Burberry Group plc SIP Trust has waived all dividends payable by the Company in respect of the unappropriated ordinary shares held by it. The total dividends waived in the year to 31 March 2018 were in aggregate £2.0m (2017: £1.7m).

With regard to the appointment and replacement of Directors, the Company follows the UK Corporate Governance Code 2016, and is governed by its Articles of Association, the Companies Act 2006 and related legislation. The Articles of Association may be amended by special resolution of the shareholders.

Dividends
The Directors recommend that a final dividend of 30.3 per ordinary share (2017: 28.4p) in respect of the year to 31 March 2018 be paid on 3 August 2018 to those persons on the Register of Members as at 29 June 2018.

An interim dividend of 11.0p per ordinary share was paid to shareholders on 2 February 2018 (2017: 10.5p). This will make a total dividend of 41.3p per ordinary share in respect of the financial year to 31 March 2018. The aggregate dividends paid and recommended in respect of the year to 31 March 2018 total £171.7m (2017: £169.4m).

Significant contracts – change of control
Revolving credit facility
Pursuant to the Companies Act 2006, the directors disclose that in the event of a change of control, the Company's borrowings under the Group's £300m revolving credit facility (dated 25 November 2014) could become repayable.

Service agreements
Details of the service agreements of the Executive Directors are set out on page 113 of the Directors' Remuneration Report.

Share plans
The provisions of the Company's employee share plans may cause options and awards granted under such plans to vest upon a change of control.

Licence agreement
On 3 April 2017, Burberry entered into an exclusive licence agreement with Coty pursuant to which Coty will develop, manufacture, market, distribute and sell Burberry Beauty products. The agreement took effect from October 2017 from which time ongoing royalty payments have been payable to Burberry. Burberry received cash payments of £130m in the second half of FY 2017/18 for the long-term exclusive global licence and related transfer of the Beauty business. Burberry also received c.£33m for assets transferring. Pursuant to the Companies Act 2006, the directors disclose that a change in control of Burberry will, in limited circumstances, result in Coty having a right of termination of the licence agreement.

EMPLOYEE INVOLVEMENT

Employee communications
The Group believes that employee communications is an important tool to enhance the Company culture and connectivity, and to motivate and retain employees. A global communications programme, incorporating various physical and digital channels, enables all employees to connect and collaborate closely. These channels are used to efficiently communicate the Company's key strategies, financial performance and other matters of interest and importance.

'Burberry World' is the key digital intranet channel used by the Company to communicate to employees globally. However, other methods and channels are also used, including face-to-face briefings, open discussion forums with senior management, email and instant messaging. The Company also uses videos and digital web pages to communicate key initiatives, events and other brand messages, to enhance internal communications, employee connectivity and the Burberry culture.

Employee share ownership
The Group encourages share ownership at all levels, and runs incentive and share ownership schemes for the benefit of employees. Further details of these are set out in the Directors' Remuneration Report on pages 96 to 121.

The Group again intends to grant free share awards, or equivalent cash-based awards, to all eligible employees during FY 2018/19. The Group also intends, where possible, to invite eligible employees to take part in the Sharesave Scheme.

Further information regarding the Group's approach to employee involvement and communications is provided in Inspired People on page 42.

EMPLOYMENT POLICIES

Diversity and inclusion
The Group takes an inclusive approach to diversity. As a global business, Burberry values people of all cultures, nationalities, races, religions and ethnicities, regardless of characteristics such as gender, gender identity and/or expression, age, disability or sexual orientation. Burberry is passionate about attracting, developing and rewarding the most talented and skilled individuals, regardless of background. The Group encourages its employees to work across functions, geographies and cultures to enhance understanding and create a connected global community. As the Group continues to grow globally, we are building on our long-term commitment to diversity and inclusion, embracing the cultures of all the countries where we do business. Burberry is committed to making the necessary adjustments to support employment of people with disabilities, and provide training and development to ensure they have the opportunity to achieve their potential.

Diversity is at the heart of our Group culture, which is characterised by a meritocratic and collaborative ethos. At our London headquarters, 58 different nationalities are represented.

The Board believes that it is critical that, in a diverse and meritocratic environment, women are able to succeed at all levels of the organisation. In respect of our senior women, we are members of the FT125 programme, which enables a group of these leaders to attend workshops and mentoring events. In addition, we have nominated a number of senior women to attend a board readiness programme.

As at 31 March 2018, female representation in the workforce is set out below:

	Total	Number of women	Percentage of women
Executive Team	10	4	40%
Leadership (Director and above)	272	140	51%
All Workforce	10,135	6,806	67%

We continue to focus on evolving strategies for recruiting and developing key talent within the business in a way which promotes our cultural values. A cross-functional group led by the Chief People, Strategy and Corporate Affairs Officer is working on the next phase of our approach to diversity and inclusion. We celebrated our continued support for the LGBTQ+ community with our runway show and through our membership of LGBTQ+ group INvolve. As part of this membership, we have nominated senior LGBTQ+ leaders on to a board readiness programme. Broadening and deepening our diversity and inclusion agenda is a key priority for the business, and will remain on the Board's and the Group's agenda during the coming year.

Further information regarding the Group's employment policies is provided on the Group's website at www.burberryplc.com.

Human rights statement

The Group recognises its responsibility to respect human rights wherever it operates and conducted a Human Rights Impact Assessment in 2015 to identify the most salient risks in this area. This assessment was reviewed and updated in 2017. The Group believes that potential risks arise in relation to its own workforce, its supply chain and communities, and its customers. Burberry's Human Rights Policy sets out the Company's commitments to respecting these stakeholders' human rights. The policy is informed by the International Bill of Human Rights and reflects the UN Guiding Principles on Business and Human Rights framework to Protect, Respect and Remedy. Responsibility for the policy lies with Burberry's Chief Executive Officer. Burberry has an established global team, which works to promote human rights and good labour practices in the Burberry workplace as well as in the Company's supply chain, as identified and prioritised through Human Rights Impact Assessments. Burberry provides grievance mechanisms for its global employees, as well as confidential hotlines in its supply chain where local labour laws are weak, absent or poorly enforced. Burberry publishes its Modern Slavery Statement in line with the UK Modern Slavery Act. This can be found at www.burberryplc.com.

We assess human rights impacts and monitor labour conditions in both our own operations and our supply chain on a regular basis to ensure our Human Rights Policy is upheld. For example, where we find that access to grievance mechanisms is a particular challenge, we make it a priority to introduce confidential, NGO-run hotlines. Currently, more than 10,000 workers across 21 factories are provided with improved access to remedy and confidential support, including advice and information on workers' rights and wellbeing. The effectiveness of the hotlines is continuously reviewed and, during the year 588 calls and their resolution have been monitored closely by our local Responsibility team.

Health and safety

The Group has a health and safety policy approved by the Board. A safety first approach is firmly embedded in all operational activities in Burberry. Governance of our health and safety strategy is maintained through a Global Health and Safety Committee, which is chaired by the Chief People, Strategy and Corporate Affairs Officer. Health and safety is also considered by the Ethics Committee and Management Risk Committee and Audit Committee. Each region has local committees which assist with implementing our health and safety strategy and to help ensure all local regulatory and Burberry Standards are achieved and maintained. Strategic direction on health and safety matters is provided by the Senior Manager, Global Health and Safety and is supported by a global team. In line with industry best practice, our health and safety goals and objectives are set each year to continually analyse our performance and support a process for continuous improvements. In this reporting year, and from our many initiatives, we have seen improvements across all health and safety topic areas, including a significant reduction in serious employee accidents and a full year without any serious customer accidents. Our global audit assurance programme has reported a positive increase in average audit outcomes.

The Strategic Report (from pages 3 to 67) and Directors' Report (from pages 96 to 121) have been approved by the Board on 15 May 2018.

By order of the Board

PAUL TUNNACLIFFE
Company Secretary

15 May 2018

Burberry Group plc
Registered Office:
Horseferry House
Horseferry Road
London
SW1P 2AW

Registered in England and Wales
Registered number: 03458224

FINANCIAL STATEMENTS

"As we evolve our business, it is fundamentally important that we build on a strong financial position. In FY 2017/18 we delivered an improvement in operating margin, double digit adjusted EPS growth at constant exchange rates and continued reinforcement of our balance sheet."

JULIE BROWN
Chief Operating and Financial Officer

The directors are responsible for preparing the Annual Report, which includes the Strategic Report; the Directors' Report; the Directors' Remuneration Report; and the financial statements in accordance with applicable laws and regulations.

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors consider that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and the Company's position and performance, business model and strategy.

Each of the directors, whose names and functions are listed on pages 72 to 73 confirm that, to the best of their knowledge:

- the Company financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law), give a true and fair view of the assets, liabilities, financial position and profit of the Company;
- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Group and the Company, together with a description of the principal risks and uncertainties that it faces.

These statements were approved by the Board on 15 May 2018 and signed on its behalf by:

MARCO GOBBETTI
Chief Executive Officer

JULIE BROWN
Chief Operating and Financial Officer

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

In our opinion:

- Burberry Group plc's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 31 March 2018 and of the Group's profit and cash flows for the year then ended;

- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;

- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and

- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report, which comprise: the Group Balance Sheet as at 31 March 2018, the Group Income Statement and Statement of Comprehensive Income for the year then ended, the Group Statement of Changes in Equity for the year then ended, the Group Statement of Cash Flows for the year then ended, and the Company Balance Sheet as at 31 March 2018, the Company Statement of Changes in Equity for the year then ended; the accounting policies; and the notes to the financial statements.

Our opinion is consistent with our reporting to the Audit Committee.

BASIS FOR OPINION

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

Independence

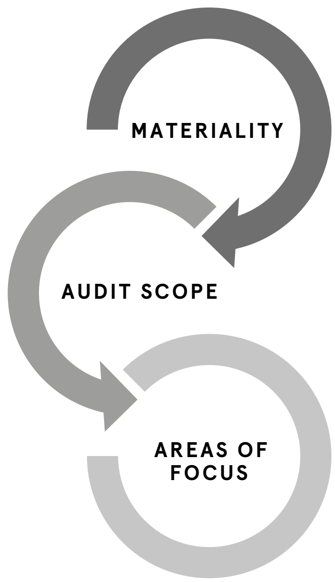
We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities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

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company.

Other than those disclosed in note 8 to the financial statements, we have provided no non-audit services to the Group or the Company in the period from 1 April 2017 to 31 March 2018.

OUR AUDIT APPROACH

OVERVIEW



- Overall Group materiality: £20 million (2017: £19 million), based on 5% of profit before tax.
- Overall Company materiality: £16 million (2017: £16 million), based on 1% of total assets.

- We conducted audit work over seven reporting units across five territories in which the Group has significant operations.
- The reporting units where we performed an audit of their complete financial information account for 74% of Group revenue and 80% of Group profit before tax.
- The Group engagement team visited, in person, all component audit teams, attended audit clearance meetings and discussed the audit approach and findings with those teams.
- We maintained regular contact with our component teams and evaluated the outcome of their audit work.

- Inventory provisioning.
- Impairment of property, plant and equipment and onerous lease provisions.
- Accounting for the transfer of Beauty operations to Coty.
- Presentation of results and non-GAAP measures.

THE SCOPE OF OUR AUDIT

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud. We designed audit procedures at Group and significant component level to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We focused on laws and regulations that could give rise to a material misstatement in the Group and Company financial statements, including, but not limited to, the Companies Act 2006, the Listing Rules, Pensions legislation, UK tax legislation and equivalent local laws and regulations applicable to significant components. Our tests included, but were not limited to, review of the financial statement disclosures to underlying supporting documentation, review of correspondence with the regulators, review of correspondence with legal advisors, enquiries of management, review of significant component auditors' work and review of internal audit reports in so far as they related to the financial statements. There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

KEY AUDIT MATTERS

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Inventory provisioning	
The Group manufactures and sells luxury goods and is subject to changing consumer demands and fashion trends, increasing the level of judgement involved in estimating inventory provisions (inventory as at 31 March 2018: £411.8m; refer to note 17 to the financial statements). This key audit matter includes the consideration of inventory provisions relating to both finished goods and raw materials. Judgement is required to assess the appropriate level of provisioning for items that may be ultimately destroyed or sold below cost as a result of a reduction in consumer demand, trading conditions, and the one label strategy. Such judgements include management's expectations for future sales based on current forecasts, and inventory liquidation plans.	For both finished goods and raw materials, we critically assessed the basis for the inventory provisions, the consistency of provisioning in line with policy and the rationale for the recording of specific provisions in the context of management's key product strategies. In doing so we tested the provision calculations and determined that they appropriately took into account the ageing profile of inventory, the process for identifying specific problem inventory and historical loss rates. We assessed the key assumptions in management's estimate including expected future use of both raw materials and finished goods. As a result, we satisfied ourselves that both finished goods and raw materials inventory provisions have been prepared in line with policy and have been calculated and recorded based on historical trends, as well as management's expectations for future sales and inventory management plans.
Impairment of property, plant and equipment and onerous lease provisions	
The Group has a material operational asset base which may be vulnerable to impairment in the event of trading performance being below expectations. The value-in-use models used to determine the amount of any impairment charge are based on assumptions including revenue forecasts, gross and operating margins, which are store specific, and discount rates, which are country specific (refer to note 14 to the financial statements). Such stores may be located in both emerging markets, which are typically more volatile than developed markets, as well as more established economies such as the US, where the Group is working towards consolidating its position within the market. The same judgements are used in determining whether an onerous lease provision is required on a retail store and in calculating the appropriate amount of the provision. In addition, judgement is required in assessing whether there are any alternative uses for stores which may affect the amount of onerous lease provision required. Management's assessment resulted in the recognition of a net impairment charge for the year ended 31 March 2018 of £16.8m (2017: £23.0m), including £9.6m (2017: £15.3m) for store impairments and £7.2m (2017: £7.7m) for onerous retail store leases. We focused on this area because of the inherent judgement involved in determining key assumptions such as future sales growth, profit margins and discount rates, and the magnitude of the assets under consideration and the lease obligations.	We tested management's assessment of indicators for both impairment and onerous lease provisions taking into consideration the challenging trading conditions in some territories, and are satisfied that they appropriately took into account internal and external impairment indicators, including the trading performance of each store. We tested the value-in-use models for assets where an impairment trigger or potential requirement for an onerous lease provision has been identified, including challenging management forecasts and other assumptions including discount rates and long-term growth rates, and found that these assumptions were reasonable. In particular we focused on the forecasts for sales growth and are satisfied that they reflect reasonable expectations for each store, taking into account the maturity of each store, the market in which it is located and management's specific plans for improving store performance. Given the judgement inherent in the impairment and onerous lease provision calculations, particularly relating to revenue growth assumptions, management has disclosed a sensitivity analysis in the financial statements (refer to note 14 to the financial statements). Having re-performed the sensitivity calculations and considered whether any other sensitivities might be more appropriate, we are satisfied that the financial statements adequately disclose the potential risk of future impairment if the performance of the stores with indicators of impairment do not meet management's expectations.

Key audit matter	How our audit addressed the key audit matter
Accounting for the transfer of Beauty operations to Coty	
The Group entered into two agreements for the transfer of its Beauty operations to Coty. This transaction completed in October 2017 and constituted a licence to sell its fragrance and beauty products and the transfer of the Group's Beauty operations to Coty. The Group received an upfront payment of £130m for the licence and related transfer of the Beauty operations under the two agreements. Management completed a valuation exercise to apportion the upfront payment across the two agreements, determining that £100m of this upfront payment is in respect of the licence. This has been recognised as deferred royalty income on the balance sheet which will be recognised over the life of the licence agreement. The remaining £30m of this upfront payment was assessed to represent consideration for the transfer of the Beauty operations. We focussed on this area because of the size of the upfront payment, and the judgement and degree of estimation required in this valuation exercise to allocate the payment.	We obtained and reviewed management's valuation exercise and related calculation for the allocation of the upfront payment between consideration and deferred royalty income, respectively. In conjunction with our Valuations experts, we considered the methodology applied and the underlying assumptions in the related valuation model to assess whether the approach was in line with market practice. To provide additional evidence to support the amount allocated as deferred licence income, assisted by our Valuations experts, we compared the implied royalty rate for the Beauty licence to other rates, based on a review of available information, and found it to lie within a reasonable range. We inspected the two agreements in respect of the transaction, including key terms. We vouched receipt of the upfront payment and other costs settled on completion to bank statements. We performed substantive testing of any other costs associated with the transaction, and re-performed management's calculation of the profit on disposal. Having performed the procedures above, we have concluded that management's valuation exercise and related judgement to allocate £30m as consideration for the business disposal, and £100m as deferred licence income to be recognised over the life of the licence, is appropriate. We consider that the business disposal transaction and related judgements in respect of the upfront payment have been properly disclosed in the financial statements.
Presentation of results and non-GAAP measures	
The presentation of results continues to be a focus area for regulators, particularly the use of adjusted and underlying measures to explain business performance, and the classification of items as adjusting. There is a risk that the use of such measures means that the overall presentation of results is not fair, balanced and understandable. In the year ended 31 March 2018 the Group has identified six adjusting items, being the gain on disposal of Beauty operations, costs relating to the disposal of Beauty operations, restructuring costs, goodwill impairment, revaluation of deferred consideration liability and the finance charge thereon, and the taxation charge relating to the effect of the change in US tax legislation (refer to notes 6, 7, and 10 to the financial statements).	We considered management's recognition of adjusting items and the related presentation and accompanying disclosures and are satisfied that the selection of adjusting items is consistent with prior years, in line with management's accounting policies and adequately explained in the financial statements. We noted no instances of inappropriate or inconsistent presentation of results and non-GAAP measures. Specifically, we are satisfied that non-GAAP measures are adequately explained and reconciled to GAAP measures.

We determined that there were no key audit matters applicable to the Company to communicate in our report.

HOW WE TAILORED THE AUDIT SCOPE

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group operates across three regions and is structured across two segments, being retail/wholesale and licensing.

The financial statements are a consolidation of 98 reporting units, comprising the Group's operating businesses and holding companies across the two segments.

Based on our risk and materiality assessments, we determined which reporting units required an audit of their complete financial information having considered the relative significance of each entity to the Group, locations with significant inherent risks and the overall coverage obtained over each material line item in the consolidated financial statements. We identified seven reporting units which, in our view, required an audit of their complete financial information, either due to their size or their risk characteristics. Included within these seven components was the parent Company. These reporting units are located in China, Hong Kong and Korea and two are located in each of the US and the UK. We used local teams in these countries to perform those full scope audits relating to the relevant reporting units.

Of these, three reporting units have been determined to be financially significant based on their contribution to Group revenue or profit before taxation. This scope of work, together with additional procedures performed at the Group level relating primarily to the consolidation, taxation, litigation, impairment and earnings per share, accounted for 74% (2017: 75%) of Group revenue and 80% (2017: 79%) of Group profit before taxation.

In addition to the audits performed on full-scope components, we gathered other audit evidence across the rest of the Group through testing of the Group's global monitoring controls, Group-level analytical procedures and testing at the Leeds and Hong Kong Shared Service Centres. This gave us the evidence we needed for our opinion on the financial statements as a whole.

We issued formal written instructions to all component auditors setting out the audit work to be performed by each of them. The Group audit team visited reporting units in the UK, US, China, Hong Kong and Korea during the course of the year in order to attend local management meetings. Throughout the year, the Group audit team held regular meetings with all reporting units at all stages of the audit to direct and supervise the work of these local teams and to ensure that we had a full and comprehensive understanding of the results of their work – particularly insofar as it related to the identified areas of focus. The Group engagement team also reviewed selected audit working papers for certain component teams.

MATERIALITY

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	**Company financial statements**
Overall materiality	£20 million (2017: £19 million).	£16 million (2017: £16 million).
How we determined it	5% of profit before tax.	1% of total assets.
Rationale for benchmark applied	Burberry is a profit orientated entity and hence profit before taxation has been selected as the benchmark.	We determined materiality based on total assets, which is more applicable than a performance-related measure as the Company is an investment holding company for the Group.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £4 million and £16 million. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £1 million (Group audit) (2017: £1 million) and £1 million (Company audit) (2017: £1 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

GOING CONCERN

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Group's and the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern.
We are required to report if the directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

REPORTING ON OTHER INFORMATION

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

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

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

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006, (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

STRATEGIC REPORT AND DIRECTORS' REPORT

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. (CA06)

The directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

We have nothing material to add or draw attention to regarding:

- The directors' confirmation on page 67 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.

- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.

- The directors' explanation on page 67 of the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the directors’ statement that they have carried out a robust assessment of the principal risks facing the Group and statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making enquiries and considering the directors’ process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the “Code”); and considering whether the statements are consistent with the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit. (Listing Rules)

Other Code Provisions
We have nothing to report in respect of our responsibility to report when:

- The statement given by the directors, on page 128, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group’s and Company’s position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company obtained in the course of performing our audit.

- The section of the Annual Report on page 93 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

- The directors’ statement relating to the Company’s compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors’ Remuneration
In our opinion, the part of the Directors’ Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Responsibilities of the directors for the financial statements
As explained more fully in the Statement of Directors' Responsibilities set out on page 128, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

USE OF THIS REPORT

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

OTHER REQUIRED REPORTING

COMPANIES ACT 2006 EXCEPTION REPORTING

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

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

We have no exceptions to report arising from this responsibility.

APPOINTMENT

Based on available records, we were appointed by the members prior to 31 March 1968 to audit the financial statements for at least the year ended 31 March 1968 and subsequent financial periods. Therefore, the period of uninterrupted engagement is at least 50 years, covering the years ended 31 March 1968 to 31 March 2018.

PAUL CRAGG (SENIOR STATUTORY AUDITOR)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

London
15 May 2018

	Note	**Year to 31 March 2018 £m**	Year to 31 March 2017 £m
Revenue	3	**2,732.8**	2,766.0
Cost of sales		**(835.4)**	(832.9)
Gross profit		**1,897.4**	1,933.1
Net operating expenses	4	**(1,487.1)**	(1,538.8)
Operating profit		**410.3**	394.3
Financing			
Finance income		**7.8**	5.5
Finance expense		**(3.5)**	(1.8)
Other financing charge		**(2.0)**	(3.2)
Net finance income	9	**2.3**	0.5
Profit before taxation	5	**412.6**	394.8
Taxation	10	**(119.0)**	(107.1)
Profit for the year		**293.6**	287.7
Attributable to:			
Owners of the Company		**293.5**	286.8
Non-controlling interest		**0.1**	0.9
Profit for the year		**293.6**	287.7
Earnings per share			
Basic	11	**68.9p**	65.3p
Diluted	11	**68.4p**	64.9p
		£m	£m
Reconciliation of adjusted profit before taxation:			
Profit before taxation		**412.6**	394.8
Adjusting items:			
Adjusting operating items	7	**56.3**	64.4
Adjusting financing items	7	**2.0**	3.2
Adjusted profit before taxation – non-GAAP measure		**470.9**	462.4
Adjusted earnings per share – non-GAAP measure			
Basic	11	**82.8p**	77.9p
Diluted	11	**82.1p**	77.4p
Dividends per share			
Interim	12	**11.0p**	10.5p
Proposed final (not recognised as a liability at 31 March)	12	**30.3p**	28.4p

	Note	**Year to 31 March 2018 £m**	Year to 31 March 2017 £m
Profit for the year		**293.6**	287.7
Other comprehensive income[1]:			
Cash flow hedges	23	**(10.0)**	4.7
Net investment hedges	23	**2.3**	(2.3)
Foreign currency translation differences		**(50.2)**	103.1
Tax on other comprehensive income:			
Cash flow hedges	10	**1.9**	(1.0)
Net investment hedges	10	**(0.4)**	0.5
Foreign currency translation differences	10	**3.6**	(5.4)
Other comprehensive income for the year, net of tax		**(52.8)**	99.6
Total comprehensive income for the year		**240.8**	387.3
Total comprehensive income attributable to:			
Owners of the Company		**241.2**	384.6
Non-controlling interest		**(0.4)**	2.7
		240.8	387.3

1. All items included in other comprehensive income may subsequently be reclassified to profit and loss in a future period.

	Note	As at 31 March 2018 £m	As at 31 March 2017 £m
ASSETS			
Non-current assets			
Intangible assets	13	**180.1**	170.1
Property, plant and equipment	14	**313.6**	399.6
Investment properties		**2.6**	2.6
Deferred tax assets	15	**115.5**	125.0
Trade and other receivables	16	**69.2**	76.4
Derivative financial assets	18	**0.3**	1.1
		681.3	774.8
Current assets			
Inventories	17	**411.8**	505.3
Trade and other receivables	16	**206.3**	275.6
Derivative financial assets	18	**1.6**	5.0
Income tax receivables		**6.7**	9.2
Cash and cash equivalents	19	**915.3**	843.5
		1,541.7	1,638.6
Total assets		**2,223.0**	2,413.4
LIABILITIES			
Non-current liabilities			
Trade and other payables	20	**(168.1)**	(101.9)
Deferred tax liabilities	15	**(4.2)**	(0.4)
Derivative financial liabilities	18	**(0.1)**	–
Retirement benefit obligations		**(0.9)**	(0.9)
Provisions for other liabilities and charges	21	**(71.4)**	(47.3)
		(244.7)	(150.5)
Current liabilities			
Bank overdrafts	22	**(23.2)**	(34.3)
Derivative financial liabilities	18	**(3.8)**	(3.5)
Trade and other payables	20	**(460.9)**	(459.1)
Provisions for other liabilities and charges	21	**(32.1)**	(18.1)
Income tax liabilities		**(32.9)**	(50.1)
		(552.9)	(565.1)
Total liabilities		**(797.6)**	(715.6)
Net assets		**1,425.4**	1,697.8
EQUITY			
Capital and reserves attributable to owners of the Company			
Ordinary share capital	23	**0.2**	0.2
Share premium account		**214.6**	211.4
Capital reserve	23	**41.1**	41.1
Hedging reserve	23	**3.8**	10.0
Foreign currency translation reserve	23	**214.7**	260.8
Retained earnings		**946.1**	1,169.0
Equity attributable to owners of the Company		**1,420.5**	1,692.5
Non-controlling interest in equity		**4.9**	5.3
Total equity		**1,425.4**	1,697.8

The consolidated financial statements of Burberry Group plc (registered number 03458224) on pages 137 to 181 were approved by the Board on 15 May 2018 and signed on its behalf by:

MARCO GOBBETTI
Chief Executive Officer

JULIE BROWN
Chief Operating and Chief Financial Officer

	Note	Ordinary share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling interest £m	Total equity £m
		ATTRIBUTABLE TO OWNERS OF THE COMPANY						
Balance as at 31 March 2016		**0.2**	**209.8**	**214.1**	**1,140.9**	**1,565.0**	**55.9**	**1,620.9**
Profit for the year		–	–	–	286.8	286.8	0.9	287.7
Other comprehensive income:								
Cash flow hedges	23	–	–	4.7	–	4.7	–	4.7
Net investment hedges	23	–	–	(2.3)	–	(2.3)	–	(2.3)
Foreign currency translation differences	23	–	–	101.3	–	101.3	1.8	103.1
Tax on other comprehensive income	23	–	–	(5.9)	–	(5.9)	–	(5.9)
Total comprehensive income for the year		–	–	97.8	286.8	384.6	2.7	387.3
Transactions with owners:								
Employee share incentive schemes								
Value of share options granted		–	–	–	13.1	13.1	–	13.1
Value of share options transferred to liabilities		–	–	–	(0.4)	(0.4)	–	(0.4)
Tax on share options granted		–	–	–	0.9	0.9	–	0.9
Exercise of share options		–	1.6	–	–	1.6	–	1.6
Purchase of own shares								
Share buy-back		–	–	–	(100.5)	(100.5)	–	(100.5)
Held by ESOP trusts		–	–	–	(13.3)	(13.3)	–	(13.3)
Expiry of put option over non-controlling interest		–	–	–	51.0	51.0	–	51.0
Acquisition of additional interest in subsidiary		–	–	–	(45.1)	(45.1)	(53.2)	(98.3)
Dividends paid in the year		–	–	–	(164.4)	(164.4)	(0.1)	(164.5)
Balance as at 31 March 2017		**0.2**	**211.4**	**311.9**	**1,169.0**	**1,692.5**	**5.3**	**1,697.8**
Profit for the year		–	–	–	293.5	293.5	0.1	293.6
Other comprehensive income:								
Cash flow hedges	23	–	–	(10.0)	–	(10.0)	–	(10.0)
Net investment hedges	23	–	–	2.3	–	2.3	–	2.3
Foreign currency translation differences	23	–	–	(49.7)	–	(49.7)	(0.5)	(50.2)
Tax on other comprehensive income	23	–	–	5.1	–	5.1	–	5.1
Total comprehensive income for the year		–	–	(52.3)	293.5	241.2	(0.4)	240.8
Transactions with owners:								
Employee share incentive schemes								
Value of share options granted		–	–	–	17.1	17.1	–	17.1
Value of share options transferred to liabilities		–	–	–	(0.4)	(0.4)	–	(0.4)
Tax on share options granted		–	–	–	(0.1)	(0.1)	–	(0.1)
Exercise of share options		–	3.2	–	–	3.2	–	3.2
Purchase of own shares								
Share buy-back		–	–	–	(351.7)	(351.7)	–	(351.7)
Held by ESOP trusts		–	–	–	(11.9)	(11.9)	–	(11.9)
Dividends paid in the year		–	–	–	(169.4)	(169.4)	–	(169.4)
Balance as at 31 March 2018		**0.2**	**214.6**	**259.6**	**946.1**	**1,420.5**	**4.9**	**1,425.4**

	Note	**Year to 31 March 2018 £m**	Year to 31 March 2017 £m
Cash flows from operating activities			
Operating profit		**410.3**	394.3
Depreciation		**105.8**	121.3
Amortisation		**25.5**	30.2
Net impairment of intangible assets	13	**6.5**	33.0
Net impairment of property, plant and equipment	14	**10.7**	15.9
Loss on disposal of property, plant and equipment and intangible assets		**2.7**	3.5
Gain on disposal of Beauty operations	6	**(5.2)**	–
(Gain)/loss on derivative instruments		**(3.5)**	5.6
Charge in respect of employee share incentive schemes		**17.1**	13.1
Receipt from settlement of equity swap contracts		**0.5**	–
Decrease in inventories		**37.2**	8.4
Decrease in receivables		**68.1**	19.7
Increase in payables and provisions		**115.5**	43.6
Cash generated from operating activities		**791.2**	688.6
Interest received		**7.2**	5.2
Interest paid		**(1.6)**	(1.5)
Taxation paid		**(118.4)**	(131.6)
Net cash generated from operating activities		**678.4**	560.7
Cash flows from investing activities			
Purchase of property, plant and equipment		**(57.5)**	(71.3)
Purchase of intangible assets		**(48.5)**	(32.8)
Proceeds from sale of property, plant and equipment		**–**	8.5
Proceeds from disposal of Beauty operations, net of cash costs paid	6	**61.1**	–
Net cash outflow from investing activities		**(44.9)**	(95.6)
Cash flows from financing activities			
Dividends paid in the year	12	**(169.4)**	(164.4)
Dividends paid to non-controlling interest		**–**	(0.1)
Payment to acquire additional interest in subsidiary from non-controlling interest	30	**(3.0)**	(68.8)
Issue of ordinary share capital		**3.2**	1.6
Purchase of own shares through share buy-back	23	**(355.0)**	(97.2)
Purchase of own shares by ESOP trusts		**(11.9)**	(13.3)
Net cash outflow from financing activities		**(536.1)**	(342.2)
Net increase in cash and cash equivalents		**97.4**	122.9
Effect of exchange rate changes		**(14.5)**	26.0
Cash and cash equivalents at beginning of year		**809.2**	660.3
Cash and cash equivalents at end of year		**892.1**	809.2

	Note	**As at 31 March 2018 £m**	As at 31 March 2017 £m
Cash and cash equivalents as per the Balance Sheet	19	**915.3**	843.5
Bank overdrafts	22	**(23.2)**	(34.3)
Net cash		**892.1**	809.2

1. BASIS OF PREPARATION

Burberry Group plc and its subsidiaries (the Group) is a global luxury goods manufacturer, retailer and wholesaler. The Group also licenses third parties to manufacture and distribute products using the 'Burberry' trademarks. All of the companies which comprise the Group are controlled by Burberry Group plc (the Company) directly or indirectly.

The consolidated financial statements of the Group have been prepared in accordance with the European Union endorsed International Financial Reporting Standards (IFRSs), IFRS Interpretations Committee (IFRS IC) interpretations and parts of the Companies Act 2006 applicable to companies reporting under IFRS. These consolidated financial statements have been prepared under the historical cost convention, except as modified by the revaluation of certain financial assets and financial liabilities at fair value through profit or loss.

Taking into account reasonable possible changes in trading performance, and after making enquiries, the directors consider it appropriate to continue to adopt the going concern basis in preparing the financial statements for the year ended 31 March 2018.

There have been no new standards, amendments or interpretations issued and made effective for the financial period commencing 1 April 2017 that have had a material impact on the financial statements of the Group.

As at 31 March 2018, the following new and revised standards, amendments and interpretations, which may be relevant to the Group's results, were issued but not yet effective:

IFRS 9 Financial instruments

This standard addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 replaces the guidance in IAS 39 Financial instruments: Recognition and measurement that relates to the classification and measurement of financial instruments.

The new standard:

1. retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost; fair value through OCI; and fair value through P&L;
2. introduces a forward-looking impairment model based on expected credit losses on financial assets; and
3. updates hedge accounting requirements, to more closely align the accounting with the risk management activities.

The standard is effective for annual periods beginning on or after 1 January 2018. The standard also introduces revised disclosure requirements for financial instruments. The adoption of the hedging element of IFRS 9 is an accounting policy choice but will become a requirement when IFRS 9 Macro hedging is endorsed by the European Union. The Group does not intend to adopt the hedging element of IFRS 9 at this time and so will continue to hedge account under IAS 39. The most significant impact of the hedging requirements for the Group's cash flow hedge programme is the requirement for gains or losses on hedge instruments to be included in the carrying amount of underlying hedged items when they are recognised. Adopting the other elements of IFRS 9 will have some effect on the measurement of the Group's bad debt provisions but this does not have a significant impact on the Group's results for the current year. Adopting IFRS 9 will also result in a change in classification of financial instruments to reflect the new measurement categories. The most significant impact for Burberry is that cash equivalents held in money market funds will be classified as fair value through P&L where they are currently measured at amortised cost. However, as the Group only invests in low volatility funds at present, this change in measurement basis does not impact the book value of cash equivalents in the current year. The Group will apply the new rules retrospectively from 1 April 2018, with the practical expedient permitted under the standard. Comparative information for the year ended 31 March 2018 will not be restated.

IFRS 15 Revenue from contracts with customers

This standard deals with revenue recognition and replaces both IAS 18 Revenue and IAS 11 Construction contracts, providing a single revenue standard to be applied across all industries. Under the new standard, revenue is recognised when a customer obtains control of a good or service. IFRS 15 establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. There will also be additional disclosure requirements. The standard is effective for annual periods beginning on or after 1 January 2018. The Group will apply the modified retrospective transition approach with the cumulative impact of initial adoption recognised at the date of initial application. The impact of adopting this standard has been assessed and will result in a delay in the timing of a portion of the Group's digital revenue due to a difference between the assessment of the transfer of control under the new standard and the transfer of the risks and rewards of ownership under existing guidance. Based on this assessment the impact on the current year's results is not significant.

IFRS 16 Leases

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 most significant changes are in relation to lessee accounting. Under the new standard, the concept of assessing a lease contract as either operating or financing is replaced by a single lessee accounting model. Under this new model, substantially all lease contracts will result in a lessee acquiring a right-to-use asset and obtaining financing. The lessee will be required to recognise a corresponding asset and liability. The asset will be depreciated over the term of the lease and the interest on the financing liability will be charged over the same period. The standard is effective for annual periods beginning on or after 1 January 2019. Adopting this new standard will result in a fundamental change to the Group's Balance Sheet, with right-to-use assets and accompanying financing liabilities for the Group's retail stores, warehouses and offices being recognised for the first time. The Income Statement will also be impacted, with rent expense relating to operating leases being replaced by a depreciation charge arising from the right-to-use assets and interest charges arising from lease financing. The Group has carried out a review of existing leases and other contractual arrangements to identify any lease arrangements that would need to be recognised under IFRS 16. The IFRS 16 implementation project is in progress and the impact will be quantified closer to the date of adoption. Refer to note 24 for details of the Group's future minimum lease commitments at 31 March 2018. These future minimum lease commitments give an indication of the magnitude of the lease liability to be recognised on adoption. Note that the future minimum lease commitments disclosed at note 24 include undiscounted payments up to the date of the Group's first available termination option. The lease term under IFRS 16 will include further terms under which the Group has the option to continue to use the asset if it is reasonably certain at the inception of the lease that the Group will exercise that option. The amount recognised on the balance sheet under IFRS 16 will be the present value of these future payments.

1. BASIS OF PREPARATION (CONTINUED)

Basis of consolidation

The Group's annual financial statements comprise those of Burberry Group plc (the Company) and its subsidiaries, presented as a single economic entity. The results of the subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies across the Group.

Subsidiaries are all entities (including special purpose entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Where there is a loss of control of a subsidiary, the consolidated financial statements include the results for the portion of the reporting period during which the Group had control. Intra-group transactions, balances and unrealised profits on transactions between Group companies are eliminated in preparing the Group financial statements. The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For acquisitions of additional interests in subsidiaries from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals of interests in subsidiaries to non-controlling interests are also recorded in equity.

Key sources of estimation uncertainty

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

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

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key areas where the estimates and assumptions applied have a significant risk of causing a material adjustment to the carrying value of assets and liabilities are discussed below. Further details of the Group's accounting policies in relation to these areas are provided in note 2.

Impairment of property, plant and equipment and onerous lease provisions

Property, plant and equipment is reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount of an asset or a cash generating unit is determined based on value-in-use calculations prepared on the basis of management's assumptions and estimates in the period. Where the recoverable amount of the cash generating unit is negative, the need for an onerous lease provision in relation to the committed future minimum lease payments is considered. Refer to note 14 for further details of property, plant and equipment and impairment reviews carried out in the period. Refer to note 21 for further details of onerous lease provisions.

Inventory provisioning

The Group manufactures and sells luxury goods and is subject to changing consumer demands and fashion trends. As a result, it is necessary to consider the recoverability of the cost of inventories and the associated provisioning required. When calculating inventory provisions, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials. Refer to note 17 for further details of the carrying value of inventory.

Key judgements in applying the Group's accounting policies

Judgements are those decisions made when applying accounting policies which have a significant impact on the amounts recognised in the Group financial statements. Further details of the Group's accounting policies in relation to these areas are provided in note 2. Key judgements that have a significant impact on the amounts recognised in the Group financial statements are discussed below:

Payment in relation to disposal of Beauty operations

The Group received £130m upon completion of the disposal of the Beauty operations and the granting of a licence for Beauty products to the acquirer. Management has applied judgement in assessing the nature of the payment in order to determine the correct accounting treatment. Management has determined that the payment represents both consideration received for the disposal of the Beauty operations as well as upfront revenue for the ongoing licence. In order to identify the payment that relates to the licence, management prepared a market-based valuation of the ongoing licence using the relief-from-royalty method, based on key assumptions including future sales projections and royalty rates. Management also prepared a discounted cash flow calculation to determine the fair value of the Beauty operations transferred. The results of these two valuations were used to allocate the upfront sum between the licence (royalty revenue) and proceeds on disposal. A change in the allocation of the proceeds would result in a higher or lower gain on disposal and a corresponding decrease or increase in the recognition of licence revenue over the term of the licence. Refer to note 6 for further details.

2. ACCOUNTING POLICIES

The principal accounting policies of the Group are:

a) Revenue

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

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

b) Segment reporting

As required by IFRS 8 Operating segments, the segmental information presented in the financial statements is reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker. The Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance, has been identified as the Board of Directors.

The Group has centralised activities for designing, making and sourcing, which ensure a global product offering is sold through retail and wholesale channels worldwide. Resource allocation and performance is assessed across the whole of the retail/wholesale channel globally. Hence the retail/wholesale channel has been determined to be an operating segment.

Licensed products are manufactured and sold by third-party licensees. As a result, this channel is assessed discretely by the Chief Operating Decision Maker and has been determined to be an operating segment.

The Group presents an analysis of its revenue by channel, by product division and by geographical destination.

c) Business combinations

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Contingent payments are remeasured at fair value through the Income Statement. All transaction costs are expensed to the Income Statement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. Non-controlling interests in subsidiaries are identified separately from the Group’s equity, and are initially measured either at fair value or at a value equal to the non-controlling interests’ share of the identifiable net assets acquired. The choice of the basis of measurement is an accounting policy choice for each individual business combination. The excess of the cost of acquisition together with the value of any non-controlling interest over the fair value of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Income Statement.

d) Share schemes

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

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

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

When options are exercised, they are settled either via issue of new shares in the Company, or through shares held in an Employee Share Option Plan (ESOP) trust, depending on the terms and conditions of the relevant scheme. The proceeds received from the exercises, net of any directly attributable transaction costs, are credited to share capital and share premium accounts.

2. ACCOUNTING POLICIES (CONTINUED)

e) Leases

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

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

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

f) Dividend distributions

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

g) Pension costs

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

h) Intangible assets

<u>Goodwill</u>

Goodwill is the excess of the cost of acquisition together with the value of any non-controlling interest, over the fair value of identifiable net assets acquired. Goodwill on acquisition is recorded as an intangible asset. Fair values are attributed to the identifiable assets, liabilities and contingent liabilities that existed at the date of acquisition, reflecting their condition at that date. Adjustments are also made to align the accounting policies of acquired businesses with those of the Group.

Goodwill is assigned an indefinite useful life. Impairment reviews are performed annually, or more frequently if events or changes in circumstances indicate that the carrying value may not be recoverable. Impairment losses recognised on goodwill are not reversed in future periods.

<u>Trademarks, licences and other intangible assets</u>

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

<u>Computer software</u>

The cost of acquiring computer software (including licences and separately identifiable development costs) is capitalised as an intangible asset at purchase price, plus any directly attributable cost of preparing that asset for its intended use. Software costs are amortised on a straight-line basis over their estimated useful lives, which may be up to seven years.

i) Property, plant and equipment

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

2. ACCOUNTING POLICIES (CONTINUED)

i) Property, plant and equipment (continued)

Depreciation

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

Type of asset	Category of property, plant and equipment	Useful life
Land	Freehold land and buildings	Not depreciated
Freehold buildings	Freehold land and buildings	Up to 50 years
Leaseholds	Leasehold improvements	Over the unexpired term of the lease
Short life leasehold improvements	Leasehold improvements	Up to 10 years
Plant and machinery	Fixtures, fittings and equipment	Up to 15 years
Retail fixtures and fittings	Fixtures, fittings and equipment	Up to 5 years
Office fixtures and fittings	Fixtures, fittings and equipment	Up to 5 years
Computer equipment	Fixtures, fittings and equipment	Up to 7 years
Assets in the course of construction	Assets in the course of construction	Not depreciated

Profit/loss on disposal of property, plant and equipment and intangible assets

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

j) Impairment of non-financial assets

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

k) Investment properties

Investment properties are freehold properties held to earn rentals and/or for capital appreciation. Investment properties are stated at cost less accumulated depreciation and provision to reflect any impairment in value. Cost includes the original purchase price plus any directly attributable transaction costs. Investment properties are depreciated on a straight-line basis over an estimated useful life of up to 50 years.

l) Discontinued operations and assets classified as held for sale

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of, has been abandoned or meets the criteria to be classified as held for sale. Discontinued operations are presented on the Income Statement as a separate line and are shown net of tax.

Non-current assets are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction rather than through continued use, and a sale within the next 12 months is considered to be highly probable. Assets classified as held for sale cease to be depreciated and they are stated at the lower of carrying amount and fair value less cost to sell.

m) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost consists of all costs of purchase, costs of conversion, design costs and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories is determined using a first-in, first-out (FIFO) method, taking account of the fashion seasons for which the inventory was offered. Where necessary, provision is made to reduce cost to no more than net realisable value having regard to the nature and condition of inventory, as well as its anticipated utilisation and saleability.

n) Taxation

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

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

2. ACCOUNTING POLICIES (CONTINUED)

n) Taxation (continued)

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

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

Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

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

o) Provisions

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

Property obligations

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

Restructuring costs

Provisions for costs associated with restructuring programmes are recognised when a detailed formal restructuring plan has been approved and communicated. Examples of restructuring-related costs include employee termination payments, contract termination penalties and onerous contract payments.

p) Share capital

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

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs, is deducted from equity attributable to owners of the Company until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to owners of the Company.

q) Financial instruments

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

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

2. ACCOUNTING POLICIES (CONTINUED)

q) Financial instruments (continued)

The Group classifies its instruments in the following categories:

Financial instrument category	Note	Classification	Measurement	Fair value measurement hierarchy[2]
Cash and cash equivalents	19	Loans and receivables	Amortised cost	N/A
Trade and other receivables	16	Loans and receivables	Amortised cost	N/A
Trade and other payables	20	Other financial liabilities	Amortised cost	N/A
Borrowings	22	Other financial liabilities	Amortised cost	N/A
Deferred consideration	20	Other financial liabilities	Fair value through profit and loss	2/3
Forward foreign exchange contracts[1]	18	Derivative instrument	Fair value through profit and loss	2
Equity swap contracts	18	Derivative instrument	Fair value through profit and loss	2

1. Cash flow hedge and net investment hedge accounting is applied to the extent it is achievable.
2. The fair value measurement hierarchy is only applicable for financial instruments measured at fair value.

The measurements for financial instruments carried at fair value are categorised into different levels in the fair value hierarchy based on the inputs to the valuation technique used. The different levels are defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: includes unobservable inputs for the asset or liability.

Observable inputs are those which are developed using market data, such as publicly available information about actual events or transactions. The Group has an established framework with respect to measurement of fair values, including Level 3 fair values. The Group regularly reviews any significant inputs which are not derived from observable market data and considers, where available, relevant third-party information, to support the conclusion that such valuations meet the requirements of IFRS. The classification level in the fair value hierarchy is also considered periodically. Significant valuation issues are reported to the Audit Committee.

The fair value of forward foreign exchange contracts and equity swap contracts is based on a comparison of the contractual and market rates and, in the case of forward foreign exchange contracts, after discounting using the appropriate yield curve as at the balance sheet date. All Level 2 fair value measurements are calculated using inputs which are based on observable market data.

The fair value of the fixed payment component of deferred consideration is considered to be a Level 2 measurement and is derived using a present value calculation of the remaining fixed payments, discounted using an appropriate risk-free rate. The fair value of the contingent payment component of deferred consideration is considered to be a Level 3 measurement and is derived using a present value calculation, incorporating observable and non-observable inputs. This valuation technique has been adopted as it most closely mirrors the contractual arrangement.

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

Cash and cash equivalents

On the Balance Sheet, cash and cash equivalents comprise cash and short-term deposits with a maturity date of three months or less, held with banks and liquidity funds. In the Statement of Cash Flows, cash and cash equivalents also include bank overdrafts, which are recorded under current liabilities on the Balance Sheet.

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. Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group 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.

2. ACCOUNTING POLICIES (CONTINUED)

q) 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 rate method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Deferred consideration

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

Derivative instruments

The Group uses derivative financial instruments to hedge its exposure to fluctuations in foreign exchange rates arising on certain trading transactions. The principal derivative instruments used are forward foreign exchange contracts taken out to hedge highly probable cash flows in relation to future sales, royalty receivables and product purchases. The Group also may designate forward foreign exchange contracts or foreign currency borrowings as a net investment hedge of the assets of overseas subsidiaries.

When hedge accounting is applied, the Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the hedging instruments that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Derivatives are initially recognised at fair value at the trade date and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either: (1) hedges of the fair value of recognised assets and liabilities or a firm commitment (fair value hedge); (2) hedges of highly probable forecast transactions (cash flow hedges); (3) hedges of net investment of the assets of overseas subsidiaries (net investment hedges); or (4) classified as held for trading.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the Income Statement immediately, together with any changes in the fair value of the hedged item that is attributable to the hedged risk.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is deferred in other comprehensive income. The gain or loss relating to the ineffective portion of the gain or loss is recognised immediately in the Income Statement. Amounts deferred in other comprehensive income are recycled through the Income Statement in the periods when the hedged item affects the Income Statement. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at the time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Income Statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Income Statement within 'net exchange gain/(loss) on derivatives held for trading'. If a derivative instrument is not designated as a hedge, the subsequent change to the fair value is recognised in the Income Statement within operating expenses or interest depending upon the nature of the instrument.

Where the Group hedges net investments in foreign operations through derivative instruments or foreign currency borrowings, the gains or losses on the effective portion of the change in fair value of derivatives that are designated and qualify as a hedge of a net investment, or the gains or losses on the retranslation of the borrowings are recognised in other comprehensive income and are reclassified to the Income Statement when the foreign operation that is hedged is disposed of.

r) Foreign currency translation

Functional and presentation currency

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

2. ACCOUNTING POLICIES (CONTINUED)

r) Foreign currency translation (continued)

Transactions in foreign currencies

Transactions denominated in foreign currencies within each entity in the Group are translated into the functional currency at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies, which are held at the year end, are translated into the functional currency at the exchange rate ruling at the balance sheet date (closing rate). Exchange differences on monetary items are recognised in the Income Statement in the period in which they arise, except where these exchange differences form part of a net investment in overseas subsidiaries of the Group, in which case such differences are taken directly to the foreign currency translation reserve.

Translation of the results of overseas businesses

The results of overseas subsidiaries are translated into the Group's presentation currency of Sterling each month at the weighted average exchange rate for the month according to the phasing of the Group's trading results. The weighted average exchange rate is used, as it is considered to approximate the actual exchange rates on the date of the transactions. The assets and liabilities of such undertakings are translated at the closing rates. Differences arising on the retranslation of the opening net investment in subsidiary companies, and on the translation of their results, are taken directly to the foreign currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

The principal exchange rates used were as follows:

	AVERAGE RATE		CLOSING RATE	
	Year to 31 March 2018	Year to 31 March 2017	**As at 31 March 2018**	As at 31 March 2017
Euro	**1.13**	1.19	**1.14**	1.17
US Dollar	**1.33**	1.30	**1.40**	1.25
Chinese Yuan Renminbi	**8.79**	8.73	**8.83**	8.62
Hong Kong Dollar	**10.37**	10.11	**11.01**	9.74
Korean Won	**1,473**	1,487	**1,489**	1,402

s) Adjusted profit before taxation

In order to provide additional consideration of the underlying performance of the Group's ongoing business, the Group's results include a presentation of Adjusted operating profit and Adjusted profit before taxation ('adjusted PBT'). Adjusted PBT is defined as profit before taxation and before adjusting items. Adjusting items are those items which, in the opinion of the directors, should be excluded in order to provide a consistent and comparable view of the performance of the Group's ongoing business. Generally, this will include those items that are largely one-off and material in nature as well as income or expenses relating to acquisitions or disposals of businesses or other transactions of a similar nature, including the impact of changes in fair value of expected future payments or receipts relating to these transactions. Adjusting items are identified and presented on a consistent basis each year and a reconciliation of adjusted PBT to profit before tax is included in the financial statements. Adjusting items and their related tax impacts, as well as adjusting taxation items, are added back to/deducted from profit attributable to owners of the Company to arrive at adjusted earnings per share. Refer to note 7 for further details of adjusting items.

3. SEGMENTAL ANALYSIS

The Chief Operating Decision Maker has been identified as the Board of Directors. The Board reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on the reports used by the Board. The Board considers the Group's business through its two channels to market, being retail/wholesale and licensing.

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

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

The Board assesses channel performance based on a measure of adjusted operating profit. This measurement basis excludes the effects of adjusting items. The measure of earnings for each operating segment that is reviewed by the Board includes an allocation of corporate and central costs. Interest income and charges are not included in the result for each operating segment that is reviewed by the Board.

3. SEGMENTAL ANALYSIS (CONTINUED)

	RETAIL/WHOLESALE		LICENSING		TOTAL	
	Year to 31 March 2018 £m	Year to 31 March 2017 £m	**Year to 31 March 2018 £m**	Year to 31 March 2017 £m	**Year to 31 March 2018 £m**	Year to 31 March 2017 £m
Retail	**2,176.3**	2,127.2	**–**	–	**2,176.3**	2,127.2
Wholesale	**526.4**	613.9	**–**	–	**526.4**	613.9
Licensing	**–**	–	**31.9**	27.1	**31.9**	27.1
Total segment revenue	**2,702.7**	2,741.1	**31.9**	27.1	**2,734.6**	2,768.2
Inter-segment revenue[1]	**–**	–	**(1.8)**	(2.2)	**(1.8)**	(2.2)
Revenue from external customers	**2,702.7**	2,741.1	**30.1**	24.9	**2,732.8**	2,766.0
Depreciation and amortisation[2]	**124.0**	144.0	**–**	–	**124.0**	144.0
Net impairment of intangible assets[3]	**–**	7.1	**–**	–	**–**	7.1
Net impairment of property, plant and equipment	**10.7**	15.9	**–**	–	**10.7**	15.9
Other non-cash items:						
Share-based payments	**17.1**	13.1	**–**	–	**17.1**	13.1
Adjusted operating profit	**440.7**	437.0	**25.9**	21.7	**466.6**	458.7
Adjusting items[4]					**(58.3)**	(67.6)
Finance income					**7.8**	5.5
Finance expense					**(3.5)**	(1.8)
Profit before taxation					**412.6**	394.8

1. Inter-segment transfers or transactions are entered into under the normal commercial terms and conditions that would be available to unrelated third parties.
2. Depreciation of £6.5m relating to the Group's cost-efficiency programme and £0.2m for assets disposed as part of the disposal of Beauty operations, and £0.6m of amortisation for assets disposed as part of the disposal of Beauty operations are presented as adjusting items and excluded from the segmental analysis for the year ended 31 March 2018. Amortisation of £7.5m relating to the fragrance and beauty licence intangible asset is presented as an adjusting item and excluded from the segmental analysis for the year ended 31 March 2017.
3. Impairment of £6.5m relating to Saudi Arabia goodwill is presented as an adjusting item and excluded from the segmental analysis for the year ended 31 March 2018. Impairment of £18.6m relating to the fragrance and beauty licence intangible asset and impairment of £7.3m of software assets specifically relating to the disposal of the Beauty operations are presented as adjusting items and excluded from the segmental analysis for the year ended 31 March 2017.
4. Refer to note 7 for details of adjusting items.

	RETAIL/WHOLESALE		LICENSING		TOTAL	
	Year to 31 March 2018 £m	Year to 31 March 2017 £m	**Year to 31 March 2018 £m**	Year to 31 March 2017 £m	**Year to 31 March 2018 £m**	Year to 31 March 2017 £m
Additions to non-current assets	**107.8**	112.1	**–**	–	**107.8**	112.1
Total segment assets	**1,087.6**	1,332.5	**9.5**	3.6	**1,097.1**	1,336.1
Goodwill					**88.4**	99.6
Cash and cash equivalents					**915.3**	843.5
Taxation					**122.2**	134.2
Total assets per Balance Sheet					**2,223.0**	2,413.4

3. SEGMENTAL ANALYSIS (CONTINUED)

Additional revenue analysis

Revenue by product division	**Year to 31 March 2018 £m**	Year to 31 March 2017 £m
Accessories	**1,046.5**	1,033.2
Women's	**808.4**	791.9
Men's	**647.3**	623.5
Children's/Other	**116.8**	108.1
Beauty	**83.7**	184.4
Retail/Wholesale	**2,702.7**	2,741.1
Licensing	**30.1**	24.9
Total	**2,732.8**	2,766.0

Revenue by destination	**Year to 31 March 2018 £m**	Year to 31 March 2017 £m
Asia Pacific	**1,089.0**	1,069.0
EMEIA[1]	**975.2**	991.2
Americas	**638.5**	680.9
Retail/Wholesale	**2,702.7**	2,741.1
Licensing	**30.1**	24.9
Total	**2,732.8**	2,766.0

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

Entity-wide disclosures

Revenue derived from external customers in the UK totalled £305.1m for the year to 31 March 2018 (2017: £300.9m).

Revenue derived from external customers in foreign countries totalled £2,427.7m for the year to 31 March 2018 (2017: £2,465.1m). This amount includes £538.0m of external revenues derived from customers in the USA (2017: £576.6m) and £443.5m of external revenues derived from customers in China (2017: £413.7m).

The total of non-current assets other than financial instruments and deferred tax assets located in the UK is £151.0m (2017: £147.6m). The remaining £372.1m of non-current assets are located in other countries (2017: £456.2m), with £130.0m located in the USA (2017: £159.6m), £66.1m located in China (2017: £76.7m), and £62.8m located in Korea (2017: £72.4m).

4. NET OPERATING EXPENSES

	Note	**Year to 31 March 2018 £m**	Year to 31 March 2017 £m
Selling and distribution costs		**861.9**	913.5
Administrative expenses		**568.9**	560.9
Adjusting operating items	7	**56.3**	64.4
Net operating expenses		**1,487.1**	1,538.8

5. PROFIT BEFORE TAXATION

	Note	**Year to 31 March 2018 £m**	Year to 31 March 2017 £m
Adjusted profit before taxation is stated after charging/(crediting):			
Depreciation of property, plant and equipment			
Within cost of sales		**0.8**	1.6
Within selling and distribution costs		**88.2**	107.4
Within administrative expenses[1]		**10.1**	12.3
Amortisation of intangible assets			
Within selling and distribution costs		**0.8**	1.0
Within administrative expenses[2]		**24.1**	21.7
Loss on disposal of property, plant and equipment and intangible assets		**2.7**	3.5
Impairment of intangible assets[3]	13	**–**	7.1
Net impairment of property, plant and equipment	14	**10.7**	15.9
Employee costs[4]	27	**500.3**	484.7
Operating lease rentals			
Minimum lease payments[5]		**246.2**	239.0
Contingent rents		**110.1**	108.6
Net exchange loss/(gain) on revaluation of monetary assets and liabilities		**7.3**	(12.2)
Net exchange loss on derivatives held for trading for the year		**3.7**	0.2
Trade receivables net impairment charge		**3.1**	2.4
Adjusting items			
Adjusting operating items			
Gain on disposal of Beauty operations	6	**(5.2)**	–
Costs relating to disposal of Beauty operations	7	**5.0**	14.5
Charge relating to the fragrance and beauty licence intangible asset	7	**–**	26.1
Restructuring costs	7	**54.5**	20.8
Goodwill impairment	7	**6.5**	–
Revaluation of deferred consideration liability	7	**(4.5)**	3.0
Total adjusting operating items		**56.3**	64.4
Adjusting financing items			
Finance charge on deferred consideration liability	7	**2.0**	2.2
Put option liability finance charge	7	**–**	1.0
Total adjusting financing items		**2.0**	3.2

1. Depreciation of property, plant and equipment within administrative expenses for the year ended 31 March 2018 has been presented excluding depreciation of £6.5m relating to the Group's cost-efficiency programme and depreciation of £0.2m for assets disposed as part of the disposal of Beauty operations, which have been presented as adjusting items (refer to note 7).
2. Amortisation of intangible assets within administrative expenses for the year ended 31 March 2018 has been presented excluding amortisation of £0.6m included in costs relating to the disposal of Beauty operations, which has been presented as an adjusting item. Amortisation of intangible assets within administrative expenses for the year ended 31 March 2017 has been presented excluding amortisation of £7.5m relating to the fragrance and beauty licence intangible, which has been presented as an adjusting item (refer to note 7).
3. Impairment of intangible assets for the year ended 31 March 2018 is presented excluding an impairment of £6.5m relating to goodwill allocated to the Saudi Arabia cash generating unit, which has been presented as an adjusting item (refer to note 7). Impairment of intangible assets for the year ended 31 March 2017 is presented excluding an impairment of £18.6m relating to the fragrance and beauty licence intangible and an impairment of £7.3m of software assets specifically relating to the disposal of the Beauty operations, which have been presented as adjusting items (refer to note 7).
4. Employee costs for the year ended 31 March 2018 are presented excluding £14.9m (2017: £9.7m) of costs arising as a result of the cost-efficiency programme, which have been presented as an adjusting item (refer to note 7).
5. Minimum lease payments include charges for onerous lease provisions during the year ended 31 March 2018 of £7.2m (2017: £7.9m) and do not include payments of £4.8m (2017: £8.3m) where existing onerous lease provisions have been utilised. Minimum lease payments for the year ended 31 March 2018 have been presented excluding charges of £29.1m for onerous property obligations in connection with the Group's cost-efficiency programme, which have been presented as adjusting items (refer to note 7).

6. GAIN ON DISPOSAL OF BEAUTY OPERATIONS

On 3 April 2017, the Group entered into two agreements with Coty Geneva SARL Versoix (Coty) to grant Coty a licence to sell its fragrance and beauty products and to transfer the Group's Beauty operations to Coty.

Under the agreement to transfer the Beauty operations, the Group transferred inventory and property, plant and equipment relating to the Beauty operations to Coty. The assets transferred to Coty were paid for by cash proceeds of £33.3m, with the exception of some of the inventory which will be paid for in the future if it is used by Coty. A debtor of £4.1m has been recognised for contingent consideration in relation to the estimated future proceeds arising from the disposal of inventory to Coty.

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

The Group received an upfront payment of £130.0m for the licence and related disposal of the Beauty operations under the two agreements. The directors have carried out an allocation and have attributed £30.0m of this upfront payment to the disposal of the Beauty operations (refer to note 1). As a result, the total consideration for the disposal of the Beauty operations is £67.4m.

The remaining £100.0m of the payment has been attributed to the licence and has been recognised as deferred royalty income on the balance sheet (refer to note 20). It will be recognised as royalty revenue over the term of the licence.

The agreements with Coty completed on 2 October 2017. Details of the sale are as follows:

	Year to 31 March 2018 £m
Consideration received or receivable	
Cash proceeds	**63.3**
Fair value of contingent consideration	**4.1**
Total disposal consideration	**67.4**
Carrying amount of net assets disposed	**(37.4)**
Directly attributable costs	**(24.8)**
Gain on disposal before taxation	**5.2**

The carrying amount of net assets disposed is presented net of a £10.1m write-down of Beauty inventory remeasured to the lower of the carrying value and net realisable value upon classification as held for sale at 30 September 2017. Directly attributable costs relate to the write-down of inventory and provisions for the costs of certain contract terminations and employee redundancy. £2.2m of these costs were paid in the period, with the remaining £12.5m to be recognised in future periods. The net gain on disposal is presented as an adjusting item in accordance with the Group's accounting policy as it arises from the disposal of a business.
A related tax charge of £1.0m has been recognised in the year ended 31 March 2018.

7. ADJUSTING ITEMS

Costs relating to the disposal of the Beauty operations

In addition to the costs arising directly from the disposal of the Beauty operations, costs of £5.0m relating to the Beauty transaction were incurred in the year ended 31 March 2018 (2017: £14.5m). Costs incurred in the year ended 31 March 2017 related to the write-off of software assets specifically relating to the Beauty operations of £7.3m; a provision for the termination of a distributor agreement; and other ancillary charges incurred. Costs incurred in the year ended 31 March 2018 relate to retention payments, advisory fees, and depreciation and amortisation on assets no longer required as a result of the disposal. £11.3m of these costs were paid in the year ended 31 March 2018 (2017: £nil). These costs are presented as an adjusting item in accordance with the Group's accounting policy as they arise in relation to the disposal of a business. A related tax credit of £1.0m has also been recognised in the period (2017: £2.9m).

Charge relating to the fragrance and beauty licence intangible asset

During the year ended 31 March 2013, an intangible asset of £70.9m was recognised on the Balance Sheet, relating to the present value of the anticipated incremental income to be earned by the Group as a result of selling Beauty products through retail and wholesale channels rather than under licence, following the termination of the existing licence relationship with Interparfums SA. This asset was being amortised on a straight-line basis over the period 1 April 2013 to 31 December 2017.

During the six months ended 30 September 2016, amortisation expense of £7.5m was recognised in relation to the fragrance and beauty licence intangible. At 30 September 2016, management carried out an impairment assessment of the carrying value of this asset based on a value-in-use calculation using latest estimates for cost and revenue projections. As a result of a reduction in projected revenue over the remaining life to 31 December 2017, compared to previous estimates, management concluded that the book value of the asset was not supported by its value-in-use. An impairment charge of £18.6m was recognised at 30 September 2016, to write the remaining balance of the intangible asset down to nil.

7. ADJUSTING ITEMS (CONTINUED)

These charges have been presented as an adjusting item, which is consistent with the treatment of the cost recognised on termination of the licence relationship in the year ended 31 March 2013. A related tax credit of £5.1m was also recognised in the year ended 31 March 2017.

Restructuring costs

Restructuring costs of £54.5m (2017: £20.8m) were incurred in the current period, arising as a result of the Group's cost-efficiency programme announced in May 2016. These costs are presented as an adjusting item as they are considered material and one-off in nature, being part of a restructuring programme running from May 2016 to March 2019. The most significant elements of the restructuring costs relate to onerous lease obligations for property, redundancies and consultancy costs supporting organisational design and development of strategic growth and productivity initiatives, with the remainder relating to legal advice and project assurance. A related tax credit of £11.4m (2017: £4.2m) has also been recognised in the current period.

Goodwill impairment

A charge of £6.5m (2017: £nil) was recorded in the period to fully impair goodwill allocated to the Saudi Arabia cash generating unit, following a significant and prolonged downturn in the Saudi Arabian economy. The charge has been presented as an adjusting item in accordance with the Group's accounting policy, as it is one-off in nature, and relates to the acquisition of a business. No tax was recognised on this item, as the value is not considered to be deductible for tax purposes.

Items relating to the deferred consideration liability

On 22 April 2016, the Group entered into an agreement to transfer the economic right to the non-controlling interest in Burberry Middle East LLC to the Group in consideration of contingent payments to be made to the minority shareholder based on an agreed percentage of future revenue, together with fixed payments to be paid over the period to 2023. The present value of the fixed and contingent deferred consideration in total, at the date of the transaction, was estimated to be AED 236.0m (£44.6m).

A credit of £4.5m in relation to the revaluation of this balance has been recognised in operating expenses for the year ended 31 March 2018 (2017: charge of £3.0m). A financing charge of £2.0m in relation to the unwinding of the discount on the non-current portion of the deferred consideration liability has also been recognised for the year ended 31 March 2018 (2017: £2.2m). These movements are unrealised. No tax has been recognised on either of these items, as the future payments are not considered to be deductible for tax purposes. These items are presented as adjusting items in accordance with the Group's accounting policy, as they arise from changes in the value of the liability for expected future payments relating to the purchase of a non-controlling interest in the Group.

Put option liability finance charge

The financing charge of £1.0m for the year ended 31 March 2017 relates to fair value movements including the unwinding of the discount on the put option liability over the non-controlling interest in Burberry (Shanghai) Trading Co., Ltd. No tax was recognised on this item, as the value of the option on exercise is not considered to be deductible for tax purposes. This item has been presented as an adjusting item in accordance with the Group's accounting policy as it arises from changes in the value of the liability for expected future payments relating to the purchase of a non-controlling interest in the Group. The liability was released upon expiration of the put option on 1 August 2016, therefore there is no charge for the year ended 31 March 2018.

An adjusting taxation charge of £12.2m has also been recognised for the year ended 31 March 2018 (2017: £nil). Refer to note 10 for further details.

8. AUDITOR REMUNERATION

Fees incurred during the year in relation to audit and non-audit services are analysed below:

	Year to 31 March 2018 £m	Year to 31 March 2017 £m
Audit services in respect of the financial statements of the Company and consolidation	**0.4**	0.4
Audit services in respect of the financial statements of subsidiary companies	**1.9**	1.8
Audit-related assurance services	**0.1**	0.1
Services relating to taxation advisory services	**–**	0.2
Other non-audit-related services	**0.5**	0.2
Total	**2.9**	2.7

9. FINANCING

	Note	Year to 31 March 2018 £m	Year to 31 March 2017 £m
Bank interest income		**7.2**	5.0
Other finance income		**0.6**	0.5
Finance income		**7.8**	5.5
Interest expense on bank loans and overdrafts		**(1.3)**	(1.0)
Bank charges		**(0.7)**	(0.7)
Other finance expense		**(1.5)**	(0.1)
Finance expense		**(3.5)**	(1.8)
Finance charge on deferred consideration liability	7	**(2.0)**	(2.2)
Put option liability finance charge	7	**–**	(1.0)
Other financing charge		**(2.0)**	(3.2)
Net finance income		**2.3**	0.5

10. TAXATION

Analysis of charge for the year recognised in the Group Income Statement:

	Year to 31 March 2018 £m	Year to 31 March 2017 £m
Current tax		
UK corporation tax		
Current tax on income for the year to 31 March 2018 at 19% (2017: 20%)	**45.0**	48.2
Double taxation relief	**(3.2)**	(0.8)
Adjustments in respect of prior years	**4.2**	(3.3)
	46.0	44.1
Foreign tax		
Current tax on income for the year	**73.1**	45.3
Adjustments in respect of prior years	**(5.8)**	(6.3)
Total current tax	**113.3**	83.1
Deferred tax		
UK deferred tax		
Origination and reversal of temporary differences	**4.3**	(0.2)
Impact of changes to tax rates	**–**	0.8
Adjustments in respect of prior years	**0.4**	(0.4)
	4.7	0.2
Foreign deferred tax		
Origination and reversal of temporary differences	**(12.2)**	19.7
Impact of changes to tax rates	**12.6**	(0.2)
Adjustments in respect of prior years	**0.6**	4.3
Total deferred tax	**5.7**	24.0
Total tax charge on profit	**119.0**	107.1

10. TAXATION (CONTINUED)

Analysis of charge for the year recognised in other comprehensive income and directly in equity:

	Year to 31 March 2018 £m	Year to 31 March 2017 £m
Current tax		
Recognised in other comprehensive income		
Current tax (credit)/charge on exchange differences on loans (foreign currency translation reserve)	**(3.6)**	5.4
Current tax (credit)/charge on cash flow hedges deferred in equity (hedging reserve)	**(0.3)**	1.9
Current tax credit on cash flow hedges transferred to income (hedging reserve)	**(1.6)**	–
Current tax charge/(credit) on net investment hedges deferred in equity (hedging reserve)	**0.5**	(0.6)
Total current tax recognised in other comprehensive income	**(5.0)**	6.7
Recognised in equity		
Current tax credit on share options (retained earnings)	**(0.8)**	(0.4)
Total current tax recognised directly in equity	**(0.8)**	(0.4)
Deferred tax		
Recognised in other comprehensive income		
Deferred tax credit on cash flow hedges transferred to income (hedging reserve)	**–**	(0.9)
Deferred tax charge on net investment hedges deferred in equity (hedging reserve)	**–**	0.1
Deferred tax credit on net investment hedges transferred to income (hedging reserve)	**(0.1)**	–
Total deferred tax recognised in other comprehensive income	**(0.1)**	(0.8)
Recognised in equity		
Deferred tax charge/(credit) on share options (retained earnings)	**0.9**	(0.5)
Total deferred tax recognised directly in equity	**0.9**	(0.5)

The tax rate applicable on profit varied from the standard rate of corporation tax in the UK due to the following factors:

	Year to 31 March 2018 £m	Year to 31 March 2017 £m
Profit before taxation	**412.6**	394.8
Tax at 19% (2017: 20%) on profit before taxation	**78.4**	79.0
Rate adjustments relating to overseas profits	**10.7**	14.1
Permanent differences	**4.2**	5.7
Tax on dividends not creditable	**10.1**	6.1
Current year tax losses not recognised	**1.9**	5.5
Prior year tax losses no longer recognised	**1.7**	1.8
Adjustments in respect of prior years	**(0.6)**	(5.7)
Adjustments to deferred tax relating to changes in tax rates	**12.6**	0.6
Total taxation charge	**119.0**	107.1

Total taxation recognised in the Group Income Statement arises on the following items:

	Year to 31 March 2018 £m	Year to 31 March 2017 £m
Tax on adjusted profit before taxation	**118.2**	119.3
Tax on adjusting items	**(11.4)**	(12.2)
Adjusting taxation charge	**12.2**	–
Total taxation charge	**119.0**	107.1

Adjusting taxation charge relates to a net adjustment to deferred taxes, reflecting the reduced US federal income tax rate.

11. EARNINGS PER SHARE

The calculation of basic earnings per share is based on profit or loss attributable to owners of the Company for the year divided by the weighted average number of ordinary shares in issue during the year. Basic and diluted earnings per share based on adjusted profit before taxation are also disclosed to indicate the underlying profitability of the Group.

	Year to 31 March 2018 £m	Year to 31 March 2017 £m
Attributable profit for the year before adjusting items[1]	**352.6**	342.2
Effect of adjusting items[1] (after taxation)	**(59.1)**	(55.4)
Attributable profit for the year	**293.5**	286.8

1. Refer to note 7 for details of adjusting items.

The weighted average number of ordinary shares represents the weighted average number of Burberry Group plc ordinary shares in issue throughout the year, excluding ordinary shares held in the Group's ESOP trusts.

Diluted earnings per share is based on the weighted average number of ordinary shares in issue during the year. In addition, account is taken of any options and awards made under the employee share incentive schemes, which will have a dilutive effect when exercised. Refer to note 27 for additional information on the terms and conditions of the employee share incentive schemes.

	Year to 31 March 2018 Millions	Year to 31 March 2017 Millions
Weighted average number of ordinary shares in issue during the year	**425.7**	439.1
Dilutive effect of the employee share incentive schemes	**3.7**	3.1
Diluted weighted average number of ordinary shares in issue during the year	**429.4**	442.2

12. DIVIDENDS PAID TO OWNERS OF THE COMPANY

	Year to 31 March 2018 £m	Year to 31 March 2017 £m
Prior year final dividend paid 28.4p per share (2017: 26.8p)	**123.0**	118.6
Interim dividend paid 11.0p per share (2017: 10.5p)	**46.4**	45.8
Total	**169.4**	164.4

A final dividend in respect of the year to 31 March 2018 of 30.3p (2017: 28.4p) per share, amounting to £125.3m, has been proposed for approval by the shareholders at the Annual General Meeting subsequent to the balance sheet date. The final dividend to Burberry Group plc shareholders has not been recognised as a liability at the year end and will be paid on 3 August 2018 to shareholders on the register at the close of business on 29 June 2018.

13. INTANGIBLE ASSETS

Cost	Goodwill[1] £m	Trademarks, licences and other intangible assets[1] £m	Computer software[1] £m	Intangible assets in the course of construction £m	Total £m
As at 31 March 2016	88.8	87.9	133.7	23.0	333.4
Effect of foreign exchange rate changes	10.8	0.6	3.7	–	15.1
Additions	–	0.3	14.9	18.9	34.1
Disposals	–	–	(7.5)	(1.5)	(9.0)
Reclassifications from assets in the course of construction	–	–	20.1	(20.1)	–
As at 31 March 2017	99.6	88.8	164.9	20.3	373.6
Effect of foreign exchange rate changes	(4.7)	–	(2.4)	(0.1)	(7.2)
Additions	–	0.3	8.1	40.4	48.8
Disposals	–	(70.9)	(54.5)	–	(125.4)
Reclassifications from assets in the course of construction	–	–	14.1	(14.1)	–
As at 31 March 2018	**94.9**	**18.2**	**130.2**	**46.5**	**289.8**
Accumulated amortisation and impairment					
As at 31 March 2016	–	53.2	90.6	–	143.8
Effect of foreign exchange rate changes	–	0.4	2.7	–	3.1
Charge for the year	–	8.4	21.8	–	30.2
Disposals	–	–	(6.6)	–	(6.6)
Impairment charge on assets	–	18.6	14.4	–	33.0
As at 31 March 2017	–	80.6	122.9	–	203.5
Effect of foreign exchange rate changes	–	(0.1)	(2.0)	–	(2.1)
Charge for the year	–	0.8	24.7	–	25.5
Disposals	–	(70.9)	(52.8)	–	(123.7)
Impairment charge on assets	6.5	–	–	–	6.5
As at 31 March 2018	**6.5**	**10.4**	**92.8**	**–**	**109.7**
Net book value					
As at 31 March 2018	**88.4**	**7.8**	**37.4**	**46.5**	**180.1**
As at 31 March 2017	99.6	8.2	42.0	20.3	170.1

1. Impairment of goodwill of £6.5m in the year ended 31 March 2018 is included in adjusting items (refer to note 7). During the year ended 31 March 2017 £14.4m of software assets were impaired, of which £7.3m related to the disposal of the Beauty operations and is included in adjusting items (refer to note 7). During the year ended 31 March 2017 an impairment charge of £18.6m was recognised relating to the Beauty intangible asset (refer to note 7).

Impairment testing of goodwill

The carrying value of the goodwill allocated to cash generating units:

	As at 31 March 2018 £m	As at 31 March 2017 £m
China	**47.8**	48.9
Korea	**27.7**	29.4
Other	**12.9**	21.3
Total	**88.4**	99.6

13. INTANGIBLE ASSETS (CONTINUED)

The Group tests goodwill for impairment annually or where there is an indication that goodwill might be impaired. The recoverable amount of all cash generating units has been determined on a value-in-use basis. Value-in-use calculations for each cash generating unit are based on projected pre-tax discounted cash flows together with a discounted terminal value. The cash flows have been discounted at pre-tax rates reflecting the Group's weighted average cost of capital adjusted for country-specific tax rates and risks. Where the cash generating unit has a non-controlling interest which was recognised at a value equal to its proportionate interest in the net identifiable assets of the acquired subsidiary at the acquisition date, the carrying amount of the goodwill has been grossed up, to include the goodwill attributable to the non-controlling interest, for the purpose of impairment testing the goodwill attributable to the cash generating unit. The key assumptions contained in the value-in-use calculations include the future revenues, the margins achieved, the assumed life of the business and the discount rates applied.

The value-in-use calculations have been prepared using management's approved financial plans for the five years ending 31 March 2023. These plans contain management's best view of the expected performance for the year ending 31 March 2019 and the expected growth rates for the years thereafter. The plans are based on the performance achieved in the current year and management's knowledge of the market environment and future business plans. A terminal value has been included in the value-in-use calculation based on the cash flows for the year ending 31 March 2023 incorporating the assumption that there is no growth beyond 31 March 2023.

For the material goodwill balances of China and Korea, a sensitivity analysis has been performed on the value-in-use calculations by assuming no growth beyond the year ending 31 March 2019. This sensitivity analysis indicated significant headroom between the recoverable amount under this scenario and the carrying value of goodwill and therefore management considered no further detailed sensitivity analysis was required.

The pre-tax discount rates for China and Korea were 15.9% and 13.4% respectively (2017: 16.7%; 14.0%).

During the year, revenue in the Saudi Arabia cash generating unit has declined following a significant and prolonged downturn in the Saudi Arabian economy. Recovery to previous trading levels is not expected to occur in the short term. The recoverable amount of the net assets was determined by an impairment test of the value-in-use of the cash generating unit. Following this impairment test, the goodwill relating to the Saudi Arabia cash generating unit has been written off in full. This has given rise to a charge of £6.5m for the year ended 31 March 2018. The charge is presented in operating profit as an adjusting item. The remaining net assets in the Saudi Arabia cash generating unit are £4.1m at 31 March 2018, excluding cash and cash equivalents. The value of these net assets is expected to be recovered through value-in-use.

The other goodwill balance of £12.9m (2017: £21.3m) consists of amounts relating to seven cash generating units, none of which have goodwill balances individually exceeding £6.0m as at 31 March 2018.

No impairment has been recognised in respect of the carrying value of the remaining goodwill balances in the year, as the recoverable amount of goodwill exceeds its carrying value for each of the other cash generating units.

14. PROPERTY, PLANT AND EQUIPMENT

Cost	Freehold land and buildings £m	Leasehold improvements £m	Fixtures, fittings and equipment[1] £m	Assets in the course of construction £m	Total £m
As at 31 March 2016	159.0	418.3	491.5	9.4	1,078.2
Effect of foreign exchange rate changes	18.4	47.5	43.7	1.0	110.6
Additions	0.4	37.4	27.0	13.2	78.0
Disposals	(29.2)	(32.4)	(28.5)	(0.4)	(90.5)
Reclassifications from assets in the course of construction	–	4.0	4.7	(8.7)	–
As at 31 March 2017	148.6	474.8	538.4	14.5	1,176.3
Effect of foreign exchange rate changes	(12.8)	(29.7)	(24.7)	(0.8)	(68.0)
Additions	0.3	25.3	18.7	14.7	59.0
Disposals	–	(11.5)	(41.8)	–	(53.3)
Disposal of a business	–	–	(7.4)	(0.6)	(8.0)
Reclassifications from assets in the course of construction	0.2	3.2	5.5	(8.9)	–
As at 31 March 2018	**136.3**	**462.1**	**488.7**	**18.9**	**1,106.0**
Accumulated depreciation and impairment					
As at 31 March 2016	56.6	233.4	362.0	–	652.0
Effect of foreign exchange rate changes	6.7	28.5	33.2	–	68.4
Charge for the year	4.3	52.3	64.7	–	121.3
Disposals	(21.3)	(32.0)	(27.6)	–	(80.9)
Net impairment charge on assets	0.6	8.1	7.2	–	15.9
As at 31 March 2017	46.9	290.3	439.5	–	776.7
Effect of foreign exchange rate changes	(4.6)	(19.5)	(20.7)	–	(44.8)
Charge for the year	3.9	53.1	48.8	–	105.8
Disposals	–	(11.1)	(41.2)	–	(52.3)
Disposal of a business	–	–	(3.7)	–	(3.7)
Net impairment charge on assets	–	3.6	7.1	–	10.7
As at 31 March 2018	**46.2**	**316.4**	**429.8**	**–**	**792.4**
Net book value					
As at 31 March 2018	**90.1**	**145.7**	**58.9**	**18.9**	**313.6**
As at 31 March 2017	101.7	184.5	98.9	14.5	399.6

1. Included in fixtures, fittings and equipment are finance lease assets with a net book value of £1.1m (2017: £1.3m).

During the year to 31 March 2018, a net charge of £16.8m (2017: £23.0m) was recorded within net operating expenses as a result of the annual review of impairment of retail store assets. A charge of £9.6m (2017: £15.3m) was recognised against property, plant and equipment, and £7.2m (2017: £7.7m) was charged in relation to onerous lease provisions. Refer to note 21 for further details of onerous lease provisions.

Where indicators of impairment were identified, the impairment review compared the value-in-use of the cash generating units to the carrying values at 31 March 2018. The pre-tax cash flow projections were based on financial plans of expected revenues and costs for each retail cash generating unit, as approved by management, and extrapolated beyond the budget year to the lease exit dates using growth rates and inflation rates appropriate to each store's location. The pre-tax discount rates used in these calculations were between 10.7% and 21.5% (2017: between 11.4% and 21.6%), based on the Group's weighted average cost of capital adjusted for country-specific tax rates and risks. Where the value-in-use was less than the carrying value of the cash generating unit, an impairment of property, plant and equipment was recorded. Where the value-in-use was negative, onerous lease provisions were assessed in relation to the future contracted minimum lease payments. Potential alternative uses for property, such as subletting of leasehold or sale of freehold, were considered in estimating both the value for impairment charges and onerous lease provisions.

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Management has considered the potential impact of changes in assumptions on the total recorded as a result of the review for impairment of retail store assets and consideration of onerous lease provisions. The most significant estimate is the future level of revenues achieved by the retail stores. It is estimated that, for the stores subject to an impairment or onerous lease provision in the year, a 5% decrease/increase in revenue assumptions for the year ending 31 March 2019, with no change to subsequent forecast revenue growth rate assumptions, would result in an £9.4m increase/£8.0m decrease in the charge in the year ended 31 March 2018.

The impairment charge recorded in property, plant and equipment relates to 23 retail cash generating units (2017: 33 retail cash generating units) for which the total recoverable amount at the balance sheet date is £4.5m (2017: £22.0m).

Impairment charges of £1.1m (2017: £0.6m) arose relating to other assets in the year.

15. DEFERRED TAXATION

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and there is an intention to settle on a net basis, and to the same fiscal authority. The offset amounts are shown in the table below:

	As at 31 March 2018 £m	As at 31 March 2017 £m
Deferred tax assets	**115.5**	125.0
Deferred tax liabilities	**(4.2)**	(0.4)
Net amount	**111.3**	124.6

The movement in the deferred tax account is as follows:	**Year to 31 March 2018 £m**	Year to 31 March 2017 £m
As at 1 April	**124.6**	133.8
Effect of foreign exchange rate changes	**(6.8)**	13.5
Charged to the Income Statement	**(5.7)**	(24.0)
Credited to other comprehensive income	**0.1**	0.8
(Charged)/credited to equity	**(0.9)**	0.5
As at 31 March	**111.3**	124.6

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax liabilities

	Capital allowances £m	Unrealised inventory profit and other inventory provisions £m	Derivative instruments £m	Other £m	Total £m
As at 31 March 2016	2.8	(0.9)	1.1	1.0	4.0
Effect of foreign exchange rate changes	0.3	(0.1)	–	0.3	0.5
Charged/(credited) to the Income Statement	0.6	(0.1)	–	4.3	4.8
As at 31 March 2017	3.7	(1.1)	1.1	5.6	9.3
Effect of foreign exchange rate changes	(0.1)	0.1	–	(0.2)	(0.2)
Credited to the Income Statement	(1.6)	(0.8)	–	–	(2.4)
Credited to other comprehensive income	–	–	(0.2)	–	(0.2)
As at 31 March 2018	**2.0**	**(1.8)**	**0.9**	**5.4**	**6.5**

15. DEFERRED TAXATION (CONTINUED)

Deferred tax assets

	Capital allowances £m	Unrealised inventory profit and other inventory provisions £m	Share schemes £m	Derivative instruments £m	Unused tax losses £m	Other[1] £m	Total £m
As at 31 March 2016	11.5	46.9	9.3	(0.7)	6.9	63.9	137.8
Effect of foreign exchange rate changes	(0.5)	7.5	–	–	0.6	6.4	14.0
Credited/(charged) to the Income Statement	3.2	(4.4)	(1.4)	–	(2.1)	(14.5)	(19.2)
Credited to other comprehensive income	–	–	–	0.8	–	–	0.8
Credited to equity	–	–	0.5	–	–	–	0.5
As at 31 March 2017	14.2	50.0	8.4	0.1	5.4	55.8	133.9
Effect of foreign exchange rate changes	0.4	(3.9)	0.1	–	0.2	(3.8)	(7.0)
Credited/(charged) to the Income Statement	0.1	(9.1)	0.5	–	(1.7)	2.1	(8.1)
Charged to other comprehensive income	–	–	–	(0.1)	–	–	(0.1)
Charged to equity	–	–	(0.9)	–	–	–	(0.9)
As at 31 March 2018	**14.7**	**37.0**	**8.1**	**–**	**3.9**	**54.1**	**117.8**

1. Deferred tax balances within the 'Other' category in the analysis above include temporary differences arising on property provisions of £9.0m (2017: £9.1m), accrued intercompany expenses of £23.6m (2017: £20.2m) and other provisions and accruals of £21.5m (2017: £26.5m).

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related benefit through the future taxable profits is probable. The Group did not recognise deferred tax assets of £76.5m (2017: £79.8m) in respect of losses and temporary timing differences amounting to £285.3m (2017: £272.2m) that can be set off against future taxable income. There is a time limit for the recovery of £30.4m of these potential assets (2017: £37.0m) which ranges from one to ten years (2017: two to ten years).

Included within other temporary differences above is a deferred tax liability of £4.0m (2017: £5.0m) relating to unremitted overseas earnings. No deferred tax liability is provided in respect of any future remittance of earnings of foreign subsidiaries where the Group is able to control the remittance of earnings and it is probable that such earnings will not be remitted in the foreseeable future, or where no liability would arise on the remittance. The aggregate amount of temporary differences in respect of unremitted earnings is £170m (2017: £300m).

16. TRADE AND OTHER RECEIVABLES

	As at 31 March 2018 £m	As at 31 March 2017 £m
Non-current		
Deposits and other financial receivables	**42.4**	44.9
Other non-financial receivables	**2.9**	3.7
Prepayments	**23.9**	27.8
Total non-current trade and other receivables	**69.2**	76.4
Current		
Trade receivables	**128.6**	201.3
Provision for doubtful debts	**(11.6)**	(9.5)
Net trade receivables	**117.0**	191.8
Other financial receivables	**22.5**	22.3
Other non-financial receivables	**17.4**	20.4
Prepayments	**40.3**	38.1
Accrued income	**9.1**	3.0
Total current trade and other receivables	**206.3**	275.6
Total trade and other receivables	**275.5**	352.0

Included in total trade and other receivables are non-financial assets of £84.5m (2017: £90.0m).

16. TRADE AND OTHER RECEIVABLES (CONTINUED)

The individually impaired receivables relate to balances with trading parties which have passed their payment due dates or where uncertainty exists over recoverability. As at 31 March 2018, trade receivables of £19.8m (2017: £17.2m) were impaired. The amount of the provision against these receivables was £11.6m as at 31 March 2018 (2017: £9.5m). It was assessed that a portion of the receivables is expected to be recovered. The ageing of the impaired trade receivables is as follows:

	As at 31 March 2018 £m	As at 31 March 2017 £m
Current	**0.2**	–
Less than 1 month overdue	**7.0**	7.0
1 to 3 months overdue	**3.3**	2.3
Over 3 months overdue	**9.3**	7.9
	19.8	17.2

As at 31 March 2018, trade receivables of £9.0m (2017: £20.9m) were overdue but not impaired. The ageing of these overdue receivables is as follows:

	As at 31 March 2018 £m	As at 31 March 2017 £m
Less than 1 month overdue	**4.1**	8.4
1 to 3 months overdue	**2.5**	12.1
Over 3 months overdue	**2.4**	0.4
	9.0	20.9

Movement in the provision for doubtful debts is as follows:

	Year to 31 March 2018 £m	Year to 31 March 2017 £m
As at 1 April	**9.5**	7.2
Effect of foreign exchange rate changes	**(0.1)**	0.2
Increase in provision for doubtful debts	**3.1**	2.4
Receivables written off during the year as uncollectable	**(0.9)**	(0.3)
As at 31 March	**11.6**	9.5

As at 31 March 2018 there were £1.4m of impaired receivables within other receivables (2017: £1.6m).

The carrying amounts of the Group's non-derivative financial assets excluding cash and cash equivalents by customer geographical location are:

	As at 31 March 2018 £m	As at 31 March 2017 £m
Asia Pacific	**107.6**	120.4
EMEIA	**60.5**	78.1
Americas	**22.9**	63.5
	191.0	262.0

17. INVENTORIES

	As at 31 March 2018 £m	As at 31 March 2017 £m
Raw materials	**9.2**	32.7
Work in progress	**0.6**	1.8
Finished goods	**402.0**	470.8
Total inventories	**411.8**	505.3

	As at 31 March 2018 £m	As at 31 March 2017 £m
Total inventories, gross	**503.1**	596.8
Provisions	**(91.3)**	(91.5)
Total inventories, net	**411.8**	505.3

The cost of inventories recognised as an expense and included in cost of sales amounted to £800.0m (2017: £795.9m).

The net movement in inventory provisions included in cost of sales for the year ended 31 March 2018 was a cost of £35.3m (2017: £21.1m). The reversal of inventory provisions as at 31 March 2017 during the current year was not significant. Included in the change in inventory provisions for the year ended 31 March 2018 is £12.9m relating to the disposal of Beauty inventory to Coty. Refer to note 6 for further details.

The cost of finished goods physically destroyed in the year was £28.6m (2017: £26.9m), including £10.4m of destruction for Beauty inventory.

18. DERIVATIVE FINANCIAL INSTRUMENTS

Master netting arrangements

The Group's forward foreign exchange contracts and equity swap contracts are entered into under International Swaps and Derivatives Association (ISDA) master netting arrangements. In general, under such agreements the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single amount that is payable by one party to the other. In certain circumstances, such as when a default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions. The ISDA agreements do not meet the criteria for offsetting in the Balance Sheet as the Group's right to offset is enforceable only on the occurrence of future events such as default. The Group's Balance Sheet would not be materially different if it had offset its forward foreign exchange contracts and equity swap contracts subject to these ISDA agreements.

Derivative financial assets

	As at 31 March 2018 £m	As at 31 March 2017 £m
Forward foreign exchange contracts – cash flow hedges	**–**	3.2
Forward foreign exchange contracts – hedge of net investment	**–**	0.5
Forward foreign exchange contracts – held for trading[1]	**0.4**	0.3
Equity swap contracts – held for trading	**1.5**	2.1
Total position	**1.9**	6.1
Comprising:		
Total non-current position	**0.3**	1.1
Total current position	**1.6**	5.0

18. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Derivative financial liabilities

	As at 31 March 2018 £m	As at 31 March 2017 £m
Forward foreign exchange contracts – cash flow hedges	**(2.8)**	(0.6)
Forward foreign exchange contracts – hedge of net investment	**–**	(0.4)
Forward foreign exchange contracts – held for trading[1]	**(1.0)**	(2.5)
Equity swap contracts – held for trading	**(0.1)**	–
Total position	**(3.9)**	(3.5)
Comprising:		
Total non-current position	**(0.1)**	–
Total current position	**(3.8)**	(3.5)

Net derivative financial instruments

The notional principal amounts of the outstanding forward foreign exchange and equity swap contracts at year end are:

	As at 31 March 2018 £m	As at 31 March 2017 £m
Cash flow hedges	**211.2**	129.1
Hedge of net investment	**18.1**	74.7
Held for trading[1]	**289.3**	122.6
Equity swap contracts	**5.6**	5.9

1. Forward foreign exchange contracts classified as held for trading are used for cash management purposes. At 31 March 2018, all such contracts had maturities of no greater than three months from the balance sheet date.

Contractual maturities of derivatives used for hedging

The gross inflows/(outflows) disclosed in the table below represent the contractual undiscounted cash flows relating to derivative financial assets and liabilities held for risk management purposes. They are usually not closed out prior to the contractual maturity. The foreign currency cash flows shown are based on spot rates at the balance sheet date.

		CONTRACTUAL MATURITIES		
	Carrying amount £m	Contractual cash flows £m	1 to 6 months £m	6 to 12 months £m
As at 31 March 2018				
Forward exchange contracts used for hedging:				
Outflow		**(229.3)**	**(108.5)**	**(120.8)**
Inflow		**225.2**	**106.0**	**119.2**
	(2.8)	**(4.1)**	**(2.5)**	**(1.6)**
As at 31 March 2017				
Forward exchange contracts used for hedging:				
Outflow		(204.1)	(120.4)	(83.7)
Inflow		206.1	123.2	82.9
	2.7	2.0	2.8	(0.8)

The contractual maturity profile of non-current financial liabilities is shown in note 26. For further details of cash flow hedging and net investment hedging refer to note 26 – Market risk.

19. CASH AND CASH EQUIVALENTS

	As at 31 March 2018 £m	As at 31 March 2017 £m
Cash at bank and in hand	**195.6**	268.7
Short-term deposits	**719.7**	574.8
Total	**915.3**	843.5

20. TRADE AND OTHER PAYABLES

	As at 31 March 2018 £m	As at 31 March 2017 £m
Non-current		
Other payables	**2.2**	2.5
Deferred income and non-financial accruals[1]	**149.4**	75.6
Deferred consideration[3]	**16.5**	23.8
Total non-current trade and other payables	**168.1**	101.9
Current		
Trade payables	**153.2**	172.3
Other taxes and social security costs	**73.3**	58.7
Other payables[2,3]	**4.1**	8.2
Accruals	**190.2**	186.9
Deferred income and non-financial accruals[1]	**27.4**	22.1
Deferred consideration[3]	**12.7**	10.9
Total current trade and other payables	**460.9**	459.1
Total trade and other payables	**629.0**	561.0

1. Includes £96.7m (2017: £nil) relating to deferred income for the beauty licence granted during the year. £90.2m is included in non-current and £6.5m is included in current.
2. Includes £nil (2017: £3.3m) relating to the cost of shares not yet purchased under an agreement entered in to by the Company to purchase its own shares, together with anticipated stamp duty arising. Refer to note 23 for further details.
3. Liabilities relating to financing activities include the cost of shares not yet purchased noted above and deferred consideration. The change in the share liability arises as a result of a financing cash outflow. The change in the deferred consideration liability arises as result of a financing cash outflow and non-cash movements.

Included in total trade and other payables are non-financial liabilities of £250.1m (2017: £156.5m).

Deferred consideration

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

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

The fair value of the deferred consideration relating to the contingent payments has been estimated using a present value calculation, incorporating observable and non-observable inputs. The inputs applied in arriving at the value of this component of the deferred consideration are an estimate of the future revenue of Burberry Middle East LLC and its subsidiaries from the current period to 2023 and an appropriate risk-adjusted discount rate for Burberry Middle East LLC.

The carrying value of the deferred consideration relating to contingent payments is dependent on assumptions applied in determining these inputs, and is subject to change in the event that there is a change in any of these assumptions. The valuation is updated at every reporting period or more often if a significant change to any input is observed.

A 10% increase/decrease in the estimate of future revenues of Burberry Middle East LLC and its subsidiaries would result in a £1.6m increase/decrease in the carrying value of the deferred consideration relating to contingent payments at 31 March 2018 and a corresponding £1.6m decrease/increase in the profit before taxation for the year ended 31 March 2018.

21. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	Property obligations £m	Other costs £m	Total £m
Balance as at 31 March 2016	51.8	4.2	56.0
Effect of foreign exchange rate changes	6.2	0.1	6.3
Created during the year	18.8	6.9	25.7
Discount unwind	0.1	–	0.1
Utilised during the year	(11.1)	(1.0)	(12.1)
Released during the year	(8.1)	(2.5)	(10.6)
Balance as at 31 March 2017	57.7	7.7	65.4
Effect of foreign exchange rate changes	(4.6)	0.1	(4.5)
Created during the year	39.7	15.2	54.9
Discount unwind	0.3	–	0.3
Utilised during the year	(6.0)	(3.5)	(9.5)
Released during the year	(0.4)	(2.7)	(3.1)
Balance as at 31 March 2018	**86.7**	**16.8**	**103.5**

Within property obligations are amounts of £59.0m (2017: £30.3m) relating to onerous lease obligations. Refer to note 14 for details relating to impairment of assets and onerous lease provisions for retail cash generating units.

The net charge in the year for onerous lease obligations is £36.3m (2017: £7.9m). This includes amounts of £7.2m (2017: £7.7m) relating to retail stores (refer to note 14) and a charge of £29.1m (2017: charge of £0.2m) relating to other properties.

	As at 31 March 2018 £m	As at 31 March 2017 £m
Analysis of total provisions:		
Non-current	**71.4**	47.3
Current	**32.1**	18.1
Total	**103.5**	65.4

The non-current provisions relate to provisions for onerous leases and property reinstatement costs which are expected to be utilised within 18 years (2017: 19 years).

22. BANK OVERDRAFTS

Included within bank overdrafts is £22.2m (2017: £31.3m) representing balances on cash pooling arrangements in the Group.

The Group has a number of committed and uncommitted arrangements agreed with third parties. At 31 March 2018, the Group held bank overdrafts of £1.0m (2017: £3.0m) excluding balances on cash pooling arrangements.

On 25 November 2014, the Group entered into a £300m multi-currency revolving credit facility with a syndicate of banks. At 31 March 2018, there were £nil outstanding drawings (2017: £nil). The facility matures in November 2021. The Group is in compliance with the financial and other covenants within this facility and has been in compliance throughout the financial year.

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

23. SHARE CAPITAL AND RESERVES

Allotted, called up and fully paid share capital	Number	£m
Ordinary shares of 0.05p (2017: 0.05p) each		
As at 31 March 2016	445,037,254	0.2
Allotted on exercise of options during the year	135,811	–
As at 31 March 2017	445,173,065	0.2
Allotted on exercise of options during the year	266,139	–
Cancellation of treasury shares	(27,164,081)	–
As at 31 March 2018	**418,275,123**	**0.2**

23. SHARE CAPITAL AND RESERVES (CONTINUED)

The Company has a general authority from shareholders, renewed at each Annual General Meeting, to repurchase a maximum of 10% of its issued share capital. During the year ended 31 March 2018, the Company entered into agreements to purchase £350m of its own shares back, excluding stamp duty, as part of a share buy-back programme (2017: £100m). Own shares purchased by the Company, as part of a share buy-back programme, are classified as treasury shares and their cost offset against retained earnings. When treasury shares are cancelled, a transfer is made from retained earnings to capital redemption reserve, equivalent to the nominal value of the shares purchased and subsequently cancelled. In the year ended 31 March 2018, 27.2m treasury shares with a nominal value of £14,000 were cancelled (2017: nil). The cost of shares purchased by ESOP trusts are offset against retained earnings, as the amounts paid reduce the profits available for distribution by the Company.

As at 31 March 2018 the amount held as treasury shares by the Company and offset against retained earnings is £nil (2017: £97.2m) including stamp duty of £nil (2017: £0.5m). As at 31 March 2018 the Company held nil treasury shares (2017: 6.7m), with a market value of £nil (2017: £116.1m). There was £nil (2017: £3.3m), relating to the cost of shares not yet purchased under the current share buy-back agreement, charged to retained earnings in the period. The payment obligation at 31 March 2017 was recognised in other payables (refer to note 20).

As at 31 March 2018 the amount of own shares held by ESOP trusts and offset against retained earnings is £40.5m (2017: £44.7m). As at 31 March 2018, the ESOP trusts held 2.9m shares (2017: 3.5m) in the Company, with a market value of £49.8m (2017: £59.6m). In the year to 31 March 2018 the ESOP trusts and the Company have waived their entitlement to dividends of £2.0m (2017: £1.7m).

During the year profits of £nil (2017: £nil) have been transferred to capital reserves due to statutory requirements of subsidiaries. The capital reserve consists of non-distributable reserves and the capital redemption reserve arising on the purchase of own shares.

Other reserves in the Statement of Changes in Equity consists of the capital reserve, the foreign currency translation reserve, and the hedging reserves. The hedging reserves consist of the cash flow hedge reserve and the net investment hedge reserve.

		HEDGING RESERVES			
	Capital reserve £m	Cash flow hedges £m	Net investment hedge £m	Foreign currency translation reserve £m	Total £m
Balance as at 31 March 2016	41.1	4.2	3.9	164.9	214.1
Other comprehensive income:					
Cash flow hedges – gains deferred in equity	–	8.7	–	–	8.7
Cash flow hedges – gains transferred to income	–	(4.0)	–	–	(4.0)
Net investment hedges – losses deferred in equity	–	–	(2.3)	–	(2.3)
Foreign currency translation differences	–	–	–	101.3	101.3
Tax on other comprehensive income	–	(1.0)	0.5	(5.4)	(5.9)
Total comprehensive income for the year	–	3.7	(1.8)	95.9	97.8
Balance as at 31 March 2017	41.1	7.9	2.1	260.8	311.9
Other comprehensive income:					
Cash flow hedges – losses deferred in equity	–	(1.5)	–	–	(1.5)
Cash flow hedges – gains transferred to income	–	(8.5)	–	–	(8.5)
Net investment hedges – gains deferred in equity	–	–	2.3	–	2.3
Foreign currency translation differences	–	–	–	(49.7)	(49.7)
Tax on other comprehensive income	–	1.9	(0.4)	3.6	5.1
Total comprehensive income for the year	–	(8.1)	1.9	(46.1)	(52.3)
Balance as at 31 March 2018	**41.1**	**(0.2)**	**4.0**	**214.7**	**259.6**

24. FINANCIAL COMMITMENTS

The Group leases various retail stores, offices, warehouses and equipment under non-cancellable operating lease arrangements. The leases have varying terms, escalation clauses and renewal rights. The Group has commitments relating to future minimum lease payments under these non-cancellable operating leases as follows:

	As at 31 March 2018 £m	As at 31 March 2017 £m
Amounts falling due:		
Within 1 year	**206.8**	221.9
Between 2 and 5 years	**445.6**	524.0
After 5 years	**148.0**	163.6
Total	**800.4**	909.5

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

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

	LEASES		SUBLEASES	
	As at 31 March 2018 £m	As at 31 March 2017 £m	**As at 31 March 2018 £m**	As at 31 March 2017 £m
Amounts falling due:				
Within 1 year	**0.8**	0.8	**2.4**	2.4
Between 2 and 5 years	**0.8**	1.5	**1.3**	1.6
After 5 years	**0.1**	–	**–**	0.1
Total	**1.7**	2.3	**3.7**	4.1

25. CAPITAL COMMITMENTS

	As at 31 March 2018 £m	As at 31 March 2017 £m
Capital commitments contracted but not provided for:		
Property, plant and equipment	**15.5**	13.2
Intangible assets	**4.9**	3.2
Total	**20.4**	16.4

Contracted capital commitments represent contracts entered into by the year end and future work in respect of major capital expenditure projects where activity has commenced by the year end relating to property, plant and equipment and intangible assets.

26. FINANCIAL RISK MANAGEMENT

The Group's principal financial instruments comprise derivatives, cash and short-term deposits, overdrafts, trade and other receivables, and trade and other payables arising directly from operations.

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

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

Market risk

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures.

The Group's Income Statement is affected by transactions denominated in foreign currency. To reduce exposure to currency fluctuations, the Group has a policy of hedging foreign currency denominated transactions by entering into forward foreign exchange contracts (refer to note 18). These transactions are recorded as cash flow hedges. The Group's foreign currency transactions arise principally from purchases and sales of inventory.

The Group's treasury risk management policy is to hedge anticipated cash flows in each major foreign currency that qualify as 'highly probable' forecast transactions for hedge accounting purposes within the current or previous year. Currently, the Group does not hedge intercompany foreign currency transactions.

The Group monitors the desirability of hedging the net assets of overseas subsidiaries when translated into Sterling for reporting purposes. The Group uses forward foreign exchange contracts to hedge net assets of overseas subsidiaries, relating to surplus cash whose remittance is foreseeable. The outstanding net investment hedges as at 31 March 2018 had a principal value of KRW nil (£nil) and CNY 160m (£18.1m), (2017: KRW 28.5bn (£20.3m) and CNY 471m (£54.6m)).

At 31 March 2018, the Group has performed a sensitivity analysis to determine the effect of Sterling strengthening/weakening by 20% (2017: 20%) against other currencies with all other variables held constant. The effect on translating foreign currency denominated net cash, trade, intercompany and other financial receivables and payables and financial instruments at fair value through profit or loss would have been to decrease/increase operating profit for the year by £19.5m (2017: decrease/increase £18.2m). The effect on translating forward foreign exchange contracts designated as cash flow hedges would have been to decrease/increase equity by £25.4m (2017: decrease/increase £7.6m) on a post-tax basis.

The following table shows the extent to which the Group has monetary assets and liabilities at the year end in currencies other than the local currency of operation, after accounting for the effect of any specific forward foreign exchange contracts used to manage currency exposure. Monetary assets and liabilities refer to cash, deposits, overdrafts and other amounts to be received or paid in cash. Amounts exclude intercompany balances which eliminate on consolidation. Foreign exchange differences on retranslation of these assets and liabilities are recognised in 'Net operating expenses'.

	AS AT 31 MARCH 2018			AS AT 31 MARCH 2017		
	Monetary assets £m	**Monetary liabilities £m**	**Net £m**	Monetary assets £m	Monetary liabilities £m	Net £m
Sterling	**1.2**	**(0.6)**	**0.6**	1.5	(0.6)	0.9
US Dollar	**5.3**	**(5.3)**	**–**	37.0	(14.3)	22.7
Euro	**19.4**	**(16.1)**	**3.3**	33.7	(32.7)	1.0
Chinese Yuan Renminbi	**0.1**	**(1.3)**	**(1.2)**	8.4	–	8.4
Other currencies	**3.8**	**(1.0)**	**2.8**	3.6	(3.9)	(0.3)
Total	**29.8**	**(24.3)**	**5.5**	84.2	(51.5)	32.7

26. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (continued)

Share price risk

The Group is exposed to employer's national insurance liability due to the implementation of various employee share incentive schemes.

To reduce exposure to fluctuations in the employer's national insurance liability due to movements in the Group's share price, the Group has a policy of entering into equity swaps at the time of granting share options and awards. The Group does not seek hedge accounting treatment for equity swaps. The Group monitors its exposure to fluctuations in the employer's national insurance liability on an ongoing basis. The net impact of an increase/decrease in the share price of 50.0p (2017: 50.0p) would have resulted in an increase/decrease in profit after tax of £nil (2017: £nil).

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to cash, short-term deposits and overdrafts.

The floating rate financial liabilities at 31 March 2018 are £23.2m (2017: £34.3m). This includes cash pool overdraft balances of £22.2m (2017: £31.3m) which are offset by cash balances for the purpose of interest calculations. At 31 March 2018 the remaining overdrafts were £1.0m (2017: £3.0m) and any change in interest rates would not significantly impact profit.

The floating rate financial assets as at 31 March 2018 comprise short-term deposits of £719.7m (2017: £574.8m), interest bearing current accounts of £71.6m (2017: £34.2m) and cash pool asset balances of £27.0m (2017: £32.9m). At 31 March 2018, if interest rates on floating rate financial assets had been 100 basis points higher/lower (2017: 100 basis points), excluding the impact on cash pool asset balances and with all other variables held constant, post-tax profit for the year would have been £5.4m (2017: £3.9m) higher/lower, as a result of higher/lower interest income.

Credit risk

The Group has no significant concentrations of credit risk. The trade receivables balance is spread across a large number of different customers with no single debtor representing more than 7% of the total balance due (2017: 7%). The Group has policies in place to ensure that wholesale sales are made to customers with an appropriate credit history. Sales to retail customers are made in cash or via major credit cards. In addition, receivables balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant and default rates have historically been very low. An ageing of overdue receivables is included in note 16.

During the year ended 31 March 2013 the Group entered into a retail leasing arrangement in the Republic of Korea. As part of this arrangement, a KRW 27bn (£19.3m) 15-year interest-free loan was provided to the landlord. The Group holds a registered mortgage over the leased property for the equivalent value of the loan which acts as collateral. At 31 March 2018, the discounted fair value of the loan is £13.6m (2017: £14.8m). The book value of the loan, recorded at amortised cost, is £12.9m (2017: £13.3m). Other than this arrangement, the Group does not hold any other collateral as security. 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.

With respect to credit risk arising from other financial assets, which comprise cash and short-term deposits and certain derivative instruments, the Group's exposure to credit risk arises from the default of the counterparty with a maximum exposure equal to the carrying value of these instruments. The Group has policies that limit the amount of credit exposure to any financial institution and only deposits funds with independently rated financial institutions with a minimum rating of 'A' other than where required for operational purposes. A total of £14.9m (2017: £13.4m) was held with institutions with a rating below 'A' at 31 March 2018. These amounts are monitored on a weekly basis and regularly reported to the Board.

The Group has deposited CHF 0.3m (2017: CHF 0.3m) and AED 0.3m (2017: AED 0.3m) which is held as collateral at a number of European banks.

26. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk

The Group's financial risk management policy aims to ensure that sufficient cash is maintained to meet foreseeable needs and close out market positions. Due to the dynamic nature of the underlying business, Group Treasury aims to maintain flexibility in funding by keeping committed credit lines available. For further details of this, refer to note 22.

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

The maturity profile of the contractual undiscounted cash flows of the Group's non-current financial liabilities, excluding derivatives used for hedging, is as follows:

	As at 31 March 2018 £m	As at 31 March 2017 £m
In more than 1 year, but not more than 2 years	**19.0**	13.0
In more than 2 years, but not more than 3 years	**12.1**	8.7
In more than 3 years, but not more than 4 years	**10.8**	9.5
In more than 4 years, but not more than 5 years	**9.9**	8.2
In more than 5 years	**18.8**	19.6
Total financial liabilities	**70.6**	59.0

Other non-current financial liabilities relate to other payables and onerous lease provisions.

Capital risk

The Board reviews the Group's capital allocation policy annually. Our capital allocation framework defines our priorities for uses of cash, underpinned by our principle to maintain a strong balance sheet with solid investment grade credit metrics. The framework has four priorities:

- re-investment in the business to drive organic growth;
- maintaining a progressive dividend policy;
- continuing to pursue selective strategic investment; and
- to the extent that there is surplus capital to these needs, provide additional returns to shareholders.

At 31 March 2018, the Group had net cash of £892.1m (2017: £809.2m) and total equity excluding non-controlling interests of £1,420.5m (2017: £1,692.5m). The Group has access to a facility of £300m which was undrawn at 31 March 2018. For further details refer to note 22.

Having considered the future cash generation, growth, productivity and investment plans, taking into consideration the current challenging external environment and relevant financial parameters, the Group decided to continue the share buy-back programme it began in May 2016. During the year ended 31 March 2018, the Company entered into agreements to purchase £350m (2017: £100m) of its own shares back as part of the programme, of which £50m related to the programme announced during the year ended 31 March 2017. At 31 March 2018 the Company had purchased £355.0m of its own shares including stamp duty (2017: £97.2m). For further details refer to note 23.

27. EMPLOYEE COSTS

Staff costs, including the cost of directors, incurred during the year are as shown below. Directors' remuneration, which is separately disclosed in the Directors' Remuneration Report on pages 96 to 121 and forms part of these financial statements, includes, for those share options and awards where performance obligations have been met, the notional gains arising on the future exercise but excludes the charge in respect of these share options and awards recognised in the Group Income Statement.

	Year to 31 March 2018 £m	Year to 31 March 2017 £m
Wages and salaries	**418.1**	408.3
Termination benefits[1]	**14.9**	10.5
Social security costs	**51.1**	48.8
Share-based compensation (all awards and options settled in shares)	**17.1**	13.1
Other pension costs	**14.0**	13.7
Total	**515.2**	494.4

1. Termination benefits include £14.9m (2017: £9.7m) relating to restructuring costs, of which £nil (2017: £1.6m) relate to related parties. Refer to note 7 and note 28 for further details.

The average number of full-time equivalent employees (including executive directors) during the year was as follows:

	NUMBER OF EMPLOYEES	
	Year to 31 March 2018	Year to 31 March 2017
EMEIA[1]	**5,114**	5,062
Americas	**1,852**	1,954
Asia Pacific	**2,786**	2,812
Total	**9,752**	9,828

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

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.

<u>The Burberry Group plc Executive Share Plan 2014 ('the ESP')</u>

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

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

27. EMPLOYEE COSTS (CONTINUED)

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

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

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

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

					TARGETS	
Date of grant	**Options granted**	**Fair value**	**Participant group**	**Performance conditions**	**Threshold**	**Maximum**
31 July 2017	1,167,881	£17.11	Senior Leadership Team	3-year growth in Group adjusted PBT	2%	10%
				3-year growth in Group revenue	1%	5.5%
				3-year average retail/wholesale adjusted ROIC	16.2%	18.2%
31 July 2017	981,316	£17.11	Senior Management	3-year growth in Group adjusted PBT	2%	10%
				3-year growth in Group revenue	1%	5.5%
31 July 2017	208,079	£17.11	Management	Continued service	N/A	N/A
27 November 2017	29,731	£17.49	Senior Management	3-year growth in Group adjusted PBT	2%	10%
				3-year growth in Group revenue	1%	5.5%

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

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

	31 July 2017	27 November 2017
Share price at contract commencement date	£17.11	£17.49
Exercise price	£nil	£nil
Life of award	Equivalent to vesting period	Equivalent to vesting period
Expected volatility	27.5%	28.1%
Risk-free interest rate	0.32%	0.60%

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

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

	Year to 31 March 2018	Year to 31 March 2017
Outstanding at 1 April	**5,104,256**	3,238,480
Granted during the year	**2,387,007**	2,570,913
Lapsed and forfeited during the year	**(1,354,118)**	(701,016)
Exercised during the year	**–**	(4,121)
Outstanding at 31 March	**6,137,145**	5,104,256
Exercisable at 31 March	**–**	–

27. EMPLOYEE COSTS (CONTINUED)

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

Term of the award	**Number of awards as at 31 March 2018**	Number of awards as at 31 March 2017
22 July 2015 – 21 July 2025	**2,085,889**	2,497,624
18 November 2015 – 17 November 2025	**102,294**	102,294
30 January 2017 – 30 January 2027	**1,912,579**	2,504,338
31 July 2017 – 31 July 2027	**2,006,652**	–
27 November 2017 – 27 November 2027	**29,731**	–
Total	**6,137,145**	5,104,256

Exceptional, one-off awards

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

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

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

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

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

	Year to 31 March 2018	Year to 31 March 2017
Outstanding at 1 April	**2,616,027**	2,143,151
Granted during the year	**279,412**	610,434
Lapsed and forfeited during the year	**(447,274)**	(112,558)
Exercised during the year	**(667,327)**	(25,000)
Outstanding at 31 March	**1,780,838**	2,616,027
Exercisable at 31 March	**621,443**	–

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

Term of the award	**Number of awards as at 31 March 2018**	Number of awards as at 31 March 2017
14 June 2013 – 15 July 2019	**825,950**	1,000,000
12 June 2014 – 31 July 2020	**168,921**	500,000
18 November 2015 – 18 November 2025	**290,577**	505,593
30 January 2017 – 22 December 2026	**263,269**	284,096
30 January 2017 – 30 January 2027	**197,425**	326,338
08 February 2018 – 07 February 2028	**34,696**	–
Total	**1,780,838**	2,616,027

27. EMPLOYEE COSTS (CONTINUED)

Other schemes

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

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

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

28. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Total compensation in respect of key management, who are defined as the Board of Directors and certain members of senior management, is considered to be a related party transaction.

The total compensation in respect of key management for the year was as follows:

	Year to 31 March 2018 £m	Year to 31 March 2017 £m
Salaries, short-term benefits and social security costs	**14.4**	14.3
Termination benefits	**–**	1.6
Share-based compensation (all awards and options settled in shares)	**5.9**	5.5
Total	**20.3**	21.4

There were no other material related party transactions in the period.

29. SUBSIDIARY UNDERTAKINGS AND INVESTMENTS

In accordance with Section 409 of the Companies Act 2006 a full list of related undertakings as at 31 March 2018, including their country of incorporation and percentage share ownership, is disclosed below. Unless otherwise stated, all undertakings are indirectly owned by Burberry Group plc and operate in the country of incorporation. All the subsidiary undertakings have been consolidated as at 31 March 2018.

Company name	Country of incorporation	Interest	Holding (%)
Burberry Pacific Pty Ltd (1)	Australia	Ordinary shares	100
Burberry (Austria) GmbH (2)	Austria	Ordinary shares	100
Sandringham Bahrain SPC[2] (3)	Bahrain	Ordinary shares	100
Burberry Antwerp N.V.(4)	Belgium	Ordinary shares	100
Burberry Brasil Comércio de Artigos de Vestuário e Acessórios Ltda (5)	Brazil	Ordinary shares	100
Burberry Canada Inc (6)	Canada	Common stock	100
Burberry (Shanghai) Trading Co., Ltd (7)	China	Equity Interest	100
Burberry Czech Rep s.r.o. (8)	Czech Republic	Ordinary shares	100
Burberry France SASU (9)	France	Ordinary shares	100
Burberry (Deutschland) GmbH (10)	Germany	Ordinary shares	100
Burberry Asia Holdings Limited (11)	Hong Kong	Ordinary shares	100
Burberry Asia Limited (11)	Hong Kong	Ordinary shares	100
Burberry China Holdings Limited (11)	Hong Kong	Ordinary shares	100
Burberry Hungary kft (12)	Hungary	Ordinary shares	100
Burberry India Private Limited (13)	India	Ordinary shares	51
Burberry Ireland Investments Unlimited Company (14)	Ireland	Ordinary A shares Ordinary B shares	100 100
Burberry Ireland Limited (15)	Ireland	Ordinary shares	100
Burberry Italy (Rome) SRL (16)	Italy	Ordinary shares	100
Burberry Italy SRL[1] (16)	Italy	Ordinary shares	100
Burberry Japan K.K. (17)	Japan	Ordinary shares	100
Burberry Al Kuwait General Trading Company for Textiles and Accessories WLL[3] (18)	Kuwait	Ordinary shares	49
Burberry Macau Limited (19)	Macau	Ordinary quota	100
Burberry (Malaysia) Sdn. Bhd. (20)	Malaysia	Ordinary shares	100
Horseferry Mexico S.A. de C.V. (21)	Mexico	Ordinary (fixed) shares Ordinary (variable) shares	100 100
Horseferry Mexico Servicios Administrativos, S.A. de C.V. (21)	Mexico	Ordinary shares	100
Burberry Netherlands B.V. (22)	Netherlands	Ordinary shares	100
Burberry Qatar W.L.L[3] (23)	Qatar	Ordinary shares	49
Burberry Korea Limited (24)	Republic of Korea	Ordinary shares	100
Burberry Retail LLC (25)	Russian Federation	Participatory share	100
Burberry Saudi Company Limited (26)	Kingdom of Saudi Arabia	Ordinary shares	75
Burberry (Singapore) Distribution Company PTE Ltd (27)	Singapore	Ordinary shares	100
Burberry (Spain) Retail SL (28)	Spain	Ordinary shares	100
Burberry Latin America Holdings, S.L. (28)	Spain	Ordinary shares	100
Burberry (Suisse) SA[1] (29)	Switzerland	Ordinary shares	100
Burberry (Taiwan) Co Ltd (30)	Taiwan	Ordinary shares	100
Burberry (Thailand) Limited (31)	Thailand	Ordinary shares	100
Burberry FZ-LLC (32)	United Arab Emirates	Ordinary shares	100
Burberry Middle East LLC[3] (32)	United Arab Emirates	Ordinary shares	49
Burberry (Espana) Holdings Limited (33)	United Kingdom	Ordinary shares	100
Burberry (NO. 1) Unlimited[4] (33)	United Kingdom	Ordinary shares	100
Burberry (No. 7) Unlimited (33)	United Kingdom	Ordinary shares	100
Burberry (Spain) Finance Limited[1 & 4] (33)	United Kingdom	Ordinary shares	100
Burberry (UK) Limited (33)	United Kingdom	Ordinary shares	100
Burberry Beauty Limited[1] (33)	United Kingdom	Ordinary shares	100
Burberry Distribution Limited (33)	United Kingdom	Ordinary shares	100
Burberry Europe Holdings Limited[1] (33)	United Kingdom	Ordinary shares	100
Burberry Finance Limited (33)	United Kingdom	Ordinary shares	100

29. SUBSIDIARY UNDERTAKINGS AND INVESTMENTS (CONTINUED)

Company name	Country of incorporation	Interest	Holding (%)
Burberry Haymarket Limited[1] (33)	United Kingdom	Ordinary shares	100
Burberry Holdings Limited (33)	United Kingdom	Ordinary shares	100
Burberry International Holdings Limited[1] (33)	United Kingdom	Ordinary shares	100
Burberry Italy Retail Limited[5] (33)	United Kingdom	Ordinary shares	100
Burberry Latin America Limited (33)	United Kingdom	Ordinary shares	100
Burberry Limited (33)	United Kingdom	Ordinary shares	100
Burberry London Limited (33)	United Kingdom	Ordinary shares	100
Burberry New York 2005 Limited (33)	United Kingdom	Ordinary shares	100
Burberry New York Unlimited (33)	United Kingdom	Ordinary A shares	100
		Ordinary B shares	100
Burberry Spain (UK) Limited[4] (33)	United Kingdom	Ordinary shares	100
Burberry Treasury Limited (33)	United Kingdom	Ordinary shares	100
Burberry Wholesale 2005 Limited (33)	United Kingdom	Ordinary shares	100
Burberry Wholesale Unlimited (33)	United Kingdom	Ordinary A shares	100
		Ordinary B shares	100
Burberrys Limited[1] (33)	United Kingdom	Ordinary shares	100
Hampstead (UK) Limited[1] (33)	United Kingdom	Ordinary shares	100
Sweet Street Developments Limited (33)	United Kingdom	Ordinary shares	100
Temple Works Limited (33)	United Kingdom	Ordinary shares	100
The Scotch House Limited[1] (33)	United Kingdom	Ordinary shares	100
Thomas Burberry Holdings Limited.[1] (33)	United Kingdom	Ordinary shares	100
Thomas Burberry Limited[1] (33)	United Kingdom	Ordinary shares	100
Woodrow-Universal Limited[1] (33)	United Kingdom	Ordinary shares	100
Woodrow-Universal Pension Trustee Limited[1] (33)	United Kingdom	Ordinary shares	100
Worldwide Debt Collections Limited (34)	United Kingdom	Ordinary shares	100
Burberry (Wholesale) Limited (35)	United States	Class X common stock	100
		Class Y common stock	100
Burberry Limited (36)	United States	Class X common stock	100
		Class Y common stock	100
Burberry North America, Inc (37)	United States	Common stock	100
Burberry USA Holdings Inc (37)	United States	Common stock	100
Burberry Warehousing Corporation (37)	United States	Common stock	100
Castleford Industries, Ltd (37)	United States	Series A common stock	100
Castleford Tailors, Ltd (37)	United States	Common stock	100

1. Held directly by Burberry Group plc.
2. The Group has an indirect holding of 100% of the issued share capital through a nominee.
3. The Group has a 100% share of profits of Burberry Middle East LLC as well as a 100% and 88% share of profits in Burberry Middle East LLC's subsidiaries in Kuwait and Qatar respectively. The Group has the power to control these companies via the terms of the shareholder agreement for Burberry Middle East LLC.
4. Strike off application filed on 12 April 2018.
5. Operates principally in Italy.

Ref	Registered office address
(1)	Level 5, 343 George Street, Sydney NSW 2000, Australia
(2)	Kohlmarkt 2, 1010 Wien, Austria
(3)	Building 1A, Road 365 (Isa Al Kabeer Avenue), Manama Center 316, Unit 7, Moda Mall, Manama, Bahrain
(4)	Schuttershofstraat 29, 2000 Antwerp, Belgium
(5)	Rua Do Rócio, 350 3º Andar, Vila Olimpia, São Paulo – SP, CEP 04552-000, Brazil
(6)	1 First Canadian Place, 100 King Street West, Suite 1600, Toronto ON M5X 1G5, Canada
(7)	Units 3302-3305, Wheelock Square, 1717 Nanjing West Road, Shanghai, 200040, China
(8)	Praha 1, Pařížská 11/67, PSČ 11000, Czech Republic
(9)	56 rue du Faubourg Saint-Honoré, 75008, Paris, France
(10)	Königsallee 50, 40212, Düsseldorf, Germany
(11)	Suites 2201-02 & 11-14, 22/F Devon House, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong

29. SUBSIDIARY UNDERTAKINGS AND INVESTMENTS (CONTINUED)

Ref	Registered office address
(12)	1124 Budapest, Csörsz utca 49-51, Hungary
(13)	3-A-1 Taj Apartment, Rao Tula Ram Marg, New Delhi, 110022, India
(14)	Suite 9, Bunkilla Plaza, Bracetown Business Park, Clonee, Co. Meath, D15 XR27, Ireland
(15)	Suite 9, Bunkilla Plaza, Bracetown Office Park, Clonee, Co. Meath, D15 XR27, Ireland
(16)	Via Monte Napoleone 12, 20121, Milan, Italy
(17)	1-8-14 Ginza, Chuo-Ku, Tokyo, Japan
(18)	Hawalli, Block 8, Tunis Street Building, 1 Shiraa Center, Floor 7 Office No.12, PO Box 22758, Code 13088, Safat, Kuwait
(19)	Avenida Dr. Sun Yat Sen, s/n.º Building One Central, 1st Floor, Shops 125-127, Macau Special Adminstrative Region, Macau
(20)	Level 21, Suite 21.01, The Gardens South Tower, Mid Valley City, Lingkaren Syed Putra 59200 Kuala Lumpur, Wilayah Persekutuan, Malaysia
(21)	Ejercito Nacional Mexicano, 843b Granada Miguel, Ciudad de México, 11520, Mexico
(22)	Pieter Cornelisz. Hooftstraat 48 H, -50, 1071BZ Amsterdam, Netherlands
(23)	PO Box 22117, Doha, Qatar
(24)	(Cheongdam-dong) 459, Dosan-daero, Gangnam-gu, Seoul, Republic of Korea
(25)	Ulitsa Petrovka, 7, 107031, Moscow, Russian Federation
(26)	The Plaza Olaya Street, PO Box 2392, Riyadh, 12244, Kingdom of Saudi Arabia
(27)	10 Collyer Quay, #10-01 Ocean Financial Centre, 049315, Singapore
(28)	Calle Valencia 640, 08026 Barcelona, Spain
(29)	c/o L&S Trust Services SA, 30 Route de Chêne, 1208, Genève, Switzerland
(30)	5F, No. 451, ChangChun Road, Songshan District, Taipei City, 10547, Taiwan
(31)	989 Siam Piwat Tower, 12A Floor, Unit B1, B2, Rama 1 Road, Pathumwan Sub-district, Pathumwan District, Bangkok, 10330, Thailand
(32)	Dubai Design District, Building 08, 3rd Floor, PO Box 333266, Dubai, United Arab Emirates
(33)	Horseferry House, Horseferry Road, London SW1P 2AW, United Kingdom
(34)	Adelaide House, London Bridge, London EC4R 9HA, United Kingdom
(35)	CT Corporation System, 111 Eighth Avenue, New York, New York, 10011, United States
(36)	CT Corporation System, 1633 Broadway, New York, New York, 10019, United States
(37)	The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington DE 19801, United States

30. TRANSACTIONS WITH NON-CONTROLLING INTERESTS

In the year ended 31 March 2017 the Group entered into two transactions with non-controlling interests. The impact of these transactions has been presented in the financial statements of the Group in the year ended 31 March 2017 in the following manner:

	Burberry Middle East transaction £m	Burberry Shanghai transaction £m	Total £m
Charge taken through statement of changes in equity	44.6	53.7	98.3
Cash outflow recognised in statement of cash flows	(15.1)	(53.7)	(68.8)

Burberry Middle East LLC

On 22 April 2016 the Group entered into an agreement to transfer the economic right to the non-controlling interest in Burberry Middle East LLC to the Group in consideration of payments to be made to the minority shareholder based on an agreed percentage of the future revenue, together with fixed payments.

The present value of the fixed and contingent deferred consideration in total, at the date of the transaction, was estimated to be AED 236.0m (£44.6m). Non-controlling interests with a book value of £25.5m were transferred to retained earnings. A liability in relation to the remaining deferred consideration to be paid on the Burberry Middle East transaction was also recognised. Refer to note 20 for further details on the carrying value of the liability at the balance sheet date.

Burberry (Shanghai) Trading Co., Ltd

On 1 August 2016, the Group acquired the remaining 15% economic interest in its business in China, which was held by Sparkle Roll Holdings Ltd, a non-Group company, for consideration of CNY 470.9m (£53.7m), through the exercise of a call option held by the Group. Non-controlling interests with a book value of £27.7m were transferred to retained earnings.

The Group had also granted a put option over the same 15% economic interest to Sparkle Retail Holdings Ltd which was exercisable after 1 September 2020. Upon exercise of the call option by the Group, the put option expired and, as a result, the value of the liability at the date of exercise, being £51.0m, was transferred directly to retained earnings.

31. CONTINGENT LIABILITIES

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

32. EVENTS AFTER THE BALANCE SHEET DATE

On 9 May 2018, Burberry entered into an agreement to acquire a business engaged in the development of leather products for, and supply of, leather products to Burberry. Consideration and other related payments for the acquisition are anticipated to be up to €26m, of which €15m will be paid on completion with the balance to be paid over the following three years, subject to achieved performance across a number of measures. The acquisition is expected to complete by the end of September 2018.

Year to 31 March	2014	2015	2016	2017	**2018**
Revenue by channel	£m	£m	£m	£m	**£m**
Retail	1,622.6	1,807.4	1,837.7	2,127.2	**2,176.3**
Wholesale	628.0	648.1	634.6	613.9	**526.4**
Retail/Wholesale	2,250.6	2,455.5	2,472.3	2,741.1	**2,702.7**
Licensing	79.2	67.7	42.4	24.9	**30.1**
Total revenue	2,329.8	2,523.2	2,514.7	2,766.0	**2,732.8**
Profit by channel	£m	£m	£m	£m	**£m**
Retail/Wholesale	393.5	399.2	380.9	437.0	**440.7**
Licensing	66.8	56.0	36.9	21.7	**25.9**
Adjusted operating profit[1]	460.3	455.2	417.8	458.7	**466.6**
Segmental analysis	%	%	%	%	**%**
Retail/Wholesale gross margin	70.2	69.2	69.6	69.6	**69.1**
Retail/Wholesale adjusted operating expenses as a percentage of sales[1]	52.7	52.9	54.2	53.7	**52.8**
Retail/Wholesale adjusted operating margin[1]	17.5	16.3	15.4	15.9	**16.3**
Licensing adjusted operating margin	84.3	82.7	87.0	87.1	**86.0**
Summary profit analysis	£m	£m	£m	£m	**£m**
Adjusted operating profit[1]	460.3	455.2	417.8	458.7	**466.6**
Net finance income[1]	0.7	0.6	2.8	3.7	**4.3**
Adjusted profit before taxation[1]	461.0	455.8	420.6	462.4	**470.9**
Adjusting items	(16.6)	(11.2)	(5.0)	(67.6)	**(58.3)**
Profit before taxation	444.4	444.6	415.6	394.8	**412.6**
Taxation	(112.1)	(103.5)	(101.0)	(107.1)	**(119.0)**
Non-controlling interest	(9.8)	(4.8)	(5.1)	(0.9)	**(0.1)**
Attributable profit	322.5	336.3	309.5	286.8	**293.5**
Retail/Wholesale revenue by product division	£m	£m	£m	£m	**£m**
Accessories	816.1	892.5	901.7	1,033.2	**1,046.5**
Women's	684.0	743.0	729.0	791.9	**808.4**
Men's	520.8	557.5	548.4	623.5	**647.3**
Children's/Other	78.4	77.7	90.7	108.1	**116.8**
Beauty	151.3	184.8	202.5	184.4	**83.7**
Retail/Wholesale revenue by destination	£m	£m	£m	£m	**£m**
Asia Pacific	870.3	938.1	932.9	1,069.0	**1,089.0**
EMEIA[2]	811.5	869.0	878.5	991.2	**975.2**
Americas	568.8	648.4	660.9	680.9	**638.5**
Financial KPIs					
Total revenue growth[3]	+17%	+11%	-1%	-2%	**-1%**
Adjusted operating profit growth[1]	+8%	+7%	-11%	-21%	**+5%**
Adjusted PBT growth[1,3]	+8%	+7%	-10%	-21%	**+5%**
Adjusted retail/wholesale return on invested capital (ROIC)[1]	19.6%	17.9%	14.7%	15.4%	**16.3%**
Comparable store sales growth	+12%	+9%	-1%	+1%	**+3%**
Adjusted operating profit margin[1]	19.8%	18.0%	16.6%	16.6%	**17.1%**
Adjusted diluted EPS growth[1]	+8%	+2%	-9%	+11%	**+6%**

1. Excludes the impact of adjusting items. Refer to note 2 for the Group's policy on adjusting items.
2. EMEIA comprises Europe, Middle East, India and Africa.
3. Growth rate is year-on-year underlying change, i.e. at constant exchange rates.

Year to 31 March Earnings and dividends	2014 pence per share	2015 pence per share	2016 pence per share	2017 pence per share	**2018 pence per share**
Adjusted earnings per share – diluted[1]	75.4	76.9	69.9	77.4	**82.1**
Earnings per share – diluted	72.1	75.1	69.4	64.9	**68.4**
Diluted weighted average number of ordinary shares (millions)	447.3	447.8	446.1	442.2	**429.4**
Dividend per share (on a paid basis)	29.8	32.9	35.7	37.3	**39.4**

Year to 31 March **Net Cash Flow**	2014 £m	2015 £m	2016 £m	2017 £m	**2018 £m**
Adjusted operating profit[1]	460.3	455.2	417.8	458.7	**466.6**
Restructuring spend	(0.7)	–	–	(16.7)	**(24.3)**
Depreciation and amortisation[1]	123.7	123.7	132.2	144.0	**124.0**
Employee share scheme costs	25.4	21.0	(0.3)	13.1	**17.1**
Proceeds/(payment) on equity swap contracts	15.7	(0.2)	(1.6)	–	**0.5**
(Increase)/decrease in inventories	(68.2)	(15.1)	(49.3)	8.4	**37.2**
(Increase)/decrease in receivables	(73.8)	(43.8)	(31.7)	19.7	**68.1**
Increase in payables and provisions[1,2]	42.3	19.7	9.1	27.6	**3.6**
Other non-cash items	10.8	7.6	26.8	33.8	**9.7**
Cash flow from operations	535.5	568.1	503.0	688.6	**702.5**
Net interest	0.8	1.2	3.1	3.7	**5.6**
Tax paid	(111.1)	(114.4)	(94.8)	(131.6)	**(118.4)**
Net cash flow from operations	425.2	454.9	411.3	560.7	**589.7**
Capital expenditure	(154.0)	(155.7)	(138.0)	(104.1)	**(106.0)**
Proceeds from disposal of non-current assets	3.0	1.3	0.5	8.5	**–**
Free cash flow	274.2	300.5	273.8	465.1	**483.7**
Proceeds on disposal of Beauty operations and related licence[2]	–	–	–	–	**149.8**
Capital contributions from JV partners	0.7	0.4	–	–	**–**
Acquisitions	(2.6)	(3.4)	–	(68.8)	**(3.0)**
Dividends	(130.7)	(145.3)	(158.4)	(164.5)	**(169.4)**
Purchase of shares through share buy-back	–	–	–	(97.2)	**(355.0)**
Other	(21.8)	(16.4)	(8.7)	(11.7)	**(8.7)**
Exchange difference	(13.9)	13.9	1.4	26.0	**(14.5)**
Total movement in net cash	105.9	149.7	108.1	148.9	**82.9**
Net cash	402.5	552.2	660.3	809.2	**892.1**

1. Excludes the impact of adjusting items. Refer to note 2 for the Group's policy on adjusting items.
2. £100m of advanced payments and related costs of £11.3m settled in the year ended 31 March 2018 are presented in proceeds on disposal of Beauty operations and related licence.

As at 31 March **Balance Sheet**	2014 £m	2015 £m	2016 £m	2017 £m	**2018** **£m**
Intangible assets	195.4	193.5	189.6	170.1	**180.1**
Property, plant and equipment	398.4	436.5	426.2	399.6	**313.6**
Inventories	419.8	436.6	486.7	505.3	**411.8**
Trade and other receivables	273.7	320.8	351.9	352.0	**275.5**
Trade and other payables	(507.2)	(523.1)	(501.9)	(561.0)	**(629.0)**
Taxation (including deferred taxation)	47.4	68.6	56.4	83.7	**85.1**
Net cash	402.5	552.2	660.3	809.2	**892.1**
Other net assets	(22.0)	(33.6)	(48.3)	(61.1)	**(103.8)**
Net assets	1,208.0	1,451.5	1,620.9	1,697.8	**1,425.4**

Reconciliation of Adjusted **Retail/Wholesale ROIC**	2014 £m	2015 £m	2016 £m	2017 £m	**2018** **£m**
Retail/Wholesale adjusted operating profit[1]	393.5	399.2	380.9	437.0	**440.7**
Adjusted effective tax rate[1]	24.7%	23.4%	24.7%	25.8%	**25.1%**
Retail/Wholesale adjusted operating profit after tax[1]	296.3	305.8	286.7	324.3	**330.1**
Net assets excluding licensing segment assets and liabilities	1,202.2	1,448.9	1,617.4	1,694.2	**1,512.6**
Net cash	(402.5)	(552.2)	(660.3)	(809.2)	**(892.1)**
Assumed lease assets[2]	782.5	922.0	1,101.0	1,197.0	**1,219.0**
Exclude adjusting items:					
Licence intangible asset	(56.0)	(41.1)	(26.1)	–	**–**
Put option liability	51.3	54.4	45.8	–	**–**
Deferred consideration	–	–	–	34.7	**29.2**
Restructuring liabilities/other	1.5	0.8	–	11.3	**51.8**
Adjusted operating assets	1,579.0	1,832.8	2,077.8	2,128.0	**1,920.5**
Average operating assets	1,515.0	1,705.9	1,955.3	2,102.9	**2,024.3**
Adjusted Retail/Wholesale ROIC	19.6%	17.9%	14.7%	15.4%	**16.3%**

1. Excludes the impact of adjusting items. Refer to note 2 for the Group's policy on adjusting items.
2. Assumed operating lease assets and assumed operating lease debt are calculated as a factor of five times minimum operating lease payments, excluding the impact of charges and subsequent utilisations relating to onerous lease provisions, and amounts classified as adjusting items. Net charges for onerous lease provisions within adjusted profit before tax during the year ended 31 March 2018 were £7.2m (2017: £7.9m), and £4.8m of existing onerous lease provisions were utilised (2017: £8.3m).

	Note	As at 31 March 2018 £m	As at 31 March 2017 £m
Fixed assets			
Investments in subsidiaries	D	**1,343.8**	1,808.4
		1,343.8	1,808.4
Current assets			
Trade and other receivables – amounts falling due after more than one year	E	**0.4**	423.8
Trade and other receivables – amounts falling due within one year	E	**475.4**	246.5
Derivative assets maturing after more than one year		**1.2**	1.1
Derivative assets maturing within one year		**0.3**	1.0
Cash at bank and in hand		**0.9**	0.3
		478.2	672.7
Creditors – amounts falling due within one year	F	**(58.1)**	(60.1)
Derivative liabilities maturing within one year		**(0.1)**	–
Net current assets		**420.0**	612.6
Total assets less current liabilities		**1,763.8**	2,421.0
Creditors – amounts falling due after more than one year	F	**(207.9)**	(804.9)
Provisions for liabilities		**(1.0)**	(1.0)
Net assets		**1,554.9**	1,615.1
Equity			
Called up share capital	G	**0.2**	0.2
Share premium account		**214.6**	211.4
Capital reserve		**0.9**	0.9
Hedging reserve		**4.6**	4.6
Profit and loss account		**1,334.6**	1,398.0
Total equity		**1,554.9**	1,615.1

Profit for the year on ordinary activities was £452.5m (2017: £473.1m). The directors consider that, at 31 March 2018, £634.5m (2017: £499.8m) of the profit and loss account is non-distributable.

The financial statements on pages 185 to 192 were approved by the Board on 15 May 2018 and signed on its behalf by:

MARCO GOBBETTI
Chief Executive Officer

JULIE BROWN
Chief Operating and Chief Financial Officer

	Note	Called up share capital £m	Share premium account £m	Capital reserve £m	Hedging reserve £m	Profit and loss account £m	Total equity £m
Balance as at 31 March 2016		**0.2**	**209.8**	**0.9**	**4.6**	**1,190.0**	**1,405.5**
Profit for the year		–	–	–	–	473.1	473.1
Total comprehensive income for the year		–	–	–	–	473.1	473.1
Employee share incentive schemes							
Value of share options granted		–	–	–	–	13.1	13.1
Exercise of share options		–	1.6	–	–	–	1.6
Purchase of own shares							
Share buy-back		–	–	–	–	(100.5)	(100.5)
Held by ESOP trusts		–	–	–	–	(13.3)	(13.3)
Dividends paid in the year	H	–	–	–	–	(164.4)	(164.4)
Balance as at 31 March 2017		**0.2**	**211.4**	**0.9**	**4.6**	**1,398.0**	**1,615.1**
Profit for the year		–	–	–	–	452.5	452.5
Total comprehensive income for the year		–	–	–	–	452.5	452.5
Employee share incentive schemes							
Value of share options granted		–	–	–	–	17.1	17.1
Exercise of share options		–	3.2	–	–	–	3.2
Purchase of own shares							
Share buy-back		–	–	–	–	(351.7)	(351.7)
Held by ESOP trusts		–	–	–	–	(11.9)	(11.9)
Dividends paid in the year	H	–	–	–	–	(169.4)	(169.4)
Balance as at 31 March 2018		**0.2**	**214.6**	**0.9**	**4.6**	**1,334.6**	**1,554.9**

A. BASIS OF PREPARATION

Burberry Group plc (the Company) is the parent Company of the Burberry Group. Burberry Group plc is a public company which is limited by shares and is listed on the London Stock Exchange. The Company's principal business is investment and it is incorporated and domiciled in the UK. The Company is registered in England and Wales and the address of its registered office is Horseferry House, Horseferry Road, London, SW1P 2AW. The Company is the sponsoring entity of The Burberry Group plc ESOP Trust and The Burberry Group plc SIP Trust (collectively known as the ESOP trusts). These financial statements have been prepared by including the ESOP trusts within the financial statements of the Company. The purpose of the ESOP trusts is to purchase shares of the Company in order to satisfy Group share-based payment arrangements.

Burberry Group plc and its subsidiaries (the Group) is a global luxury goods manufacturer, wholesaler and retailer. The Group also licenses third parties to manufacture and distribute products using the 'Burberry' trademarks. All of the companies which comprise the Group are controlled by the Company directly or indirectly.

The financial statements of the Company have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ('FRS 101'). The financial statements have been prepared on a going concern basis under the historical cost convention, as modified by derivative financial asset and derivative financial liabilities measured at fair value through profit or loss, and in accordance with the Companies Act 2006. As permitted by Section 408 of the Companies Act 2006, the Company has not presented its own Income Statement.

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

Financial Reporting Standard 101 – reduced disclosure exemptions

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

Standard	Disclosure exemption
IFRS 7, 'Financial Instruments: Disclosures'	• Full exemption
IFRS 13, 'Fair Value Measurement'	• para 91-99 – disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities
IAS 1, 'Presentation of the Financial Statements'	• para 10(d) – statement of cash flows • para 10(f) – a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective statement of items in its financial statements, or when it reclassifies items in its financial statements • para 16 – statement of compliance with all IFRS • para 38 – present comparative information in respect of paragraph 79(a)(iv) of IAS 1 • para 38A – requirement for minimum of two primary statements, including cash flow statements • para 38B-D – additional comparative information • para 111 – cash flow statement information • para 134-136 – capital management disclosures
IAS 7, 'Statement of Cash Flows'	• Full exemption
IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors'	• para 30 – 31 – requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective
IAS 24, 'Related Party Disclosures'	• para 17 – key management compensation • The requirements to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
IAS 36, 'Impairment of Assets'	• para 134(d)-134(f) and 135(c)-135(e)

B. ACCOUNTING POLICIES

The following principal accounting policies have been applied in the preparation of these financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated:

Going concern

Taking into account reasonable possible changes in trading performance and after making enquiries, the directors consider it appropriate to continue to adopt the going concern basis in preparing the financial statements for the year ended 31 March 2018.

Share schemes

The Group operates a number of equity-settled share-based compensation schemes, under which services are received from employees (including executive directors) as consideration for equity instruments of the Company. The cost of the share-based incentives is measured with reference to the fair value of the equity instruments awarded at the date of grant. Appropriate option pricing models, including Black-Scholes, are used to determine the fair value of the awards made.

The fair value takes into account the impact of any market performance conditions, but the impact of non-market performance conditions is not considered in determining the fair value on the date of grant. Vesting conditions which relate to non-market conditions are allowed for in the assumptions used for the number of options expected to vest. The estimate of the number of options expected to vest is revised at each balance sheet date.

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

The grant by the Company of options over its equity instruments to employees of subsidiary undertakings in the Group is treated as a capital contribution. In the Company's financial statements, the cost of the share-based incentives is recognised over the vesting period of the awards as an increase in investment in subsidiary undertakings, with a corresponding increase in equity. Where amounts are received from Group companies in relation to equity instruments granted to the employees of the subsidiary undertaking, the amount is derecognised from investments in Group companies, to the extent that it was initially treated as a capital contribution, with any remaining amounts recognised as an increase in equity.

When options and awards are exercised, they are settled either via issue of new shares in the Company, or through shares held in the ESOP trusts, depending on the terms and conditions of the relevant scheme. The proceeds received from the exercises, net of any directly attributable transaction costs, are credited to share capital and share premium. Share-based payments disclosures relevant to the Company are presented within note 27 to the consolidated financial statements.

Dividend distribution

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

Investments in subsidiaries

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

Impairment of investments in subsidiaries

Investments in subsidiaries are not subject to amortisation and are tested annually for impairment. An impairment loss is recognised for the amount by which the carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's net realisable value and value-in-use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

B. ACCOUNTING POLICIES (CONTINUED)

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

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

Deferred income tax is recognised, using the liabilities method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the temporary difference arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, no deferred tax will be recognised.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled.

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

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.

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

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

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

<u>Cash at bank and in hand</u>
On the Balance Sheet, cash at bank and in hand comprises cash held with banks.

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

<u>Borrowings</u>
Borrowings are recognised initially at fair value, inclusive of transaction costs incurred. Borrowings are subsequently stated at amortised cost and the difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Income Statement over the period of the borrowings using the effective interest rate method. Borrowings are classified in creditors amounts falling due within one year unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

<u>Derivative financial instruments</u>
The Company uses equity swap contracts to economically hedge its exposure to fluctuations in the Company's share price which impacts the social security costs payable by Group companies in relation to share-based compensation schemes.

The equity swap contracts are initially recognised at fair value at the trade date and classified as held for trading. All subsequent changes in fair value are recognised in the Income Statement up to the maturity date.

B. ACCOUNTING POLICIES (CONTINUED)

Foreign currency translation

Functional and presentation currency

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

Transactions in foreign currencies

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

Called up share capital

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

Where the Company purchases its own equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs, is deducted from equity attributable to owners of the Company until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to owners of the Company.

C. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Impairment of investments in subsidiaries

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

Impairment of trade and other receivables

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

D. INVESTMENTS IN SUBSIDIARIES

	£m
As at 1 April 2017	1,808.4
Additions	15.9
Impairment charge	(480.5)
As at 31 March 2018	**1,343.8**

During the year the Company increased its investment in Burberry Limited by £15.9m.

During the year, the Company impaired its investment in Burberry (Spain) Finance Limited by £471.7m to £nil upon the distribution of the value of this company via a dividend. The Company's investment in Burberry Beauty Limited was impaired by £8.8m as the operations of this business ceased.

The directors consider that the carrying value of the investments in subsidiaries is supported by their underlying net assets and value generated by their operations. The subsidiary undertakings and investments of the Burberry Group are listed in note 29 of the Group financial statements.

E. TRADE AND OTHER RECEIVABLES

	As at 31 March 2018 £m	As at 31 March 2017 £m
Amounts owed by Group companies	–	423.2
Prepayments	0.4	0.6
Trade and other receivables – amounts falling due after more than one year	**0.4**	423.8
Amounts owed by Group companies	475.2	246.3
Prepayments	0.2	0.2
Trade and other receivables – amounts falling due within one year	**475.4**	246.5
Total trade and other receivables	**475.8**	670.3

All amounts owed by Group companies are interest bearing.

The interest rate earned is based on relevant national LIBOR equivalents plus 0.9%. These loans are unsecured and repayable on 18 June 2018.

F. CREDITORS

	As at 31 March 2018 £m	As at 31 March 2017 £m
Amounts owed to Group companies	207.9	804.9
Creditors – amounts falling due after more than one year	**207.9**	804.9
Amounts owed to Group companies	57.9	56.6
Other payables	–	3.3
Accruals	0.2	0.2
Creditors – amounts falling due within one year	**58.1**	60.1
Total creditors	**266.0**	865.0

Amounts owed to Group companies falling due after more than one year are interest bearing. The interest rate earned is based on LIBOR plus 0.5% to 0.9%. These loans are unsecured and repayable on 17 June 2019.

All amounts owed to Group companies falling due within one year are unsecured, interest free and repayable on demand.

G. CALLED UP SHARE CAPITAL

Allotted, called up and fully paid share capital	**Number**	**£m**
Ordinary shares of 0.05p (2017: 0.05p) each		
As at 1 April 2017	445,173,065	0.2
Allotted on exercise of options during the year	266,139	–
Cancellation of treasury shares	(27,164,081)	–
As at 31 March 2018	**418,275,123**	**0.2**

The Company has a general authority from shareholders, renewed at each Annual General Meeting, to repurchase a maximum of 10% of its issued share capital. During the year ended 31 March 2018, the Company entered into agreements to purchase £350m (2017: £100m) of its own shares back, excluding stamp duty, as part of a share buy-back programme. Own shares purchased by the Company, as part of a share buy-back programme, are classified as treasury shares and their cost offset against the profit and loss account. When treasury shares are cancelled, a transfer is made from the profit and loss account to the capital redemption reserve, equivalent to the nominal value of the shares purchased and subsequently cancelled. In the year ended 31 March 2018, 27.2m treasury shares with a nominal value of £14,000 were cancelled (2017: nil). The cost of shares purchased by ESOP trusts are offset against the profit and loss account, as the amounts paid reduce the profits available for distribution by the Company.

G. CALLED UP SHARE CAPITAL (CONTINUED)

As at 31 March 2018 the Company held no treasury shares offset against the profit and loss reserve (2017: treasury shares with a value of £97.2m, including stamp duty of £0.5m). As at 31 March 2018 the Company held no treasury shares (2017: 6.7m, with a market value of £116.1m). At 31 March 2018 no payment obligation has been recognised in other payables relating to the cost of shares not yet purchased under the current share buy-back agreement (2017: £3.3m).

As at 31 March 2018 the amount of own shares held by ESOP trusts and offset against the profit and loss account is £40.5m (2017: £44.7m). As at 31 March 2018, the ESOP trusts held 2.9m shares (2017: 3.5m) in the Company, with a market value of £49.8m (2017: £59.6m). In the year to 31 March 2018 the ESOP trusts and the Company have waived their entitlement to dividends of £2.0m (2017: £1.7m).

The capital reserve consists of the capital redemption reserve arising on the purchase of own shares.

H. DIVIDENDS

	Year to 31 March 2018 £m	Year to 31 March 2017 £m
Prior year final dividend paid 28.4p per share (2017: 26.8p)	**123.0**	118.6
Interim dividend paid 11.0p per share (2017: 10.5p)	**46.4**	45.8
Total	**169.4**	164.4

A final dividend in respect of the year to 31 March 2018 of 30.3p (2017: 28.4p) per share, amounting to £125.3m, has been proposed for approval by the shareholders at the Annual General Meeting subsequent to the balance sheet date. The final dividend has not been recognised as a liability at the year end and will be paid on 3 August 2018 to shareholders on the register at the close of business on 29 June 2018.

I. FINANCIAL GUARANTEES

On 25 November 2014, the Group entered into a £300m multi-currency revolving credit facility with a syndicate of third-party banks. At 31 March 2018, there were £nil outstanding drawings (2017: £nil). The facility matures in November 2021.

The companies acting as guarantor to the facility consist of Burberry Group plc, Burberry Limited, Burberry Asia Limited, Burberry (Wholesale) Limited (US) and Burberry Limited (US). The fair value of this financial guarantee as at 31 March 2018 is £nil (2017: £nil).

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

J. AUDIT FEES

The Company has incurred audit fees of £0.1m for the current year which are borne by Burberry Limited (2017: £0.1m).

K. EMPLOYEE COSTS

The Company has no employees and therefore no employee costs are included in these financial statements for the year ended 31 March 2018 (2017: £nil).

SHAREHOLDER INFORMATION

GENERAL SHAREHOLDER ENQUIRIES

Enquiries relating to shareholdings, such as the transfer of shares, change of name or address, lost share certificates or dividend cheques, should be referred to the Company's Registrar, Equiniti, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA

Tel: 0371 384 2839. Lines are open 8.30am to 5.30pm, Monday to Friday.

Please dial +44 121 415 7047 if calling from outside the UK or see help.shareview.co.uk for additional information.

AMERICAN DEPOSITARY RECEIPTS

We have a sponsored Level 1 American Depositary Receipt ('ADR') programme to enable US investors to purchase ADRs in US Dollars. Each ADR represents one Burberry ordinary share.

For queries relating to ADRs in Burberry, please use the following contact details:

BNY Mellon Shareowner Services
P.O. Box 30170
College Station, TX 77842-3170

Tel: Toll free within the US: +1 888 269 2377
Tel: International: +1 201 680 6825
Email enquiries: shrrelations@cpushareownerservices.com
Website: www.mybnymdr.com

ANNUAL GENERAL MEETING

Our Annual General Meeting will be held at the Conrad London St. James, 22-28 Broadway, London, SW1H 0BH, on Thursday, 12 July 2018.

The Notice of Meeting, together with details of the business to be conducted at the meeting, is available on our Company website at www.burberryplc.com.

The voting results for the 2018 Annual General Meeting will also be accessible on www.burberryplc.com shortly after the meeting.

UPDATES TO OUR PRIVACY POLICY

The General Data Protection Regulation applies from 25 May 2018. Please see the updated privacy policy on www.burberryplc.com for details on how Burberry collects and uses shareholder personal information.

DIVIDENDS

An interim dividend for the financial year ended 31 March 2018 of 11.0p per ordinary share was paid on 2 February 2018. A final dividend of 30.3p per share has been proposed and, subject to approval at the Annual General Meeting on 12 July 2018, will be paid according to the following timetable:

Final dividend record date:	29 June 2018
Deadline for return of DRIP mandate forms:	13 July 2018
Final dividend payment date:	3 August 2018

The ADR local payment date will be approximately five business days after the proposed dividend payment date for ordinary shareholders.

Dividends can be paid by BACS directly into a UK bank account, with the tax voucher being sent to the shareholder's address. This is the easiest way for shareholders to receive dividend payments and avoids the risk of lost or out of date cheques. A dividend mandate form is available from Equiniti or at www.shareview.co.uk.

If you are a UK taxpayer, please note that you are eligible for a tax-free Dividend Allowance of £5,000 in each tax year. Any dividends received above this amount will be subject to taxation. Dividends paid on shares held within pensions and Individual Savings Accounts ('ISAs') will continue to be tax-free. Further information can be found at www.gov.uk/tax-on-dividends.

DIVIDENDS PAYABLE IN FOREIGN CURRENCIES

Equiniti are able to pay dividends to shareholder bank accounts in over 30 currencies worldwide through the Overseas Payment Service. An administrative fee will be deducted from each dividend payment. Further details can be obtained from Equiniti or online at www.shareview.co.uk.

DIVIDEND REINVESTMENT PLAN

Our Dividend Reinvestment Plan ('DRIP') enables shareholders to use their dividends to buy further Burberry shares. Full details of the DRIP can be obtained from Equiniti. If shareholders would like their final 2018 dividend and future dividends to qualify for the DRIP, completed application forms must be returned to Equiniti by 13 July 2018.

DUPLICATE ACCOUNTS

Shareholders who have more than one account due to inconsistency in account details may avoid duplicate mailings by contacting Equiniti and requesting the amalgamation of their share accounts.

ELECTRONIC COMMUNICATION

Shareholders may at any time choose to receive all shareholder documentation in electronic form via the internet, rather than in paper format. Shareholders who decide to register for this option will receive an email each time a shareholder document is published on the internet. Shareholders who wish to receive documentation in electronic form should register online at www.shareview.co.uk.

Equiniti offers a range of shareholder information and services online at www.shareview.co.uk. A textphone facility for those with hearing difficulties is available by calling: 0371 384 2255. Lines are open 8.30am to 5.30pm, Monday to Friday. Please call +44 121 415 7047 if calling from outside the UK.

FINANCIAL CALENDAR

First quarter trading update:	11 July 2018
Annual General Meeting:	12 July 2018
Interim results announcement:	November 2018
Third quarter trading update:	January 2019
Preliminary results announcement:	May 2019

REGISTERED OFFICE

Burberry Group plc
Horseferry House
Horseferry Road
London
SW1P 2AW

Registered in England and Wales
Registered Number 03458224
www.burberryplc.com

SHARE BUYBACK

From July 2017 to February 2018, we completed a buyback programme of £355m. A further share buyback of £150m will be completed in FY 2018/19. Further details are provided in the Notice of this year's Annual General Meeting, which is available on our website at www.burberryplc.com.

SHARE DEALING

Burberry Group plc shares can be traded through most banks, building societies or stock brokers. Equiniti offers a telephone and internet dealing service. Terms and conditions and details of the commission charges are available on request.

For telephone dealing, please telephone 03456 037 037 between 8.00am and 4.30pm, Monday to Friday, and for internet dealing visit www.shareview.co.uk/dealing. Shareholders will need their reference number which can be found on their share certificate.

SHAREGIFT

Shareholders with a small number of shares, the value of which makes them uneconomic to sell, may wish to consider donating their shares to charity through ShareGift, a donation scheme operated by The Orr Mackintosh Foundation. A ShareGift donation form can be obtained from Equiniti. Further information is available at www.sharegift.org or by telephone on 0207 9303 737.

SHARE PRICE INFORMATION

The latest Burberry Group plc share price is available on the Company's website at www.burberryplc.com.

UNAUTHORISED BROKERS (BOILER ROOM SCAMS)

Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount, or offers of free company reports. These are typically from overseas-based 'brokers' who target UK shareholders offering to sell them what often turn out to be worthless or high-risk shares in US or UK investments. These operations are commonly known as boiler rooms.

If you receive any unsolicited investment advice, get the correct name of the person and organisation, and check that they are properly authorised by the FCA before getting involved. This can be done by visiting www.fca.org.uk/register/.

If you deal with an unauthorised firm, you will not be eligible to receive payment under the Financial Services Compensation Scheme if things go wrong.

If you think you have been approached by an unauthorised firm, you should contact the FCA consumer helpline on 0800 111 6768.

More detailed information can be found on the FCA website at www.fca.org.uk/consumers/protect-yourself/unauthorised-firms.

WEBSITE

This Annual Report and other information about Burberry Group plc, including share price information and details of results announcements, are available at www.burberryplc.com.

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